
 ----- TITLE
 OF SECURITIES PROPOSED
 MAXIMUM AGGREGATE
 BEING REGISTERED
 OFFERING PRICE(1)
 AMOUNT OF REGISTRATION
 FEE(2) - -----

 ----- Common
 Stock, \$.001 par
 value.....
 \$175,000,000 \$22,050 -

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

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

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

SUBJECT TO COMPLETION, DATED APRIL 7, 2005

PROSPECTUS

SHARES OF COMMON STOCK

(MEDICAL PROPERTIES TRUST LOGO)

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

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

We expect the initial public offering price to be between \$ _____ and \$ _____ per share. We intend to apply to list our common stock on the New York Stock Exchange under the symbol "MPW."

SEE "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS PROSPECTUS FOR THE MOST SIGNIFICANT RISKS RELEVANT TO AN INVESTMENT IN OUR COMMON STOCK, INCLUDING, AMONG OTHERS:

- We were formed in August 2003 and have a limited operating history; our management has a limited history of operating a REIT and a public company and may therefore have difficulty in successfully and profitably operating our business.
- We may be unable to acquire or develop the facilities we have under letter of commitment or contract or facilities we have identified as potential candidates for acquisition or development as quickly as we expect or at all, which could harm our future operating results and adversely affect our ability to make distributions to our stockholders.
- Our real estate investments will be concentrated in net-leased healthcare facilities, making us more vulnerable economically than if our investments were more diversified across several industries or property types.
- Our facilities are currently leased to three tenants, two of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of loan commitment fees and repayment of loans we have made or intend to make to them, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.
- Development and construction risks, including delays in construction, exceeding original estimates and failure to obtain financing, could adversely affect our ability to make distributions to our stockholders.
- Reductions in reimbursement from third-party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent or loan payments to us.
- The healthcare industry is heavily regulated and existing and new laws or regulations, changes to existing laws or regulations, loss of licensure or

certification or failure to obtain licensure or certification could result in the inability of our tenants to make lease or loan payments to us.

- Failure to obtain or loss of our tax status as a REIT would have significant adverse consequences to us and the value of our common stock.
- Common stock eligible for future sale, including up to _____ shares that may be resold by our existing stockholders upon effectiveness of our resale registration statement, may result in increased selling which may have an adverse effect on our stock price.
- If you purchase common stock in this offering, you will experience immediate dilution of approximately \$ _____ in net tangible book value per share.

PER SHARE TOTAL	-----	-----	Public
	offering		
price.....	Underwriting		
discount.....			
	Proceeds, before expenses, to		
us.....	Proceeds,		
	before expenses, to selling		
	stockholders.....		

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

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

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

FRIEDMAN BILLINGS RAMSEY

JPMORGAN

THE DATE OF THIS PROSPECTUS IS _____, 2005.

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SUMMARY

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

OUR COMPANY

We are a self-advised real estate company that acquires, develops and leases healthcare facilities providing state-of-the-art healthcare services. We lease our facilities to experienced healthcare operators pursuant to long-term net-leases, which require the tenant to bear most of the costs associated with the property. From time to time, we also make loans to our tenants. We were formed in August 2003 and completed a private placement of our common stock in April 2004 in which we raised net proceeds of approximately \$233.5 million. Shortly after completion of our private placement, we began to acquire our current portfolio of nine facilities, consisting of seven facilities that are in operation and two facilities that are under development. We acquired six operating facilities in July and August of 2004 for an aggregate purchase price of \$127.4 million, including acquisition costs, from Care Ventures, Inc., and one operating facility in February 2005 for a purchase price of \$28.0 million from Prime A Investments, LLC.

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

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

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

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

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

OUR PORTFOLIO

OUR CURRENT PORTFOLIO OF FACILITIES

Our current portfolio of facilities consists of nine healthcare facilities, seven of which are in operation and two of which are under development. Six of the facilities in operation, which consist of four rehabilitation hospitals and two long-term acute care hospitals, are leased to Vibra Healthcare, LLC, or Vibra, formerly known as Highmark Healthcare, LLC, a recently formed specialty healthcare provider with operations in six states. We refer to these facilities in this prospectus as the Vibra Facilities. The seventh facility in operation, a community hospital which has an integrated medical office building, is leased to Desert Valley Hospital, Inc., or DVH. We refer to this facility in this prospectus as the Desert Valley Facility. The facilities under development are a community hospital, which we refer to in this prospectus as the West Houston Hospital, and an adjacent medical office building, which we refer to in this prospectus as the West Houston MOB, and are leased to Stealth, L.P., or Stealth, a recently organized healthcare facility operator with no current operations. We refer to the West Houston Hospital and the West Houston MOB together in this prospectus as the West Houston Facilities. All of the leases for the hospitals currently in operation have initial terms of 15 years. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end 15 years after completion of construction. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end 10 years after completion of construction. We target completion of construction of the West Houston MOB for August 2005 and completion of construction of the West Houston Hospital for October 2005. The leases for all of the facilities in our current portfolio provide for contractual base rent and an annual rent escalator. The leases for the Vibra Facilities also provide for "percentage rent," which means that once the tenant achieves a certain revenue threshold then, in addition to base rent, we will receive periodic rent payments based on an agreed percentage of the tenant's gross revenue. The following table sets forth information, as of March 31, 2005, regarding our current portfolio of facilities:

	2005	2006	2004
CONTRACTUAL			
CONTRACTUAL NUMBER			
OF ANNUALIZED BASE			
BASE LOCATION TYPE			
TENANT BEDS(1)	BASE		
RENT	RENT(2)	RENT(2)	
Operating Bowling Green, Kentucky.....			
Rehabilitation Vibra hospital Healthcare, LLC(4)	60	\$	
	3,916,695	\$	
	4,294,990	\$	
4,790,118 Marlton, New Jersey(5).....			
Rehabilitation(6) Vibra hospital Healthcare, LLC(4)	76	3,401,791	
	3,730,354	4,160,390	
Victorville, California(7).....			
Community Desert Valley			

hospital/Medical
 Hospital, Inc. 83 --
 2,341,004 2,856,000
 Office Building New
 Bedford,
 Massachusetts.....
 Long-term Vibra
 acute care
 Healthcare, hospital
 LLC(4) 90 2,262,979
 2,426,320 2,767,624
 Fresno,
 California...
 Rehabilitation Vibra
 hospital Healthcare,
 LLC(4) 62 1,914,829
 2,099,773 2,341,835
 Thornton,
 Colorado...
 Rehabilitation Vibra
 hospital Healthcare,
 LLC(4) 117 870,377
 933,200 1,064,471
 GROSS PURCHASE PRICE
 OR PROJECTED LEASE
 LOCATION DEVELOPMENT
 COST(3) EXPIRATION -

 ----- Operating
 Bowling Green,
 Kentucky.....
 \$ 38,211,658 July
 2019 Marlton, New
 Jersey(5).....
 32,267,622 July 2019
 Victorville,
 California(7).....
 28,000,000 February
 2020 New Bedford,
 Massachusetts.....
 22,077,847 August
 2019 Fresno,
 California...
 18,681,255 July 2019
 Thornton,
 Colorado...
 8,491,481 August
 2019

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

Kentfield,
California.....
Long-term Vibra
acute care
Healthcare, hospital
LLC(4) 60 783,339
858,998 958,024 ---

SUBTOTAL.....
-- -- 548
\$13,150,010
\$16,684,639
\$18,938,462 --- ----

----- Under
Development Houston,
Texas.....
Community 105(9) \$ -
- \$772,196(10) \$
4,652,481(10)
hospital(8) Stealth,
L.P. Houston,
Texas..... Medical
office building(12)
Stealth, L.P. n/a --
670,840(10)
2,025,936(10) -----

SUBTOTAL.....
-- -- 105 --
1,443,036 6,678,417

TOTAL.....
-- -- 653
\$13,150,010
\$18,127,675
\$25,616,879 ===
=====
=====
=====

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

----- Kentfield,
California.....
7,642,332 July 2019

SUBTOTAL.....
\$155,372,195 -- ----
----- Under
Development Houston,
Texas..... \$
42,600,000 October
2020(11) Houston,
Texas.....
20,500,000 August
2015(13) -----

SUBTOTAL.....
63,100,000 -- ----

TOTAL.....
\$218,472,195 --
=====

-
- (1) Based on the number of licensed beds.
 - (2) Based on leases in place as of the date of this prospectus.
 - (3) Includes acquisition costs.
 - (4) The tenant in each case is a separate, wholly-owned subsidiary of Vibra Healthcare, LLC.
 - (5) Our interest in this facility is held through a ground lease on the property. The purchase price shown for this facility does not include our payment obligations under the ground lease, the present value of which we have calculated to be \$920,579. The calculation of the base rent to be received from Vibra for this facility takes into account the present value of the ground lease payments.
 - (6) Thirty of the 76 beds are pediatric rehabilitation beds operated by HBA Management, Inc.
 - (7) At any time after February 28, 2007, the tenant has the option to purchase the facility at a purchase price equal to the sum of (i) the purchase price of the facility, and (ii) that amount determined under a formula that would provide us an internal rate of return of 10% per year, increased by 2% of such percentage each year, taking into account all payments of base rent received by us.
 - (8) Expected to be completed in October 2005.
 - (9) Seventy-one of the 105 beds will be acute care beds operated by Stealth, L.P. and the remaining 34 beds will be long-term acute care beds operated by Triumph Southwest, L.P.
 - (10) Based on estimated total development costs and estimated dates of completion. Assumes completion of construction in October 2005 for the West Houston Hospital and in August 2005 for the West Houston MOB. Does not include rents that accrue during the construction period and are payable over the remaining lease term following the completion of construction.
 - (11) Following completion, the lease term will extend for a period of 15 years. At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the community hospital from us at a purchase price equal to the greater of (i) that amount determined under a formula which would provide us an internal rate of return of at least 18% or (ii) appraised value assuming the lease is still in place.
 - (12) Expected to be completed in August 2005.
 - (13) Following completion, the lease term will extend for a period of 10 years. At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the medical office building from us at a purchase price equal to the greater of (i) that amount determined under a formula which would provide us an internal rate of return of at least 18% or (ii) appraised value assuming the lease is still in place.

OUR CURRENT LOANS AND FEES RECEIVABLE

At the time we acquired the Vibra Facilities, we made secured loans to Vibra, the parent entity of our current tenants in those facilities, to enable Vibra to acquire the healthcare operations at these locations. These loans total approximately \$41.4 million and are to be repaid over 15 years. Payment of the acquisition loans is secured by pledges of membership interests in Vibra and its subsidiaries that are our tenants and are guaranteed by affiliates of the tenant. The loans accrue interest at an annual rate of 10.25% with interest only for the first three years and the principal balances amortize over the remaining 12 year period. The acquisition loans may be prepaid at any time without penalty. In connection with the Vibra transactions, Vibra agreed to pay us commitment fees of approximately \$1.5 million. We also made secured loans totaling approximately \$6.2 million to Vibra and its subsidiaries for working capital purposes. The commitment fees were paid, and the working capital loans were repaid, on February 9, 2005.

In connection with the development of the West Houston Facilities, Stealth has agreed to pay us a commitment fee of approximately \$932,125, to be paid over 15 years following completion of the West Houston Hospital. The commitment fee is based on a percentage of total development costs and may be adjusted upon completion of construction of the West Houston Facilities based on actual development costs. We have agreed to make a working capital loan to Stealth of up to \$1.62 million, to be repaid over 15 years. No funds have been borrowed by Stealth to date under the working capital loan. The promissory notes evidencing the loan and commitment fee provide for interest at an annual rate of 10.75% and are unsecured, but the promissory notes are cross-defaulted with our related facility leases with Stealth.

Stealth is obligated to pay us a project inspection fee for construction coordination services of \$100,000 in the case of the West Houston Hospital and \$50,000 in the case of the adjacent West Houston MOB. These fees are to be paid, with interest at the rate of 10.75% per year, over a 15 year period beginning on the date that the West Houston Hospital is completed, which we expect to be in October 2005. The obligation to pay these fees is evidenced by promissory notes and is unsecured, but the promissory notes are cross-defaulted with our related facility leases with Stealth. Any of the fees or the working capital loan may be prepaid at any time without penalty, except that a minimum prepayment of \$500,000 is required for the working capital loan.

OUR PENDING ACQUISITIONS AND DEVELOPMENTS

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

ANNUAL YEAR ONE MINIMUM GROSS NUMBER OF CONTRACTUAL INCREASE IN PURCHASE LEASE LOCATION TYPE TENANT BEDS(1) BASE RENT RENT PRICE EXPIRATION - - - - -	- - - - -	- - - - -

--- ----- Operating Covington, Louisiana*..... Long-term Gulf States 58 \$ 1,170,750(2) 2.5%(3) \$ 11,150,000 April 2020(4) acute LTACH of care Covington, LLC hospital Denham Springs, Louisiana*..... Long- term Gulf States 59 630,000(2) 2.5%(3) 6,000,000 April 2020(4) acute LTACH of Denham care Springs, LLC hospital Hammond, Louisiana*(5)..... Long- term Hammond 40 840,000(6) 2.5% (3) 10,285,000 May 2021 acute Rehabilitation care Hospital, LLC hospital --- - - - - -		

SUBTOTAL.....	157	\$ 2,640,750 \$ 27,435,000 --

---- Under Development Bensalem, Pennsylvania**..... Women's Bucks County 30 -- 2.5%(3) 38,000,000 (7) hospital/ Oncoplastic medical Institute, LLC office building Bloomington, Indiana*..... Community Monroe 32 -- 2.5%(3) \$ 28,000,000 (7) hospital Hospital, L.L.C. Houston, Texas*.....		
Community North Cypress 64 --		

2.5%(3) 51,000,000 (7) hospital
Medical Center Operating
Company, Ltd. --- -----

SUBTOTAL.....
-- -- 126 -- \$117,000,000 --
=== -----
TOTAL.....
-- -- 283 \$ 2,640,750
\$144,435,000 -- ===
=====

- -----
* Under letter of commitment.

** Under contract.

(1) Based on the number of licensed beds.

(2) Year One is the 12 month period commencing on an expected closing date of April 30, 2005.

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

(4) The lease expiration is based upon a 15 year term commencing on an expected closing date of April 30, 2005.

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

(6) Based on one year contractual interest at the rate of 10.5% per year on the \$8.0 million mortgage loan to Hammond Properties. We expect to exercise our option to purchase the Hammond facility in 2006. For the one year period following our purchase of the facility, contractual base rent would equal \$1,080,030, based on 10.5% of an estimated purchase price of \$10,285,000.

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

OTHER LETTERS OF COMMITMENT

In addition to our Pending Acquisition and Development Facilities, we have entered into the following letters of commitment:

On February 28, 2005, we entered into a letter of commitment with DVH, pursuant to which we have agreed to fund up to \$20.0 million for the purpose of expanding our Desert Valley Facility, a community hospital with an integrated medical office building in Victorville, California. We have agreed to begin funding and DVH has agreed to begin drawing on the commitment amount by February 28, 2006, in accordance with a disbursement schedule to be set forth in a definitive development agreement to be entered into between us and DVH at the time of the first draw. Upon receipt and approval of the development agreement, DVH is obligated to pay us a commitment fee in cash equal to 0.5% of the maximum commitment amount. This commitment fee will be adjusted following the full and final funding of the expansion to a sum equal to 0.5% of the actual amount funded. Except for any adjustments to the commitment fee that may result from funding less than the maximum commitment amount, the commitment fee is non-refundable. If DVH fails to provide a development agreement to us by January 29, 2006, we will have no further liability or obligation to provide the funding and will not receive any commitment fees. We do not expect to generate any revenues from this transaction in the near future.

On March 3, 2005, we entered into a letter of commitment with Diversified Specialty Institutes, Inc., or DSI, pursuant to which we have agreed to make available to DSI or its affiliates acquisition and development funds in the total amount of \$50.0 million to be used to finance the potential future acquisition or development of healthcare facilities, in each case subject to our due diligence and approval. DSI is the developer of our women's hospital and medical office building in Bensalem, Pennsylvania. We expect the commitment to remain outstanding until March 2, 2006, and be available to finance any acquisition or development facility that is subject to a definitive agreement as of March 2, 2006. At the time of DSI's purchase of any acquisition or development facility, we intend to purchase the facility or land from DSI and lease it back to an affiliate of DSI for an initial 15 year term. Under the terms of the letter of commitment, each lease will be a net lease providing for contractual base rent and an annual rent escalator.

We cannot assure you that we will acquire or develop any of the Pending Acquisition and Development Facilities or complete any of the other transactions we have under letter of commitment on the terms described in this prospectus or at all, because each of these transactions is subject to a variety of conditions, including, in the case of the Pending Acquisition and Development Facilities under contract, our satisfactory completion of due diligence, receipt of appraisals and other third party reports, obtaining of government and third party approvals and consents and other customary closing conditions and, in the case of the transactions under letters of commitment, negotiation and execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third party reports, obtaining of government and third party approvals and consents, approval by our board of directors and other customary closing conditions.

OUR ACQUISITION AND DEVELOPMENT PIPELINE

In addition to the transactions described above, as of _____, 2005, we had facilities under letters of intent with an aggregate gross purchase price and estimated development costs totally approximately \$ _____ million. The letters of intent are non-binding, and we cannot assure you that we will acquire or develop any of the facilities under letters of intent because each of these transactions is subject to a variety of conditions, including the willingness of the parties to proceed with the contemplated transaction, negotiation and execution of a letter of commitment and mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third party reports, obtaining of government and third party approvals and consents, approval by our board of directors and other customary closing

conditions.

We have also identified a number of opportunities to acquire or develop additional healthcare facilities. In some cases, we are actively negotiating agreements or letters of intent with the owners or

prospective tenants. In other instances, we have only identified the potential opportunity and had preliminary discussions with the owner or prospective tenant. None of these potential acquisitions or developments is under a letter of intent, letter of commitment or contract and we cannot assure you that we will complete any of these potential acquisitions or developments.

OUR DEBT

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

We borrowed \$75 million from Merrill Lynch Capital under a loan agreement with a term of three years for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (2.87% at March 31, 2005) plus 300 basis points. The loan is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants. There was \$74.1 million outstanding under this loan as of March 31, 2005. We have also entered into construction loan agreement in an aggregate amount of \$43.4 million with Colonial Bank to fund construction costs for the West Houston Facilities being developed in Houston, Texas. Each construction loan has a term of up to 18 months and an option on the part of the borrower to convert the loan to a 30-month term loan upon completion of construction of the West Houston Facility securing that loan. The loans are secured by mortgages on the West Houston Facilities, as well as assignments of rents and leases on those facilities, and require us to comply with certain financial covenants. The loans bear interest at three month LIBOR (3.12% at March 31, 2005) plus 225 basis points during the construction period and three month LIBOR plus 250 basis points thereafter. The Colonial Bank loans are cross-defaulted. As of the date of this prospectus, we have made no borrowings under the Colonial Bank loans.

COMPETITIVE STRENGTHS

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

- Experienced Management Team. Our management team's experience enables us to offer innovative acquisition and net-lease structures that we believe will appeal to a variety of healthcare operators. We believe that our management's depth of experience in both traditional real estate investment and healthcare operations positions us favorably to take advantage of the available opportunities in the healthcare real estate market.
- Comprehensive Underwriting Process. Our underwriting process focuses on both real estate investment and healthcare operations. Our acquisition and development selection process includes a comprehensive analysis of a targeted healthcare facility's profitability, cash flow, occupancy and patient and payor mix, financial trends in revenues and expenses, barriers to competition, the need in the market for the type of healthcare services provided by the facility, the strength of the location and the underlying value of the facility, as well as the financial strength and experience of the tenant. Through our detailed underwriting of healthcare acquisitions, which includes an analysis of both the underlying real estate and ongoing or expected healthcare operations at the property, we expect to deliver attractive risk-adjusted returns to our stockholders.
- Active Asset Management. We actively monitor the operating results of our tenants by reviewing periodic financial reporting and operating data, as well as visiting each facility and meeting with the management of our tenants on a regular basis. Integral to our asset management philosophy is our desire to build long-term relationships with our tenants and, accordingly, we have developed a partnering approach which we believe results in the tenant viewing us as a member of its team.

- Favorable Lease Terms. We lease our facilities to healthcare operators pursuant to long-term net-lease agreements. A net-lease requires the tenant to bear most of the costs associated with the property, including property taxes, utilities, insurance and maintenance. Our current net-leases are for terms of at least 10 years, provide for annual base rental increases and, in the case of the Vibra Facilities, percentage rent. Similarly, we anticipate that our future leases will generally provide for base rent with annual escalators, tenant payment of operating costs and, when feasible and in compliance with applicable healthcare laws and regulations, percentage rent.
- Diversified Portfolio Strategy. We focus on a portfolio of several different types of healthcare facilities in a variety of geographic regions. We also intend to diversify our tenant base as we acquire and develop additional healthcare facilities.
- Access to Investment Opportunities. We believe our network of relationships in both the real estate and healthcare industries provides us access to a large volume of potential acquisition and development opportunities. The net proceeds of this offering will enhance our ability to capitalize on these and other investment opportunities.
- Local Physician Investment. When feasible and in compliance with applicable healthcare laws and regulations, we expect to offer physicians an opportunity to invest in the facilities that we own, thereby strengthening our relationship with the local physician community.

SUMMARY RISK FACTORS

You should carefully consider the matters discussed in the section "Risk Factors" beginning on page 15 prior to deciding whether to invest in our common stock. Some of these risks include:

- We were formed in August 2003 and have a limited operating history; our management has a limited history of operating a REIT and a public company and may therefore have difficulty in successfully and profitably operating our business.
- We may be unable to acquire or develop the Pending Acquisition and Development Facilities or facilities we have identified as potential candidates for acquisition or development as quickly as we expect or at all, which could harm our future operating results and adversely affect our ability to make distributions to our stockholders.
- We expect to continue to experience rapid growth and may not be able to adapt our management and operational systems to integrate the net-leased facilities we have acquired and are developing or those that we expect to acquire and develop without unanticipated disruption or expense.
- Our real estate investments will be concentrated in net-leased healthcare facilities, making us more vulnerable economically than if our investments were more diversified across several industries or property types.
- Failure by our tenants to repay loans currently outstanding or loans we have committed to make or to pay us commitment and other fees that they are obligated to pay, in an aggregate amount of approximately \$44.1 million, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.
- Our facilities are currently leased to only three tenants, two of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of loan commitment fees and repayment of loans we have made or intend to make to them, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.
- Development and construction risks, including delays in construction, exceeding original estimates and failure to obtain financing, could

adversely affect our ability to make distributions to our stockholders.

- Reductions in reimbursement from third-party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent or loan payments to us.
- The healthcare industry is heavily regulated and existing and new laws or regulations, changes to existing laws or regulations, loss of licensure or certification or failure to obtain licensure or certification could result in the inability of our tenants to make lease or loan payments to us.
- Our use of debt financing will subject us to significant risks, including foreclosure and refinancing risks and the risk that debt service obligations will reduce the amount of cash available for distribution to our stockholders. We have entered into loan agreements pursuant to which we may borrow up to \$117.5 million, \$74.1 million of which was outstanding as of March 31, 2005. Our charter and other organizational documents do not limit the amount of debt we may incur.
- Provisions of Maryland law, our charter and our bylaws may prevent or deter changes in management and third-party acquisition proposals that you may believe to be in our best interest, depress our stock price or cause dilution.
- We depend on key personnel, the loss of any one of whom could threaten our ability to operate our business successfully.
- Failure to obtain or loss of our tax status as a REIT would have significant adverse consequences to us and the value of our common stock.
- Our loans to Vibra could be recharacterized as equity, in which case our rental income from Vibra would not be qualifying income under the REIT rules and we could lose our REIT status.
- There is currently no public market for our common stock, and an active trading market for our common stock may never develop.
- Common stock eligible for future sale, including up to shares that may be resold by our existing stockholders upon effectiveness of our resale registration statement, may result in increased selling which may have an adverse effect on our stock price.
- Our engagement agreement with Friedman, Billings, Ramsey & Co., Inc. may preclude us from engaging investment banking firms other than Friedman, Billings, Ramsey & Co., Inc, until April 7, 2006 for future financing and other strategic transactions, and Friedman, Billings, Ramsey & Co., Inc. has an interest in this offering other than underwriting discounts and commissions.
- If you purchase common stock in this offering, you will experience immediate dilution of approximately \$ in net tangible book value per share.

MARKET OPPORTUNITY

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

To satisfy this growing demand for healthcare services, a significant

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

OUR TARGET FACILITIES

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

- Rehabilitation Hospitals: Rehabilitation hospitals provide inpatient and outpatient rehabilitation services for patients recovering from multiple traumatic injuries, organ transplants, amputations, cardiovascular surgery, strokes, and complex neurological, orthopedic, and other conditions. These hospitals are often the best medical alternative to traditional acute care hospitals where under the Medicare prospective payment system there is pressure to discharge patients after relatively short stays.
- Long-term Acute Care Hospitals: Long-term acute care hospitals focus on extended hospital care, generally at least 25 days, for the medically-complex patient. Long-term acute care hospitals have arisen from a need to provide care to patients in acute care settings, including daily physician observation and treatment, before they are able to move to a rehabilitation hospital or return home. These facilities are reimbursed in a manner more appropriate for a longer length of stay than is typical for an acute care hospital.
- Regional and Community Hospitals: We define regional and community hospitals as general medical/surgical hospitals whose practicing physicians generally serve a market specific area, whether urban, suburban or rural. We intend to limit our ownership of these facilities to those with market, ownership, competitive or technological characteristics that provide barriers to entry for potential competitors.
- Women's and Children's Hospitals: These hospitals serve the specialized areas of obstetrics and gynecology, other women's healthcare needs, neonatology and pediatrics. We anticipate substantial development of facilities designed to meet the needs of women and children and their physicians as a result of the decentralization and specialization trends described above.
- Ambulatory Surgery Centers: Ambulatory surgery centers are freestanding facilities designed to allow patients to have outpatient surgery, spend a short time recovering at the center, then return home to complete their recovery. Ambulatory surgery centers offer a lower cost alternative to general hospitals for many surgical procedures in an environment that is more convenient for both patients and physicians. Outpatient procedures commonly performed include those related to gastrointestinal, general surgery, plastic surgery, ear, nose and throat/audiology, as well as orthopedics and sports medicine.
- Other Single-Discipline Facilities: The decentralization and specialization trends in the healthcare industry are also creating demands and opportunities for physicians to practice in hospital facilities in which the design, layout and medical equipment are specifically developed, and healthcare professional staff are educated, for medical specialties. These facilities include heart hospitals, ophthalmology centers, orthopedic hospitals and cancer centers.
- Medical Office Buildings: Medical office buildings are office and clinic facilities occupied and used by physicians and other healthcare providers in the provision of healthcare services to their patients. The medical office buildings that we target are or will be master-leased and generally adjacent to our other targeted healthcare facilities.

OUR FORMATION TRANSACTIONS

The following is a summary of our formation transactions:

- We were formed as a Maryland corporation on August 27, 2003 to succeed to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed by certain of our founders in December 2002. In connection with our formation, we issued our founders

1,630,435 shares of our common stock in exchange for nominal cash consideration and the membership interests of Medical Properties Trust, LLC. Upon completion of our private placement in April 2004, 1,108,527 shares of the 1,630,435 shares of common stock held by our founders were redeemed for nominal value and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement.

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

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

- In April 2004 we completed a private placement of 25,300,000 shares of common stock at an offering price of \$10.00 per share. Friedman, Billings, Ramsey & Co., Inc., which is serving as a lead underwriter in this offering, acted as the initial purchaser and sole placement agent. The total net proceeds to us, after deducting fees and expenses of the offering, were approximately \$233.5 million, and, together with borrowed funds, have been or will be used to acquire our current portfolio of nine facilities, consisting of seven facilities that are in operation and two that are under development, lend funds to one of our tenants, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately \$155.4 million to acquire our seven existing facilities, have loaned \$47.6 million to Vibra to acquire the operations at the Vibra Facilities and for working capital purposes, \$6.2 million of which has been repaid, and have funded approximately \$29.4 million of a projected total of approximately \$63.1 million of development costs for the West Houston Facilities. There are approximately 295 holders of our common stock as of the date of this prospectus.

OUR STRUCTURE

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

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

(CHART)

- - - - -

- (1) We own and in the future expect to own interests in our facilities through wholly owned or majority owned subsidiaries of our operating partnership, MPT Operating Partnership, L.P. Our operating partnership is a limited partner of MPT West Houston MOB, L.P. and MPT West Houston Hospital, L.P., which own, respectively, the West Houston MOB and the West Houston Hospital. MPT West Houston MOB, LLC and MPT West Houston Hospital, LLC, both of which are wholly-owned by our operating partnership, are, respectively, the general partners of these entities. We are offering up to 40% of the limited partnership interests in MPT West Houston MOB, L.P. to physicians. Stealth, the tenant of the West Houston Hospital, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P.

REGISTRATION RIGHTS AND LOCK-UP AGREEMENTS

Registration Rights Agreement. Pursuant to a registration rights agreement among us, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, we were required, among other things, to file with the SEC by January 6, 2005 a resale shelf registration statement registering all of the shares of common stock sold in our April 2004 private placement, and all of the shares of common stock issued to Friedman, Billings, Ramsey & Co., Inc. for financial advisory services. We are required to use our reasonable best efforts to cause the resale registration statement to become effective under the Securities Act as promptly as practicable after the filing and to maintain the resale registration statement continuously effective under the Securities Act of 1933, or the Securities Act, for a specified period.

The resale registration statement was filed on January 6, 2005. If we default on our obligation to use reasonable best efforts to cause the effectiveness of, or fail to maintain the effectiveness of, the resale registration statement for the time periods described above, or certain other events occur, we may be

required to pay the holders of registrable shares, other than our affiliates, liquidated damages during the period of the default.

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

SELLING STOCKHOLDERS

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

RESTRICTIONS ON OWNERSHIP OF OUR COMMON STOCK

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

DISTRIBUTION POLICY

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

On September 2, 2004, we declared a distribution of \$0.10 per share of common stock, payable to stockholders of record as of September 16, 2004. We made this distribution on October 11, 2004. On November 11, 2004, we declared a distribution of \$0.11 per share of common stock, payable to stockholders of record as of December 16, 2004. We made the distribution on January 11, 2005. On March 4, 2005, we declared a distribution of \$0.11 per share of common stock, payable on April 15, 2005 to stockholders of record as of March 16, 2005.

THE OFFERING

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

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

Shares of common stock to be
outstanding after this
offering(1)(2)..... shares

Use of Proceeds..... The net proceeds to us from the sale of the
shares of common stock offered by this
prospectus, after deducting the underwriting
discount and the estimated offering expenses
payable by us, will be approximately
\$. We intend to use the net proceeds
as follows:

- approximately \$ to fund the purchase
or development of our Pending Acquisition and
Development Facilities;
- the remainder for general corporate and
working capital purposes, including possible
future acquisitions or developments of
facilities, expansion of the Desert Valley
Facility, funding of the DSI acquisition and
development commitment, and repayment of
indebtedness.

Pending these uses, we intend to invest the net
offering proceeds in interest-bearing,
short-term marketable investment grade
securities or money-market accounts which are
consistent with our intention to qualify as a
REIT.

Proposed NYSE symbol..... MPW

- (1) Excludes shares of common stock that may be issued by us upon
exercise of the underwriters' overallotment option.
- (2) Based on shares outstanding as of , 2005. Includes 114,500
shares of restricted common stock to be awarded upon completion of this
offering under our Amended and Restated 2004 Equity Incentive Plan, which we
refer to in this prospectus as our equity incentive plan. Excludes (i)
100,000 shares of common stock issuable upon the exercise of stock options
granted to our independent directors under our equity incentive plan,
one-third of which are vested; (ii) 5,000 shares of common stock issuable in
October 2007 and 7,500 shares of common stock issuable in March 2008
pursuant to deferred stock units awarded under our equity incentive plan to
our independent directors; (iii) 35,000 shares of common stock issuable upon
the exercise of a warrant granted to an unaffiliated third-party, and (iv)
564,180 shares of common stock available for future awards under our equity
incentive plan.

TAX STATUS

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

SUMMARY FINANCIAL INFORMATION

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

The following table sets forth our summary financial and operating data on an historical and pro forma basis. Our summary historical statements of operations information for the year ended December 31, 2004 and for the period from inception (August 27, 2003) through December 31, 2003 and our summary historical balance sheet information at December 31, 2004 and at December 31, 2003 have been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus.

The unaudited pro forma consolidated balance sheet data as of December 31, 2004 are presented as if our acquisition of the current portfolio of facilities and completion of this offering and application of the net proceeds had occurred on December 31, 2004, and, our unaudited pro forma consolidated statement of operations data for the year ended December 31, 2004 are presented as if our acquisition of the current portfolio of facilities and completion of this offering and application of the net proceeds had occurred on January 1, 2004. The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

FOR THE PERIOD FROM INCEPTION (AUGUST 27,
2003) THROUGH FOR THE YEAR ENDED DECEMBER
31, DECEMBER 31, 2004 2003 -----

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

----- OPERATING
INFORMATION: Revenues Rent

income.....

\$ 23,766,315 \$ 8,611,344 \$ -- Interest

income from loans.....

5,877,049 2,282,115 -- -----

----- Total

revenues.....

29,643,364 10,893,459 -- Operating

expenses Depreciation and

amortization..... 4,257,054

1,478,470 -- General and

administrative.....

6,202,284 5,057,284 992,418 Total

operating expenses.....

11,325,189 7,214,601 1,023,276 Operating

income (loss).....

18,318,175 3,678,858 (1,023,276) Net

income.....

897,491 897,491 -- Net income

(loss).....

19,215,666 4,576,349 (1,023,276) Net

income (loss) per share, basic and

diluted.... 0.24 (0.63) Weighted average

shares outstanding -- basic.....

19,310,833 1,630,435 Weighted average

shares outstanding -- diluted....

19,312,634 1,630,435

AS OF DECEMBER 31, AS OF DECEMBER 31, 2004

2003 -----

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

----- BALANCE SHEET INFORMATION: Gross
investment in real estate

assets..... \$207,068,625

\$151,690,293 \$ -- Net investment in real

estate..... 205,590,155

150,211,823 -- Construction in

progress.....

24,261,430 24,318,098 166,301 Cash and cash

equivalents.....

147,163,345 97,543,677 100,000 Loans

receivable.....	50,224,069(1)	50,224,069(1)	-- Total
assets.....	411,506,063	306,506,063	468,133 Total
debt.....	-- 56,000,000	-- Total	
liabilities.....	17,777,619	73,777,619	1,489,779 Total
		stockholders' equity	
	(deficit).....	392,728,444	
	231,728,444	(1,021,646)	Total liabilities
			and stockholders' equity.....
	411,506,063	306,506,063	468,133

FOR THE PERIOD FROM INCEPTION (AUGUST 27,
2003) THROUGH FOR THE YEAR ENDED DECEMBER
DECEMBER 31, 2004 31, 2003 -----
----- PRO FORMA HISTORICAL
HISTORICAL -----

-- OTHER INFORMATION: Funds from
operations(2).....
\$23,472,720 \$ 6,054,819 \$(1,023,276) Cash
Flows: Provided by operating
activities..... 9,918,898
368,133 Used for investing
activities.....
(195,600,642) (166,301) Provided by (used for)
financing activities..... 283,125,421
(101,832)

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

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

The following table presents a reconciliation of FFO to net income for the year ended December 31, 2004, on an actual and pro forma basis, and for the period from inception (August 27, 2003) through December 31, 2003 on an actual basis:

FOR THE PERIOD FROM INCEPTION (AUGUST 27, 2003)
FOR THE YEAR ENDED THROUGH DECEMBER 31, 2004
DECEMBER ----- 31, 2003 PRO
----- FORMA HISTORICAL HISTORICAL -----
----- FUNDS FROM
OPERATIONS: Net income
(loss).....
\$19,215,666 \$4,576,349 \$(1,023,276)
Depreciation and
amortization.....
4,257,054 1,478,470 -----
----- Funds from
operations.....
\$23,472,720 \$6,054,819 \$(1,023,276) =====
=====

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS AND GROWTH STRATEGY

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

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

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

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

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

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

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

We have entered into letters of commitment for a \$20.0 million expansion of the Desert Valley Facility and a commitment to fund \$50.0 million to DSI. Our funding of the expansion is subject to receipt of a development agreement, which we may not execute until January 29, 2006. If we enter into a development agreement, we may not begin construction on the expansion for several months after that time and the expansion could take up to approximately one year to complete. Any acquisition or development of facilities pursuant to the DSI commitment is subject to DSI's identification, and our approval, of acquisition or development facilities. Each of these commitments is subject to a number of conditions. Thus we may not begin funding any of these transactions in the near future, or at all, and may not in the near future, or ever, generate any revenues from these commitments.

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

As of _____, 2005, we had entered into non-binding letters of intent for the acquisition or development of facilities having an estimated aggregate gross purchase price or development cost of approximately \$ _____ million and we have identified numerous other facilities that we believe would be suitable candidates for acquisition or development; however, none of these facilities is under a letter of commitment or contract and we cannot assure you that we will be successful in completing the acquisition or development of any of these facilities. Consummation of any of these acquisitions is subject to, among other things, the willingness of the parties to proceed with a contemplated transaction, negotiation of mutually acceptable definitive agreements, satisfactory completion of due diligence and satisfaction of customary closing conditions. If we are unsuccessful in completing the acquisition or development of additional facilities in the future, our future operating results will not meet expectations and our ability to make distributions to our stockholders will be adversely affected.

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

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

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

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

obligations. Our ability to grow through acquisitions and developments will be limited if we are unable to obtain debt or equity financing, which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

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

We expect to qualify as a REIT and, accordingly, as a REIT operating in the healthcare industry, we are not permitted by current tax law to operate or manage the businesses conducted in our facilities. Accordingly, we rely almost exclusively on rent payments from our tenants for cash with which to make distributions to our stockholders. We have no control over the success or failure of these tenants' businesses. Significant adverse changes in the operations of any facility, or the financial condition of any tenant, could have a material adverse effect on our ability to collect rent payments and, accordingly, on our ability to make distributions to our stockholders. Facility management by our tenants and their compliance with state and federal healthcare laws could have a material impact on our tenants' operating and financial condition and, in turn, their ability to pay rent to us. Failure on the part of a tenant to comply materially with the terms of a lease could give us the right to terminate our lease with that tenant, repossess the applicable facility, cross default certain other leases with that tenant and enforce the payment obligations under the lease. However, we then would be required to find another tenant-operator. The transfer of most types of healthcare facilities is highly regulated, which may result in delays and increased costs in locating a suitable replacement tenant. The sale or lease of these properties to entities other than healthcare operators may be difficult due to the added cost and time of refitting the properties. If we are unable to re-let the properties to healthcare operators, we may be forced to sell the properties at a loss due to the repositioning expenses likely to be incurred by non-healthcare purchasers. Alternatively, we may be required to spend substantial amounts to adapt the facility to other uses. There can be no assurance that we would be able to find another tenant in a timely fashion, or at all, or that, if another tenant were found, we would be able to enter into a new lease on favorable terms. Defaults by our tenants under our leases may adversely affect the timing of and our ability to make distributions to our stockholders.

FAILURE BY OUR TENANTS TO REPAY LOANS CURRENTLY OUTSTANDING OR LOANS WE HAVE COMMITTED TO MAKE OR TO PAY US COMMITMENT OR OTHER FEES THAT THEY ARE OBLIGATED TO PAY, IN AN AGGREGATE AMOUNT OF APPROXIMATELY \$44.1 MILLION, WOULD HAVE A MATERIAL ADVERSE EFFECT ON OUR REVENUES AND OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

In connection with the acquisition of the Vibra Facilities, our taxable REIT subsidiary has made secured loans to Vibra in an aggregate amount of approximately \$41.4 million to acquire the operations at the Vibra Facilities. Payment of these loans is secured by pledges of equity interests in Vibra and its subsidiaries that are tenants of ours. If Vibra defaulted on these loans, our primary recourse would be to foreclose on the equity interests in Vibra and its affiliates. This recourse may be impractical because of limitations imposed by the REIT tax rules on our ability to own these interests. Failure to adhere to these limitations could cause us to lose our REIT status. Vibra has entered into a credit facility with Merrill Lynch, and that loan is secured by an interest in Vibra's receivables. We are subordinate to Merrill Lynch with respect to the receivables. We have also agreed to make a working capital loan to Stealth of up to \$1.62 million, although no amounts have been loaned to date. Stealth also owes us commitment and other fees of approximately \$1.1 million. Payment of these fees and loan amounts is unsecured. We have also agreed to make a mortgage loan in the amount of \$8.0 million to Hammond Properties. We are dependent upon the ability of these two tenants and Hammond Properties to repay these loans and fees. Failure by these tenants or Hammond Properties to meet these obligations would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

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

The Financial Accounting Standards Board, or FASB, issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51 (ARB No. 51)," in January 2003, and a further interpretation of FIN 46 in December 2003 (FIN 46-R, and collectively FIN 46). FIN 46 clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling

financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties, referred to as variable interest entities. FIN 46 generally requires consolidation by the party that has a majority of the risk and/or rewards, referred to as the primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003. Under certain circumstances, generally accepted accounting principles may require us to account for loans to thinly capitalized companies such as Vibra as equity investments. The resulting accounting treatment of certain income and expense items may adversely affect our results of operations, and consolidation of balance sheet amounts may adversely affect any loan covenants.

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

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

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

Our existing facilities and the facilities we have under development are currently leased to Vibra, DVH and Stealth. Vibra and Stealth are recently organized, have limited or no operating histories and Vibra was dependent on us for an aggregate amount of \$47.6 million in loans to acquire operations at the facilities and for initial working capital needs. As of December 31, 2004, Vibra had total assets of approximately \$59 million, total liabilities of approximately \$62.8 million, a deficit in owner's capital of approximately \$3.8 million, and for the period from inception through December 31, 2004 had a loss from operations of approximately \$5.1 million and a net loss of approximately \$3.8 million. Stealth had approximately \$5.7 million in equity as of December 31, 2004 and will have substantial pre-opening and start-up costs upon completion of construction of its facilities. We cannot assure you that, should its equity be insufficient to cover its costs, it could access additional debt or equity financing. Each Vibra lease is guaranteed by Brad E. Hollinger, chief executive officer of The Hollinger Group, Vibra, Vibra Management, LLC and The Hollinger Group; however, Mr. Hollinger's personal liability for the lease guaranty, the loan guaranty and for environmental indemnification is limited to \$5.0 million in the aggregate. As of October 31, 2004, DVH had tangible assets of approximately \$23.5 million, liabilities of approximately \$14.9 million and stockholders' equity of approximately \$8.6 million, and for the ten month period ended October 31, 2004 had net income of approximately \$8.7 million. The lease for the Desert Valley Facility is guaranteed by Desert Valley Health System, Inc., Desert Valley Medical Group, Inc. and Prime A Investments, LLC. If any of our tenants were to experience financial difficulties, the tenant may not be able to pay its rent. Guarantors of our leases with Vibra and DVH may not have sufficient assets to cover our losses under these leases. The failure of our tenants and their guarantors to meet their obligations to us would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

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

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

- private investors;
- healthcare providers, including physicians;
- other REITs;
- real estate partnerships;
- financial institutions; and
- local developers.

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

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

Our charter and other organizational documents do not limit the amount of debt we may incur. We have targeted our debt level at up to approximately 60% of our aggregate facility acquisition and development costs. However, we may modify our target debt level at any time without stockholder or board of director approval. We cannot assure you that our use of financial leverage will prove to be beneficial. We borrowed \$75 million from Merrill Lynch Capital under a loan agreement. We have also entered into loan agreements with Colonial Bank for construction loans in an aggregate amount of \$43.4 million. As of March 31, 2005, we had \$74.1 million of long-term debt outstanding. We may borrow from other lenders in the future, or we may issue corporate debt securities in public or private offerings. The loans from Merrill Lynch Capital and Colonial Bank are secured by the Vibra Facilities and our facilities under construction in Houston, Texas, respectively. Some of our other borrowings in the future may be secured by additional facilities we may acquire or develop. In addition, in connection with debt financing from Merrill Lynch Capital and Colonial Bank we are, and in connection with other debt financing in the future we may be, subject to covenants that may restrict our operations. We cannot assure you that we will be able to meet our debt payment obligations or restrictive covenants and, to the extent that we cannot, we risk the loss of some or all of our facilities to foreclosure. In addition, debt service obligations will reduce the amount of cash available for distribution to our stockholders.

We anticipate that much of our debt will be non-amortizing and payable in balloon payments. Therefore, we will likely need to refinance at least a portion of that debt as it matures. There is a risk that we may not be able to refinance then-existing debt or that the terms of any refinancing will not be as favorable as the terms of the then-existing debt. If principal payments due at maturity cannot be

refinanced, extended or repaid with proceeds from other sources, such as new equity capital or sales of facilities, our cash flow may not be sufficient to repay all maturing debt in years when significant balloon payments come due. Additionally, we may incur significant penalties if we choose to prepay the debt.

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

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

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

Our current tenants have, and some prospective tenants will have, the option to purchase the facilities we lease to them. At the expiration of each Vibra lease, each tenant will have the option to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, determined assuming the lease is still in place, or (ii) the purchase price we paid for the facility, including acquisition costs, increased by 2.5% per year from the date of purchase. At any time after February 28, 2007, so long as DVH, and its affiliates are not in default under any lease with us or any of the leases with its subtenants, DVH will have the option, upon 90 days' prior written notice, to purchase the Desert Valley Facility at a purchase price equal to the sum of (i) the purchase price of the facility, and (ii) that amount determined under a formula that would provide us an internal rate of return of 10% per year, increased by 2% of such percentage each year, taking into account all payments of base rent received by us. If during the term of the lease we receive from the previous owner or any of its affiliates, a written offer to purchase the Desert Valley Facility and we are willing to accept the offer, so long as DVH and its affiliates are not in default under any lease with us or any of the subleases with its subtenants, we must first present the offer to DVH and allow DVH the right to purchase the facility upon the same price, terms and conditions as set forth in the offer; however, if the offer is made after February 28, 2007, in lieu of exercising its right of first refusal, DVH may exercise its option to purchase as provided above. After the first full 12 month period after construction of the West Houston MOB and the West Houston Hospital, respectively, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, it has the right to purchase the West Houston MOB or the West Houston Hospital at a price equal to the greater of (i) that amount determined under a formula that would provide us an internal rate of return of at least 18% and (ii) the appraised value based on a 15 year lease in place. Upon written notice to us within 90 days of the expiration of the applicable lease, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, Stealth will have the option to purchase the West Houston MOB or the West Houston Hospital at a price equal to the greater of (i) the total development costs (including any capital additions funded by us, but excluding any capital additions funded by Stealth) increased by 2.5% per year, and (ii) the appraised value based on a 15 year lease in place. The Stealth leases also provide that under certain limited circumstances, Stealth will have the right to present us with a choice of one out of three proposed exchange facilities to be substituted for the leased facility.

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

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

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

We own, and in the future expect to own, interests in our facilities through wholly or majority owned subsidiaries of our operating partnership. Stealth, L.P., the tenant of our West Houston Hospital, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P., which owns the West Houston Hospital. We are offering to physicians up to 40% of the limited partnership interests in MPT West Houston MOB, L.P., the entity that owns our West Houston MOB. We may offer limited liability company and limited partnership interests to tenants, subtenants and physicians in the future. Investments in partnerships, limited liability companies or other entities with co-owners may, under certain circumstances, involve risks not present were a co-owner not involved, including the possibility that partners or other co-owners might become bankrupt or fail to fund their share of required capital contributions. Partners or other co-owners may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have potential risks pertaining to healthcare regulatory compliance, particularly when partners or other co-owners are physicians, and of impasses on major decisions, such as sales or mergers, because neither we nor our partners or other co-owners would have full control over the partnership, limited liability company or other entity. Disputes between us and our partners or other co-owners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business. Consequently, actions by or disputes with our partners or other co-owners might result in subjecting facilities owned by the partnership, limited liability company or other entity to additional risk. In addition, we may in certain circumstances be liable for the actions of our partners or other co-owners. The occurrence of any of the foregoing events could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

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

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

RISKS RELATING TO REAL ESTATE INVESTMENTS

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

We have acquired and are developing and expect to continue acquiring and developing net-leased healthcare facilities. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our business strategy to invest in net-leased healthcare facilities. A downturn in the real estate industry could materially adversely affect the

value of our facilities. A downturn in the healthcare industry could negatively affect our tenants' ability to make lease or loan payments to us and, consequently, our ability to meet debt service obligations or make distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or outside of healthcare facilities.

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

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

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

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

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

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

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

Additionally, the time frame required for development and construction of these facilities means that we may have to wait years for a significant cash return. Because we are required to make cash distributions to our stockholders, if the cash flow from operations or refinancings is not sufficient, we may be forced to borrow additional money to fund distributions. We cannot assure you that we will complete our current construction projects on time or within budget

or that future development projects will not be

subject to delays and cost overruns. Risks associated with our development projects may reduce anticipated rental revenue which could affect the timing of, and our ability to make, distributions to our stockholders.

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

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

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

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

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

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

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

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

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

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

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

- changes in the national, regional and local economic climate, including but not limited to changes in interest rates;
- local conditions such as an oversupply of, or a reduction in demand for, rehabilitation hospitals, long-term acute care hospitals, ambulatory surgery centers, medical office buildings, specialty hospitals and treatment centers;
- attractiveness of our facilities to healthcare providers and other types of tenants; and
- competition from other rehabilitation hospitals, long-term acute care facilities, medical office buildings, outpatient treatment facilities, ambulatory surgery centers and specialty hospitals and treatment centers.

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

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

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

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

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

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

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

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

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

We have acquired our interest in one of our facilities by acquiring a leasehold interest in the land on which the facility is located rather than an ownership interest in the facility, and we may acquire additional facilities in the future through ground leases. As lessee under ground leases, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease. Ground leases may also restrict our use of facilities. Our current ground lease in Marlton, New Jersey limits our use of the property to operation of a 76 bed rehabilitation hospital. This restriction and any similar future restrictions in ground leases will limit our flexibility in renting the facility and may impede our ability to sell the property.

RISKS RELATING TO THE HEALTHCARE INDUSTRY

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

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

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

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

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

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

We believe that the healthcare industry is currently experiencing:

- changes in the demand for and methods of delivering healthcare services;
- changes in third-party reimbursement policies;
- significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas;
- continuing pressure by private and governmental payors to reduce payments to providers of services; and
- increased scrutiny by federal and state authorities of billing, referral and other practices.

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

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

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

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

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

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

Local physician investment in our operating partnership or our subsidiaries that own our facilities could subject our lease arrangements to scrutiny under fraud and abuse and physician self-referral laws. Under the federal Ethics in Patient Referrals Act of 1989, or Stark Law, and regulations adopted thereunder, if our lease arrangements do not satisfy the requirements of an applicable exception, that noncompliance could adversely affect the ability of our tenants

to bill for services provided to Medicare beneficiaries pursuant to referrals from physician investors and subject us and our tenants to fines, which

could impact their ability to 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 investment in specialty hospitals imposed by the Medicare Prescription Drug, Improvement and Modernization Act. We intend to use our good faith efforts to structure our lease arrangements to comply with these laws; however, if we are unable to do so, this failure may restrict our ability to permit physician investment or, where such physicians do participate, may restrict the types of lease arrangements into which we may enter, including our ability to enter into percentage rent arrangements.

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

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

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

RISKS RELATING TO OUR ORGANIZATION AND STRUCTURE

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

Our charter contains ownership limitations that may restrict business combination opportunities, inhibit change of control transactions and reduce the value of our stock. To qualify as a REIT under the Code, no more than 50% in value of our outstanding stock, after taking into account options to acquire stock, may be owned, directly or indirectly, by five or fewer persons during the last half of each taxable year, other than our first REIT taxable year. Our charter generally prohibits direct or indirect ownership by any person of more than 9.8% in value or in number, whichever is more restrictive, of outstanding shares of any class or series of our securities, including our common stock. Generally, common stock owned by affiliated owners will be aggregated for purposes of the ownership limitation. Any transfer of our common stock that would violate the ownership limitation will be null and void, and the intended transferee will acquire no rights in such stock. Instead, such common stock will be designated as "shares-in-trust" and transferred automatically to a trust effective on the day before the purported transfer of such stock. The beneficiary of that trust will be one or more charitable organizations named by us. The ownership limitation could have the effect of delaying, deterring or preventing a change in control or other transaction in which holders of common stock might receive a premium for their common stock over the then-current market price or which such holders otherwise might believe to be in their best interests. The ownership limitation provisions also may make our common stock an unsuitable investment vehicle for any person seeking to obtain, either alone or with others as a group, ownership of more than 9.8% of either the value or number of the outstanding shares of our common stock. Our board of directors, in its sole

discretion, may waive or modify, subject to limitations, the ownership limit with respect to one or more stockholders if it is satisfied that ownership in excess of their limit will not jeopardize our status as a REIT. See "Description of Capital Stock -- Restrictions on Ownership and Transfer."

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

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as a person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of the holders of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

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

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

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

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

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

- issue up to 10,000,000 shares of preferred stock, having preferences, conversion or other rights, voting powers, restrictions, limitations as to distribution, qualifications, or terms or conditions of redemption as determined by the board;
- amend the charter to increase or decrease the aggregate number of shares of capital stock or the number of shares of stock of any class or series that we have the authority to issue;
- cause us to issue additional authorized but unissued shares of common stock or preferred stock; and
- classify or reclassify any unissued shares of common or preferred stock by setting or changing in any one or more respects, from time to time before the issuance of such shares, the preferences, conversion or other rights and other terms of such classified or reclassified shares, including the issuance of additional shares of common stock or preferred stock that have preference rights over the common stock with respect to dividends, liquidation, voting and other matters.

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

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

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

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

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

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

We have entered into agreements with certain of our executive officers that provide them with severance benefits if their employment is terminated by us without cause, by them for good reason (which includes, among other reasons,

failure to be elected to the board for Mr. Aldag and failure to have their agreements automatically renewed for Messrs. Aldag, McLean, Hamner and McKenzie), or under certain

circumstances following a change of control of our company. Certain of these benefits and the related tax indemnity could prevent or deter a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

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

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

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

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

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

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

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

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

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

We are organized as an UPREIT, which means that we hold our assets and conduct substantially all of our operations through an operating limited partnership, and may in the future issue limited partnership units to third parties. Persons holding operating partnership units would have the right to vote on certain amendments to the partnership agreement of our operating partnership, as well as on certain other matters.

Persons holding these voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Circumstances may arise in the future, such as the sale or refinancing of one of our facilities, when the interests of limited partners in our operating partnership conflict with the interests of our stockholders. As the general partner of our operating partnership, we have fiduciary duties to the limited partners of our operating partnership that may conflict with fiduciary duties our officers and directors owe to our stockholders. These conflicts may result in decisions that are not in your best interest.

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

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

TAX RISKS ASSOCIATED WITH OUR STATUS AS A REIT

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

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

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

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income; therefore we would be subject to federal income tax at regular corporate rates and we might need to borrow money or sell assets in order to pay any such tax;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify.

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

FAILURE TO MAKE REQUIRED DISTRIBUTIONS WOULD SUBJECT US TO TAX.

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

- 85% of our ordinary income for that year;
- 95% of our capital gain net income for that year; and
- 100% of our undistributed taxable income from prior years.

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

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

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

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

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

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

In connection with the acquisition of the Vibra Facilities, our taxable REIT subsidiary has made loans to Vibra in an aggregate amount of approximately \$41.4 million to acquire the operations at the Vibra Facilities. Our taxable REIT subsidiary also 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 loans from our operating partnership to our taxable REIT subsidiary bear interest at an annual rate of 9.25%.

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

RISKS RELATING TO THIS OFFERING

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

There has not been any public market for our common stock prior to this offering. We intend to apply to list our common stock on the NYSE in connection with this offering, but even if our shares are approved for listing, an active trading market for our common stock may never develop or be sustained. Currently, certain shares of our common stock are eligible for trading on The Portal(SM) Market, a subsidiary of The Nasdaq Stock Market, Inc., which permits secondary sales of eligible securities to qualified institutional buyers in accordance with Rule 144A under the Securities Act. The last trade of our common stock on The Portal(SM) Market occurred on March 29, 2005 at a price of \$10.25 per share, which may not be indicative of the prices at which our shares of common stock will trade after this offering.

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

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

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

- actual or anticipated variations in our quarterly operating results or distributions;
- changes in our funds from operations or earnings estimates or publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares of common stock to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;

- speculation in the press or investment community; and
- general market and economic conditions.

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

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

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

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

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

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

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

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

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

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

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

- will likely pay a price per share that exceeds the book value of our assets after subtracting our liabilities; and
- will have contributed, in the aggregate, approximately % of our funding since inception but will own only % of our fully diluted equity interests.

OUR ENGAGEMENT AGREEMENT WITH FRIEDMAN, BILLINGS, RAMSEY & CO., INC. MAY PRECLUDE US FROM ENGAGING INVESTMENT BANKING FIRMS OTHER THAN FRIEDMAN, BILLINGS, RAMSEY & CO., INC. UNTIL APRIL 7, 2006 FOR FUTURE FINANCING AND OTHER STRATEGIC TRANSACTIONS, AND FRIEDMAN, BILLINGS, RAMSEY & CO., INC. HAS AN INTEREST IN THIS OFFERING OTHER THAN UNDERWRITING DISCOUNTS AND COMMISSIONS.

Our engagement letter with Friedman, Billings, Ramsey & Co., Inc. dated November 13, 2003 may preclude us until April 7, 2006 from using competing investment banks or financial advisors for many financial and strategic transactions. Accordingly, in planning and completing some transactions, including public offerings of our stock, we may not be able to utilize the services of competitors of Friedman, Billings, Ramsey & Co., Inc. and thereby obtain pricing, distribution and other benefits that we otherwise could and we may be dependent on the ability of Friedman, Billings, Ramsey & Co., Inc. to execute certain financing and other strategic transactions on our behalf. In addition, Friedman, Billings, Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc., is currently our largest stockholder and therefore Friedman, Billings, Ramsey & Co., Inc. will have an interest in the successful completion of this offering beyond the underwriting discounts and commissions it will receive.

A WARNING ABOUT FORWARD LOOKING STATEMENTS

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

- our business strategy;
- our projected operating results;
- our ability to acquire or develop net-leased facilities;
- availability of suitable facilities to acquire or develop;
- our ability to enter into, and the terms of, our prospective leases;
- our ability to use effectively the proceeds of this offering;
- our ability to obtain future financing arrangements;
- estimates relating to, and our ability to pay, future distributions;
- our ability to compete in the marketplace;
- market trends;
- projected capital expenditures; and
- the impact of technology on our facilities, operations and business.

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

- the factors referenced in this prospectus, including those set forth under the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations;" "Our Business" and "Our Portfolio;"
- general volatility of the capital markets and the market price of our common stock;
- changes in our business strategy;
- changes in healthcare laws and regulations;
- availability, terms and development of capital;
- availability of qualified personnel;
- changes in our industry, interest rates or the general economy; and
- the degree and nature of our competition.

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

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

USE OF PROCEEDS

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

- approximately \$ to fund the purchase or development of our Pending Acquisition and Development Facilities;

- the remainder for general corporate and working capital purposes, including possible future acquisitions or developments of net-leased facilities, expansion of the Desert Valley Facility, funding of the DSI acquisition and development commitment, and repayment of indebtedness under our term loan with Merrill Lynch.

Pending these uses, we intend to invest the net offering proceeds in interest-bearing, short-term marketable investment grade securities or money-market accounts that are consistent with our intention to qualify as a REIT. These investments may include, for example, government and government agency securities, certificates of deposit, interest-bearing bank deposits and mortgage loan participations.

Our loan with Merrill Lynch bears interest at one month LIBOR (2.87% at March 31, 2005) plus 300 basis points. As of March 31, 2005, \$74.1 million was outstanding under this loan. This loan is secured by the six facilities we have leased to Vibra and matures on December 31, 2007. We are required to pay an exit fee of 1% of the total loan amount if the loan is paid down to below \$40,000,000 during the first 18 months of the loan's term. After that time, 100% of the loan may be prepaid without penalty. These funds were borrowed for the purpose of funding acquisitions and developments.

CAPITALIZATION

The following table sets forth:

- our actual capitalization as of December 31, 2004; and
- our pro forma capitalization, as adjusted to give effect to the sale of shares of common stock in this offering at an assumed public offering price of \$ per share and application of the net proceeds as described in "Use of Proceeds."

AS OF DECEMBER 31, 2004 -----	
-- PRO FORMA, HISTORICAL AS ADJUSTED -----	
----- LONG TERM	
DEBT.....	
\$ 56,000,000	\$ -- STOCKHOLDERS' EQUITY: Preferred
	stock, \$0.001 par value. 10,000,000 shares
	authorized; no shares issued and
outstanding.....	-- -- Common stock, \$0.001
	par value. 100,000,000 shares authorized;
	26,082,862 shares issued and outstanding at
December 31, 2004; shares issued and outstanding,	
as adjusted(1).....	26,083
	Additional paid in
capital.....	233,626,690
	Accumulated
deficit.....	
(1,924,329) -----	Total
stockholders' equity.....	
231,728,444	392,728,444 -----
	Total
capitalization.....	
\$287,728,444	\$392,728,444 =====
	=====

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(1) Includes 114,500 shares of restricted common stock to be awarded upon completion of this offering. Excludes (i) shares of common stock that may be issued by us upon exercise of the underwriters' over-allotment option; (ii) 100,000 shares of common stock issuable upon the exercise of stock options granted to our independent directors under our equity incentive plan, one-third of which are vested; (iii) 35,000 shares of common stock issuable upon the exercise of a vested warrant granted to an unaffiliated third party; (iv) 5,000 shares of common stock issuable in October 2007 and 7,500 shares of common stock issuable in March 2008 pursuant to deferred stock units awarded under our equity incentive plan to our independent directors and (v) 564,180 shares of common stock available for future awards under our equity incentive plan.

DILUTION

NET TANGIBLE BOOK VALUE

As of December 31, 2004, we had a net tangible book value of approximately \$ million, or approximately \$ per share. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities and total minority interests, divided by the number of shares of our common stock outstanding.

DILUTION AFTER THIS OFFERING

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

- the sale of the common stock offered by us under this prospectus at an assumed initial public offering price of \$ per share, and our receipt of approximately \$ million in net proceeds from this offering, after deducting the underwriting discount and estimated offering expenses payable by us;
- the issuance of 114,500 shares of restricted stock to our senior management team and other employees upon completion of this offering;
- the issuance of 100,000 shares of common stock issuable upon the exercise of outstanding stock options granted to our independent directors and 35,000 shares of common stock issuable upon the exercise of a warrant granted to an unaffiliated third party; and
- the issuance of 12,500 shares of common stock underlying deferred stock units awarded to our independent directors,

our pro forma net tangible book value as of December 31, 2004 would have been approximately \$ million (includes the proceeds to be received from the exercise of options for common stock), or \$ per share of common stock. This amount represents an immediate increase in net tangible book value of \$ per share to existing stockholders prior to this offering and an immediate dilution in pro forma net tangible book value of \$ per share to investors in this offering. The following table illustrates this per share dilution:

Initial public offering price per share.....	
Net tangible book value per share as of December 31, 2004(1).....	
Increase in pro forma net tangible book value per share to existing stockholders attributable to this offering(2).....	
Decrease in pro forma net tangible book value per share to existing stockholders attributable to the issuance of restricted stock.....	
Increase in pro forma net tangible book value per share to existing stockholders attributable to the exercise of stock options and a warrant.....	
Pro forma net tangible book value per share after this offering(3).....	
Dilution in pro forma net tangible book value per share to new investors(4).....	-----
	=====

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- (1) Net tangible book value per share of common stock is determined by dividing net tangible book value as of December 31, 2004 (net book value of the tangible assets consisting of total assets less accrued rental income, intangible assets, and deferred costs) by the number of shares of common stock outstanding prior to the offering.
- (2) After deducting underwriting discounts, commissions and other expenses of this offering.
- (3) Based on pro forma net tangible book value attributable to common stockholders of approximately \$ divided by the sum of shares of our common stock to be outstanding, the issuance of 114,500 shares of restricted stock, the issuance of

195,000 shares of common stock issuable upon the exercise of outstanding stock options and warrants and the issuance of 20,000 shares of common stock underlying deferred stock units awarded to our independent directors.

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

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

The table below summarizes, as of December 31, 2004, on the pro forma basis discussed above but excluding options and warrants to purchase _____ shares of common stock that will be outstanding upon completion of this offering, the differences between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing stockholders and by the new investors purchasing common stock in this offering. The options and warrants described in the preceding sentence are exercisable at a weighted average exercise price of \$ _____ per share and will remain outstanding upon the completion of this offering. To the extent that these outstanding options are exercised in the future, there will be further dilution to new investors. We used an assumed initial public offering price of \$ _____ per share, and we have not deducted estimated underwriting discounts and commissions and estimated offering expenses in our calculations.

CASH/TANGIBLE BOOK SHARES		
ISSUED VALUE	CASH/TANGIBLE	-

----- BOOK VALUE		
NUMBER	PERCENTAGE	AMOUNT
PERCENTAGE	PER SHARE	-----

-----	Existing	
stockholders.....	New	
investors in the	investors in the	
offering.....	offering.....	
Total.....		

DISTRIBUTION POLICY

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

- our actual results of operations;
- the rent received from our tenants;
- the ability of our tenants to meet their other obligations under their leases and their obligations under their loans from us;
- debt service requirements;
- capital expenditure requirements for our facilities;
- our taxable income;
- the annual distribution requirement under the REIT provisions of the Code; and
- other factors that our board of directors may deem relevant.

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

On September 2, 2004, we declared a quarterly distribution of \$0.10 per share of common stock, payable to stockholders of record as of September 16, 2004. We made this distribution on October 11, 2004. On November 11, 2004, we declared a distribution of \$0.11 per share of common stock, payable on January 11, 2005 to stockholders of record as of December 16, 2004. We made this distribution on January 11, 2005. On March 4, 2005, we declared a distribution of \$0.11 per share of common stock, payable on April 15, 2005 to stockholders of record as of March 16, 2005. We cannot assure you that we will have cash available for future quarterly distributions at these levels, or at all. See "Risk Factors."

Of the \$0.21 per share total distributions declared in 2004, \$0.13 per share is reportable as ordinary income by our stockholders in 2004 and \$0.08 per share is reportable in 2005. However, the character of this \$0.08 per share distribution, as ordinary income, capital gain, or return of capital, cannot be determined until the end of 2005.

SELECTED FINANCIAL INFORMATION

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

The following table sets forth our selected financial and operating data on an historical and pro forma basis. Our selected historical statements of operations information for the year ended December 31, 2004 and for the period from inception (August 27, 2003) through December 31, 2003 and our selected historical balance sheet information at December 31, 2004 and at December 31, 2003 have been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus.

The unaudited pro forma consolidated balance sheet data as of December 31, 2004 are presented as if our acquisition of the current portfolio of facilities and completion of this offering and application of the net proceeds had occurred on December 31, 2004, and, our unaudited pro forma consolidated statement of operations data for the year ended December 31, 2004 are presented as if our acquisition of the current portfolio of facilities and completion of this offering and application of the net proceeds had occurred on January 1, 2004. The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

	FOR THE PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH FOR THE YEAR ENDED DECEMBER 31, 2004	2003	-----
	PRO FORMA HISTORICAL	HISTORICAL	-----
	OPERATING INFORMATION:		
Revenues			
Rent income.....	\$23,766,315	\$ 8,611,344	\$ --
Interest income from loans.....	5,877,049	2,282,115	--
Total revenues.....	29,643,364	10,893,459	--
Operating expenses			
Depreciation and amortization.....	4,257,054		
General and administrative.....	1,478,470	6,202,284	
Total operating expenses.....	5,057,284	992,418	
Operating income (loss).....	7,214,601	1,023,276	18,318,175
Net other income.....	3,678,858	(1,023,276)	
Net income (loss).....	897,491	897,491	--
Net income (loss) per share, basic and diluted.....	0.24	(.63)	
Weighted average shares outstanding			
basic.....	19,310,833		
Weighted average shares outstanding	1,630,435		
diluted.....	19,312,634		
	1,630,435		

AS OF	AS OF	DECEMBER 31,	DECEMBER 31,
2004	2003	-----	-----
----- PRO FORMA HISTORICAL			
HISTORICAL -----			
----- BALANCE SHEET			
INFORMATION: Gross investment in real			
		estate assets...	\$207,068,625
\$151,690,293	\$	-- Net investment in	
		real estate.....	205,590,155
150,211,823	--	Construction in	
		progress.....	24,261,430
24,318,098	166,301	Cash and cash	
		equivalents.....	
147,165,345	97,543,677	100,000	Loans
		receivable.....	
50,224,069(1)	50,224,069(1)	-- Total	
		assets.....	
411,506,063	306,506,063	468,133	Total
		debt.....	-
	-	56,000,000	-- Total
		liabilities.....	
17,777,619	73,777,619	1,489,779	Total
		stockholders' equity (deficit)....	
392,728,444	231,728,444	(1,021,646)	
		Total liabilities and stockholders'	
		equity.....	
411,506,063	306,506,063	468,133	

FOR THE PERIOD FROM INCEPTION			
(AUGUST 27, 2003) THROUGH FOR THE			
YEAR ENDED DECEMBER 31, DECEMBER			
31,	2004	2003	-----
----- PRO			
FORMA HISTORICAL HISTORICAL -----			

--- OTHER INFORMATION: Funds from			
		operations(2).....	
		\$23,472,720	\$ 6,054,819
\$(1,023,276)		Cash Flows: Provided	
		by operating activities....	
		9,918,898	368,133
		Used for	
		investing activities.....	
(195,600,642)	(166,301)	Provided	
		by (used for) financing	
		activities.....	
		283,125,421	(101,832)

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

(2) Funds from operations, or FFO, represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. Management considers funds from operations a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that funds from operations provides a meaningful supplemental indication of our performance. We compute funds from operations in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating funds from operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent amounts available for management's

discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions. Funds from operations should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity.

The following table presents a reconciliation of FFO to net income for the year ended December 31, 2004, on an actual and pro forma basis, and for the period from inception (August 27, 2003) through December 31, 2003 on an actual basis:

FOR THE PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH FOR THE YEAR ENDED DECEMBER 31, DECEMBER 31, 2004 2003 -----		
	-----	-----
	PRO FORMA HISTORICAL	HISTORICAL -----
--- Funds from operations:(2) Net income (loss).....		
\$19,215,666	\$4,576,349	\$(1,023,276)
Depreciation and amortization.....		
4,257,054	1,478,470	-- -----
	Funds from	
operations.....		
\$23,472,720	\$6,054,819	\$(1,023,276)
=====	=====	=====

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

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

OVERVIEW

We were incorporated under Maryland law on August 27, 2003 primarily for the purpose of investing in and owning net-leased healthcare facilities. Our existing tenants are, and our prospective tenants will generally be, hospital operating companies and other healthcare providers that use substantial real estate assets in their operations. We offer financing for these operators' real estate through 100% lease financing and generally seek lease terms of at least 10 years with a series of shorter renewal terms at the option of our tenants; we also intend to include annual contractual rental rate increases that in the current market range from 1.5% to 3.0%. Our existing portfolio escalators range from 2.0% to 2.5%. In addition to the base rent, our leases generally require our tenants to pay all operating costs and expenses associated with the facility.

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

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

We conduct business operations in one segment. We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases. At December 31, 2004 our real estate and loan assets comprised approximately 49% and 16%, respectively, of our total assets. We do not expect our loan assets to exceed this level in the future. Our lending business is important to our overall business strategy for two primary reasons: (1) it provides opportunities to make income-earning investments that yield attractive risk-adjusted returns in an industry in which our management has expertise, and (2) by making debt capital available to certain qualified operators, we believe we create for our company a competitive advantage over other buyers of, and financing sources for, healthcare facilities.

We currently own four rehabilitation hospitals and two long-term acute care hospitals that are leased to a single operating company and one community hospital with an integrated medical office building leased to another operating company and we are developing a community hospital and an adjacent medical office building that are leased to a separate operating company. We have also made and in the future may make loans to our tenants to facilitate the acquisition of healthcare businesses and for working capital and from time to time may make mortgage loans to facility owners.

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Purchase Price Allocation. We record above-market and below-market in-place lease values, if any, for the facilities we own which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income

over the remaining non-cancelable terms of the respective leases. We amortize any resulting capitalized below-market lease values (presented in the accompanying balance sheet as value of assumed lease obligations) as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. Because our strategy to a large degree involves the origination of long term lease arrangements at market rates, we do not expect the above-market and below-market in-place lease values to be significant for many of our anticipated transactions.

We measure the aggregate value of other intangible assets to be acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are expected to be made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. We also consider information obtained about each targeted facility as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management also includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which we expect to range primarily from six to 18 months, depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

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

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

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

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

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

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

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

DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes known material contractual obligations associated with investing and financing activities as of December 31, 2004:

	LESS THAN 2 YEARS	3 YEARS	4 YEARS	5 YEARS	AFTER 5 YEARS
CONTRACTUAL OBLIGATIONS 1 YEAR					
YEARS YEARS 5 YEARS TOTAL - ---					

- - - - -					
-- - - - - Construction					
contracts.....					
\$32,077,264 \$ -- \$ -- \$ --					
\$32,077,264 Operating lease					
commitments.....					
275,106 685,728 712,080					
2,200,532 3,873,446					

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. While we believe

net income available to common stockholders as defined by GAAP is the most appropriate measure, our management considers FFO an appropriate supplemental measure given its wide use by and relevance to investors and analysts. FFO, reflecting the assumption that real estate asset values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation and amortization of real estate assets, which assume that the value of real estate diminishes predictably over time.

As defined by the National Association of Real Estate Investment Trusts, or NAREIT, FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (losses) on sales of

real estate, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We compute FFO in accordance with the NAREIT definition. FFO should not be viewed as a substitute measure of our company's operating performance since it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which are significant economic costs that could materially impact our results of operations.

The following table presents a reconciliation of FFO to net income for the year ended December 31, 2004, on an actual and pro forma basis, and for the period from inception (August 27, 2003) through December 31, 2003 on an actual basis:

FOR THE PERIOD FROM	
INCEPTION FOR THE YEAR	
ENDED DECEMBER 31, (AUGUST	
27, 2003) 2004 THROUGH ----	

- DECEMBER 31, 2003	
HISTORICAL PRO FORMA	
HISTORICAL -----	---

--- Funds from operations:	
Net income	
(loss).....	
\$4,576,349	\$19,215,666
\$(1,023,276) Depreciation	
and amortization.....	
1,478,470	4,257,054 -- ----

--- Funds from	
operations.....	
\$6,054,819	\$23,472,720
\$(1,023,276) =====	
=====	=====

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2004

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

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

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

operations in this period to be meaningful with respect to an analysis of our expected operations.

LIQUIDITY AND CAPITAL RESOURCES

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

We received approximately \$233.5 million, net of offering costs and fees, from our April 2004 private placement. We have acquired and committed to develop healthcare facilities with an aggregate estimated cost of \$387.3 million and have provided approximately \$41.4 million in acquisition financing to one of our tenants. As of December 31, 2004, we had stockholders' equity of approximately \$231.7 million, including approximately \$97.5 million in cash and cash equivalents.

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

We intend to utilize various types of debt to finance a portion of the costs to complete our proposed development facilities and acquire and develop additional facilities. We expect this debt will include long-term, fixed-rate mortgage loans, variable-rate term loans, secured revolving lines of credit and construction financing facilities. We believe we will be able generally to finance up to approximately 60% of the cost of our healthcare facilities; however, there is no assurance that we will be able to obtain or maintain this level of debt on our portfolio of real estate assets on favorable terms in the future.

We borrowed \$75 million from Merrill Lynch under a loan agreement with a term of three years for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (2.87% at March 31, 2005) plus 300 basis points. There was \$74.1 million outstanding under this loan as of March 31, 2005. The term loan is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants. We have also entered into construction loan agreements in an aggregate amount of \$43.4 million with Colonial Bank to fund construction costs for our West Houston Facilities. Each construction loan has a term of 18 months and an option on the part of the borrower to convert the loan to a 30-month term loan upon completion of construction of the West Houston Facility securing that loan. The construction loans are secured by mortgages on the West Houston Facilities, as well as assignments of rents and leases on those facilities. The terms of the construction loan agreements require us to comply with a financial ratio relating to debt coverage. The construction loans bear interest at three month LIBOR (3.12% at March 31, 2005) plus 225 basis points, during the construction period and three month LIBOR plus 250 basis points, thereafter. The Colonial Bank loans are cross-defaulted. As of the date of this prospectus, we have made no borrowings under the Colonial Bank loans.

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

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

facilities and the risk that the nature and profitability of our tenants' operations may be affected by healthcare regulations may further impact the liquidity of our facilities.

DISTRIBUTION POLICY

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

On October 11, 2004 we made a distribution of \$0.10 per share of common stock to stockholders of record on September 16, 2004. On January 11, 2005, we made a distribution of \$0.11 per share of common stock to stockholders of record as of December 16, 2004. On March 5, 2005, we declared a distribution of \$0.11 per share of common stock, payable on April 15, 2005 to stockholders of record as of March 16, 2005. The funds for these distributions were derived from our funds from operations in the third and fourth quarters of 2004 and the first quarter of 2005, respectively. Of the \$0.21 per share total distributions declared by us in 2004, \$0.13 per share is reportable as ordinary income by our stockholders in 2004 and \$0.08 per share is reportable in 2005. However, the character of this \$0.08 per share distribution, as ordinary income, capital gain, or return of capital, cannot be determined until the end of 2005. We intend to pay to our stockholders, within the time periods prescribed by the Code, all or substantially all of our annual taxable income, including taxable gains from the sale of real estate and recognized gains on the sale of securities. It is our policy to make sufficient cash distributions to stockholders in order for us to maintain our status as a REIT under the Code and to avoid corporate income and excise tax on undistributed income.

INFLATION

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

OUR BUSINESS

OUR COMPANY

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

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

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

We completed a private placement of our common stock in April 2004 in which we raised net proceeds of approximately \$233.5 million. Shortly after completion of our private placement, we began to acquire our current portfolio of nine facilities, consisting of seven facilities that are in operation and two facilities that are under development. Four of the facilities that are in operation are rehabilitation hospitals, two are long-term acute care hospitals and one is a community hospital with an integrated medical office building. The facilities under development are a community hospital and an adjacent medical office building. With the proceeds of this offering, we intend to expand our portfolio of facilities by acquiring or developing additional net-leased healthcare facilities.

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

We borrowed \$75 million from Merrill Lynch under a loan agreement which has a term of three years. We have used the loan proceeds for acquisition of our current portfolio of facilities and plan to use the loan proceeds for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (2.87% at March 31, 2005) plus 300 basis points. There is \$74.1 million outstanding under this loan as of March 31, 2005. The loan is secured by our interests in the Vibra Facilities. The loan with Merrill Lynch includes financial covenants requiring us to meet an interest coverage ratio (ratio of our earnings before interest, taxes, depreciation and amortization to interest expense) of 2 to 1, a fixed charge coverage ratio (ratio of earnings before interest, taxes, depreciation and amortization to the sum of total debt service, assumed capital expenditures pertaining to the Vibra Facilities, income taxes and preferred dividends) greater than 1.65 to 1, a net debt to total asset valuation ratio (ratio of total net debt to the product of nine and the sum of net income, interest expense, depreciation and amortization minus management fees not exceeding 1% of net revenue and \$300 per licensed bed per annum) not greater than 70%, and, for each Vibra Facility, a base rent coverage ratio (ratio of earnings of the applicable lessee of the Vibra Facility before interest, taxes, depreciation, amortization, rent and management fees to base rent payable by the lessee) equal to or greater than 1.25 to 1 and to maintain minimum tangible net worth of at least \$200 million. As of the date of this prospectus, we are in compliance with all material financial covenants under our loan with Merrill Lynch.

We have also entered into construction loan agreements in an aggregate amount of \$43.4 million with Colonial Bank to fund construction costs for our West Houston Facilities. Each construction loan has a term of 18 months and an option on the part of the borrower to convert the loan to a 30-month term loan upon completion of construction of the West Houston Facility securing that loan. The construction loans are secured by mortgages on the West Houston Facilities, as well as assignments of rents and leases on those facilities. The terms of the construction loan agreements prevent us from allowing the net operating income of the facility used as collateral for any calendar quarter to be less than 1.25 times the principal and interest payments then due and payable under the promissory note for the designated period until the loan is paid in full. In the event that our net operating income falls below the minimum debt service requirement, we must prepay a portion of the principal balance of the promissory note so that the debt service requirement is satisfied and maintained within 10 days of our non-compliance. The construction loans bear interest at the three month LIBOR (3.12% at March 31, 2005) plus 225 basis points during the construction period and three month LIBOR plus 250 basis points thereafter. The Colonial Bank loans are cross-defaulted. As of the date of this prospectus, we have made no borrowings under the Colonial Bank loans.

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

MARKET OPPORTUNITY

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

(GRAPH)

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

(GRAPH)

Source: United States Bureau of the Census

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

(GRAPH)

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

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

- First, in our experience, financial arrangements such as bond financing gave non-profit healthcare providers access to inexpensive capital, usually at 100% of the building cost. However, budget constraints on local governments and tighter underwriting standards have greatly reduced the availability of this very inexpensive capital.
- Second, in our experience, healthcare providers were reimbursed on cost-based reimbursement plans (calculated in part by reference to a provider's total cost in plant and equipment) which provided no incentive for healthcare providers to make efficient use of their capital. With the evolution of the prospective payment reimbursement system, which reimburses healthcare providers for specific procedures or diagnoses and thus rewards the most efficient providers, healthcare providers are no longer assured of returns on investments in non-revenue producing assets such as the real estate where they operate. Accordingly, in recent years, healthcare providers have begun to convert their owned facilities to long-term lease arrangements thereby accessing substantial amounts of previously unproductive capital to invest in high margin operations and assets.

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

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

- Specialization: In our experience, the percentage of physicians and other healthcare professionals who practice in a recognized specialty or subspecialty has been increasing for many years. We believe that this creates opportunities for development of additional specialized healthcare facilities as advances in technologies and recognition of new practice specialties result in new treatments for difficult medical conditions.
- Convenient Patient Care: We believe that healthcare service providers are increasingly seeking to provide specific services in a single location for the convenience of both patients and physicians. These single-discipline centers are primarily located in suburban areas, near patients and physicians, as opposed to the traditional urban hospital setting.
- Aging Population: We believe that demographic trends in the United States, including in particular an aging population, will result in continued growth in the demand for healthcare services, which in turn will lead to an increasing need for a greater supply of modern healthcare facilities.
- Use of Capital: We believe that healthcare operators increasingly prefer to conserve their capital for investment in their operations and for new technologies rather than investing it in real estate.

OUR TARGET FACILITIES

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

- Rehabilitation Hospitals: Rehabilitation hospitals provide inpatient and outpatient rehabilitation services for patients recovering from multiple traumatic injuries, organ transplants, amputations, cardiovascular surgery, strokes, and complex neurological, orthopedic, and other conditions. These hospitals are often the best medical alternative to traditional acute care hospitals where under the Medicare prospective payment system there is pressure to discharge patients after relatively short stays.
- Long-term Acute Care Hospitals: Long-term acute care hospitals focus on extended hospital care, generally at least 25 days, for the medically-complex patient. Long-term acute care hospitals have arisen from a need to provide care to patients in acute care settings, including daily physician observation and treatment, before they are able to move to a rehabilitation hospital or return home. These facilities are reimbursed in a manner more appropriate for a longer length of stay than is typical for an acute care hospital.
- Regional and Community Hospitals: We define regional and community hospitals as general medical/surgical hospitals whose practicing physicians generally serve a market specific area, whether urban, suburban or rural. We intend to limit our ownership of these facilities to those with market, ownership, competitive and technological characteristics that provide barriers to entry for potential competitors.
- Women's and Children's Hospitals: These hospitals serve the specialized areas of obstetrics and gynecology, other women's healthcare needs, neonatology and pediatrics. We anticipate substantial development of facilities designed to meet the needs of women and children and their physicians as a result of the decentralization and specialization trends described above.
- Ambulatory Surgery Centers: Ambulatory surgery centers are freestanding facilities designed to allow patients to have outpatient surgery, spend a short time recovering at the center, then return home to complete their recovery. Ambulatory surgery centers offer a lower cost alternative to general hospitals for many surgical procedures in an environment that is more convenient for both patients and physicians. Outpatient procedures commonly performed include those related to gastrointestinal, general surgery, plastic surgery, ear, nose and throat/audiology, as well as orthopedics and sports medicine.

- Other Single-Discipline Facilities: The decentralization and specialization trends in the healthcare industry are also creating demands and opportunities for physicians to practice in hospital facilities in which the design, layout and medical equipment are specifically developed, and healthcare professional staff are educated, for medical specialties. These facilities include heart hospitals, ophthalmology centers, orthopedic hospitals and cancer centers.
- Medical Office Buildings: Medical office buildings are office and clinic facilities occupied and used by physicians and other healthcare providers in the provision of outpatient healthcare services to their patients. The medical office buildings that we target are or will be master-leased and generally adjacent to our other targeted healthcare facilities.

UNDERWRITING PROCESS

Our real estate and loan underwriting process focuses on healthcare operations and real estate investment. This process is described in a written policy that requires, among other things, completion of specific elements of due diligence at the appropriate stages, including appraisals, engineering evaluations and environmental assessments, all provided by qualified and independent third parties. Our chief operating officer is presently responsible for the acquisition and due diligence process and reports to our chief executive officer. Approximately five employees report directly to our chief operating officer with respect to acquisitions and due diligence.

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

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

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

ASSET MANAGEMENT

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

tenants must prosper. Therefore, we expect to work closely with our tenants throughout the terms of our leases in order to foster a long-term working relationship and to maximize the possibility of new business opportunities. For example, we and our prospective tenants typically conduct due diligence in a coordinated manner and share with each other the results of our respective due diligence investigations. During the lease term, we conduct joint evaluations of local facility operations and participate in discussions about strategic plans that may ultimately require our approval pursuant to the terms of our lease agreements. Our chief executive officer, chief financial officer and chief operating officer also communicate frequently with their counterparts at our tenants in order to maintain knowledge about changing regulatory and business conditions. We believe this knowledge equips us to anticipate changes in our tenants' operations in sufficient time to strategically and financially plan for, rather than react to, changing conditions.

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

OUR FORMATION TRANSACTIONS

The following is a summary of our formation transactions:

- We were formed as a Maryland corporation on August 27, 2003 to succeed to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed by certain of our founders in December 2002. In connection with our formation, we issued our founders 1,630,435 shares of our common stock in exchange for nominal cash consideration, the membership interests of Medical Properties Trust, LLC were transferred to us and Medical Properties Trust, LLC became our wholly-owned subsidiary. Upon its formation in September 2003, our operating partnership assumed certain obligations of Medical Properties Trust, LLC. Upon completion of our private placement in April 2004, 1,108,527 shares of the 1,630,435 shares of common stock held by our founders were redeemed and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement. Our founders agreed to the redemption of a portion of their shares of our common stock for nominal consideration primarily in order to facilitate the completion of our April 2004 private placement.
- Our operating partnership, MPT Operating Partnership, L.P., was formed in September 2003. Through our wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of our operating partnership. We currently own all of the limited partnership interests in our operating partnership.
- MPT Development Services, Inc., a Delaware corporation that we formed in January 2004, operates as our taxable REIT subsidiary.
- In April 2004 we completed a private placement of 25,300,000 shares of common stock at an offering price of \$10.00 per share. Friedman, Billings, Ramsey & Co., Inc. acted as the initial purchaser and sole placement agent. The total net proceeds to us, after deducting fees and expenses of the offering, were approximately \$233.5 million, and, together with borrowed funds, have been or will be used to acquire our current portfolio of nine facilities, consisting of seven facilities that are in operation and two that are under development, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately \$155.4 million to acquire our seven existing facilities, have loaned \$47.6 million to Vibra to acquire the operations at the Vibra Facilities and for working capital purposes, \$6.2 million of which has been repaid, and have funded \$29.4 million of a projected total of \$63.1 million of development costs for the West Houston Facilities. There are approximately 295 holders of our common stock as of the date of this prospectus.

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

OUR OPERATING PARTNERSHIP

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

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

MPT Operating Partnership, L.P. is a limited partner of MPT West Houston MOB, L.P. and MPT West Houston Hospital, L.P., which respectively own the Houston medical office building and the Houston community hospital in our portfolio which are under development. MPT West Houston MOB, LLC and MPT West Houston Hospital, LLC, our wholly-owned subsidiaries, are the respective general partners of these entities. We are offering up to 40% of the limited partnership interests in MPT West Houston MOB, L.P. to physicians. Stealth, L.P., the tenant of the Houston community hospital under development and an entity majority-owned by physicians, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P.

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

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

- impose on the limited partners who are not affiliates of the general partner any obligation to make additional capital contributions to the partnership;
- adversely affect the rights of certain limited partners without similarly affecting the rights of other limited partners;
- merge, consolidate or combine with another entity; or
- determine the terms and the amount of consideration payable for any issuances of additional partnership units to our operating partnership, the general partner or any of their respective affiliates.

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

MPT DEVELOPMENT SERVICES, INC.

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

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

DEPRECIATION

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

OUR LEASES

The leases for our facilities are "net" leases with terms requiring the tenant to pay all ongoing operating and maintenance expenses of the facility, including property, casualty, general liability and other insurance coverages, utilities and other charges incurred in the operation of the facilities, as well as real estate taxes, ground lease rent and the costs of capital expenditures, repairs and maintenance. Our leases also provide that our tenants will indemnify us for environmental liabilities. Our current leases range from 11 to 16 years and provide for annual rent escalation and, in the case of the Vibra Facilities, percentage

rent. Our leases require periodic reports and financial statements from our tenants. In addition, our leases contain customary default, termination, and subletting and assignment provisions. See "Our Portfolio -- Our Current Portfolio of Facilities." We anticipate that our future leases will have similar terms, including percentage rent where feasible and in compliance with applicable healthcare laws and regulations.

ENVIRONMENTAL MATTERS

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

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

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

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

COMPETITION

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

- we may have less knowledge than our competitors of certain markets in which we seek to purchase or develop facilities;
- many of our competitors have greater financial and operational resources than we have; and
- our competitors or other entities may determine to pursue a strategy similar to ours.

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

HEALTHCARE REGULATORY MATTERS

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

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

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

The Anti-Kickback Statute defines the term "remuneration" very broadly and, accordingly, local physician investment in our facilities could trigger scrutiny of our lease arrangements under the Anti-Kickback Statute. In addition to certain statutory exceptions, the Office of Inspector General of the Department of Health and Human Services, or OIG, has issued "Safe Harbor Regulations" that describe practices that will not be considered violations of the Anti-Kickback Statute. These include a safe harbor for space rental arrangements which protects payments made by a tenant to a landlord under a lease arrangement meeting certain conditions. We intend to use our commercially reasonable efforts to structure lease arrangements involving facilities in which local physicians are investors and tenants so as to satisfy,

or meet as closely as possible, the conditions for the safe harbor for space rental. There is no assurance, however, that we will meet all the conditions for the safe harbor, and it may be unlikely that we will meet all conditions, particularly 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 fair market value. Any purchase not at fair market value may present risks of challenge from enforcement authorities. The fact that a particular arrangement does not fall within a statutory exception or safe harbor does not mean that the arrangement violates the Anti-Kickback Statute. The statutory exception and Safe Harbor Regulations simply provide a guaranty that qualifying arrangements will not be prosecuted under the Anti-Kickback Statute. The implication of the Anti-Kickback Statute could limit our ability to include local physicians as investors or tenants or restrict the types of leases into which we may enter if we wish to include such physicians as investors having direct or indirect ownership interests in our facilities.

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

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

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

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

In those cases where physicians invest in us or our facilities, we intend to fashion our lease arrangements with healthcare providers to meet the applicable indirect compensation exceptions under the Stark Law, however, no assurance can be given that our leases will satisfy these Stark Law exception requirements. 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 physician self-referral laws could limit physician investment in our company or restrict the types of leases we may enter into if such physician investment is permitted.

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

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

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

Rural hospitals, which may include regional or community hospitals, one of our targeted types of facilities, will benefit most from the reimbursement changes in the Act. Some examples of these reimbursement changes include (i) providing that payment for all hospitals, regardless of geographic location, will be based on the same, higher standardized amount which was previously available only for hospitals located in large urban areas, (ii) reducing the labor share of the standardized amount from 71% to 62% for hospitals with an applicable wage index of less than 1.0, (iii) giving hospitals the ability to seek a higher wage index based on the number of hospital employees who take employment out of the county in which the hospital is located with an employer in a neighboring county with a higher wage index, and (iv) improving critical access hospital program conditions of participation requirements and reimbursement. Medicare disproportionate share hospital, or DSH, payment adjustments for hospitals that are not large urban or large rural hospitals will be calculated using the DSH formula for large urban hospitals, up to a 12% cap in 2004 for all hospitals other than rural referral centers, which are not subject to the cap. The Act provides that sole community hospitals, as defined in 42 U.S.C. sec. 1395 ww(d)(5)(D)(iii), located in rural areas, rural hospitals with 100 or fewer beds, and certain cancer and children's hospitals shall receive Transitional Outpatient Payments, or TOPs, such that these facilities

will be paid as much under the Medicare outpatient prospective payment system, or OPSS, as they were paid prior to implementation of OPSS. As of January 1, 2004 all TOPs for community mental health centers and all other hospitals were otherwise discontinued. The "hold harmless" TOPs provided for under the Act will continue for qualifying rural hospitals for services furnished through December 31, 2005 and for sole community hospitals for cost reporting periods beginning on or after January 1, 2004 and ending on December 31, 2005. Hold harmless TOPs payments continue permanently for cancer and children's hospitals.

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

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

The Act also imposes an 18 month moratorium limiting the availability of the "whole hospital exception," or Whole Hospital Exception, under the Stark Law for specialty hospitals. The moratorium began upon enactment of the Act and will continue until June 8, 2005. Prior to the moratorium's expiration, Congress will reevaluate this provision to determine whether it should sunset, be extended or be made permanent. On January 12, 2005, as part of its mandated report on specialty hospitals, the Medicare Payment Advisory Committee, or MedPAC, recommended that Congress extend the 18 month moratorium for an additional period until January 1, 2007. Under the Whole Hospital Exception, the Stark Law currently permits a physician to refer a Medicare or Medicaid patient to a hospital in which the physician has an ownership or investment interest so long as the physician maintains staff privileges at the hospital and the physician's ownership or investment interest is in the hospital as a whole, rather than a subdivision of the facility.

Specialty hospitals are defined to mean a hospital subject to the inpatient prospective payment system that is located outside of Puerto Rico, which was neither in operation nor under development as of November 18, 2003, and is primarily or exclusively engaged in treating patients with cardiac or orthopedic conditions, undergoing surgery or receiving any other specialized category of services that the Secretary designates. If a specialty hospital that was in operation or under development as of November 18, 2003 increases the number of physician investors, adds certain new clinical services, augments its bed capacity or violates other requirements to be designated by the Secretary it will become subject to the moratorium. The Act also prohibits physicians from investing in rural specialty hospitals from invoking the alternative Stark Law exception for physician ownership in rural providers.

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. Although the specialty hospital moratorium limits physician ownership or investment in "specialty hospitals" as defined by CMS, it does not limit a physician's ability to hold an ownership or investment interest in facilities which may be leased to hospital operators or other healthcare providers, assuming the lease arrangement conforms to the requirements of an applicable exception under the Stark Law. We intend to structure all of our leases, including leases containing percentage rent arrangements, to comply with applicable exceptions under the Stark Law and to comply with the Anti-kickback Statute. We believe that strong arguments can be made that percentage rent arrangements, when structured properly, should be permissible under the Stark Law and the Anti-kickback law; however, these laws are subject to continued regulatory interpretation and there can be no assurance that such arrangements will continue to be

permissible. Accordingly, although we do not currently have any percentage rent arrangements where physicians own an interest in our facilities, we may be prohibited from entering into percentage rent arrangements in the future where physicians own an interest in our facilities. In the event we enter into such arrangements at some point in the future and later find the arrangements no longer comply with the Stark Law or Anti-Kickback Statute, we or our tenants may be subject to penalties under the statutes.

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

On May 7, 2004, CMS issued a final rule to update the annual payment rates for the Medicare prospective payment system for services provided by long term care hospitals. The rule increases the Medicare payment rate for long-term care hospitals by 3.1% starting July 1, 2004. Medicare expects aggregate payment to these hospitals to increase to \$2.96 billion during the 2005 long-term care hospital rate year. Long-term care hospitals, one of the types of facilities we are targeting, are defined generally as hospitals that have an average Medicare inpatient length of stay greater than 25 days. CMS issued a proposed rule on February 3, 2005 which contains the proposed annual payment rate updates under the prospective payment system for long-term care hospitals. The proposed rule contains the 2006 long-term care hospital prospective payment system rate for the year July 1, 2005 through June 30, 2006. According to CMS, the proposed standard federal rate for the 2006 long-term care hospital prospective payment system rate year would increase 3.1% compared to the 2005 long-term care hospital prospective payment system rate year standard federal rate due to the proposed update to the long-term care hospital prospective payment system federal rate. In addition, the proposed rule contains policy changes including the adoption of new labor market area definitions for long-term care hospitals which are based on the new Core-Based Statistical Areas announced by the OMB late in 2000.

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

INSURANCE

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

EMPLOYEES

We employ 16 full-time employees and one part-time employee as of the date of this prospectus. We anticipate hiring approximately five to 10 additional full-time employees during the next 12 months, commensurate with our growth. We believe that our relations with our employees are good. None of our employees is a member of any union.

LEGAL PROCEEDINGS

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

OUR PORTFOLIO

OUR CURRENT PORTFOLIO

Our current portfolio of facilities consists of nine healthcare facilities, seven of which are in operation and two of which are under development. The Vibra Facilities consist of four rehabilitation hospitals and two long-term acute care hospitals. The Desert Valley Facility is a community hospital with an integrated medical office building. The facilities under development are the West Houston Hospital and the adjacent West Houston MOB that is master-leased by the tenant of the hospital. All of the leases for the hospitals currently in operation have initial terms of 15 years. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end 15 years after completion of construction. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end 10 years after completion of construction. Construction of the West Houston MOB is projected to be completed in August 2005 and construction of the West Houston Hospital is projected to be completed in October 2005. The leases for all of the facilities in our current portfolio provide for contractual base rent and an annual rent escalator. The leases for the Vibra Facilities also provide for percentage rent based on an agreed percentage of the tenants' gross revenue. The following table sets forth information, as of March 31, 2005, regarding our current portfolio of facilities:

	2005	2006	2004
CONTRACTUAL			
CONTRACTUAL NUMBER			
OF ANNUALIZED BASE			
BASE LOCATION TYPE			
TENANT BEDS(1)	BASE		
RENT RENT(2)	RENT(2)		
Operating Bowling Green, Kentucky.....			
Rehabilitation Vibra hospital Healthcare, LLC(4)	60	\$	
	3,916,695	\$	
	4,294,990	\$	
4,790,118 Marlton, New Jersey(5).....			
Rehabilitation(6) Vibra hospital Healthcare, LLC(4)	76	3,401,791	
	3,730,354	4,160,390	
Victorville, California(7).....			
Community Desert Valley hospital/Medical			

Hospital, Inc. 83 --
 2,341,004 2,856,000
 Office Building New
 Bedford,
 Massachusetts.....
 Long-term Vibra
 acute care
 Healthcare, hospital
 LLC(4) 90 2,262,979
 2,426,320 2,767,624
 GROSS PURCHASE PRICE
 OR PROJECTED LEASE
 LOCATION DEVELOPMENT
 COST(3) EXPIRATION -

 ----- Operating
 Bowling Green,
 Kentucky.....
 \$ 38,211,658 July
 2019 Marlton, New
 Jersey(5).....
 32,267,622 July 2019
 Victorville,
 California(7).....
 28,000,000 February
 2020 New Bedford,
 Massachusetts.....
 22,077,847 August
 2019

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

Fresno,
California...
Rehabilitation Vibra
hospital Healthcare,
LLC(4) 62 1,914,829
2,099,773 2,341,835
Thornton,
Colorado...
Rehabilitation Vibra
hospital Healthcare,
LLC(4) 117 870,377
933,200 1,064,471
Kentfield,
California.....
Long-term Vibra
acute care
Healthcare, hospital
LLC(4) 60 783,339
858,998 958,024 ---

SUBTOTAL.....
-- -- 548
\$13,150,010
\$16,684,639
\$18,938,462 --- ----

----- Under
Development Houston,
Texas.....
Community
hospital(8) Stealth,
L.P. 105(9) \$ --
\$772,196(10) \$
4,652,481(10)
Houston,
Texas..... Medical
office building(12)
Stealth, L.P. n/a --
670,840(10)
2,025,936(10) -----

SUBTOTAL.....
-- -- 105 --
1,443,036 6,678,417

TOTAL.....
-- -- 653
\$13,150,010
\$18,127,675
\$25,616,879 ===
=====
=====
=====

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

----- Fresno,
California...
18,681,255 July 2019
Thornton,

Colorado...
 8,491,481 August
 2019 Kentfield,
 California.....
 7,642,332 July 2019

 SUBTOTAL.....
 \$155,372,195 -- ----
 ----- Under
 Development Houston,
 Texas..... \$
 42,600,000 October
 2020(11) Houston,
 Texas.....
 20,500,000 August
 2015(13) -----
 -
 SUBTOTAL.....
 \$ 63,100,000 -- ----

 TOTAL.....
 \$218,472,195 --
 =====

-
- (1) Based on the number of licensed beds.

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

 - (3) Includes acquisition costs.

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

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

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

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

 - (8) Expected to be completed in October 2005.

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

 - (10) Based on estimated total development costs and estimated dates of completion. Assumes completion of construction in October 2005 for the West Houston Hospital and in August 2005 for the West Houston MOB. Does not

include rents that accrue during the construction period and are payable over the remaining lease term following the completion of construction.

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

(12) Expected to be completed in August 2005.

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

VIBRA FACILITIES AND LOANS

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

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

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

As security for the acquisition loans, Vibra has pledged to us all of its interests in each of the tenants, and Mr. Hollinger has pledged to us his entire interest in Vibra. In addition, Mr. Hollinger, The Hollinger Group and Vibra Management, LLC, another affiliate of Mr. Hollinger, have guaranteed the repayment of the loans and the payment of the commitment fees; however, Mr. Hollinger's personal liability is limited. See "--Lease Guaranties and Security."

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

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

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

Lease Guaranties and Security. Each Vibra lease is guaranteed by Mr. Hollinger, Vibra, Vibra Management, LLC and The Hollinger Group. The guaranty is

an absolute and irrevocable guarantee of full payment and performance; however, Mr. Hollinger's personal liability for lease guaranty, the loan guaranty and for environmental indemnification is limited to \$5.0 million in the aggregate. Each Vibra lease is cross-defaulted with the other leases for the Vibra Facilities. In addition, Vibra has pledged to us all of its interests in each of the tenants, and Mr. Hollinger has pledged to us his interest in Vibra. As

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

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

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

DEPRECIATION
FEDERAL TAX BASIS

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

ANNUAL -----

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

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

BOWLING GREEN, KENTUCKY

General. This facility, licensed for 60 beds, is an approximately 62,500 gross square foot rehabilitation hospital located in Bowling Green, Kentucky,

which is approximately 60 miles from Nashville, Tennessee. Construction of the facility was completed in 1992. We acquired a fee simple interest in this facility on July 1, 2004 for a purchase price of approximately \$38.2 million including acquisition costs.

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

MARLTON, NEW JERSEY

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

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

HBA Management, Inc., or HBA, has subleased the entire third floor of the hospital facility, approximately 26,896 square feet, for the operation of a 30-bed pediatric comprehensive rehabilitation unit

and related office use, together with certain fixtures, furnishings and equipment located in the subleased premises. The current term of the sublease expires on August 31, 2013. HBA has the option to extend the sublease term for two additional terms of five years each. Base annual rent due under the sublease through September 30, 2005 is approximately \$1,112,980 per annum, with adjustments annually thereafter. In addition to base annual rent, HBA is required to pay its proportionate share of all reimbursable expenses.

FRESNO, CALIFORNIA

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

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

THORNTON, COLORADO

General. This facility, licensed for 117 beds, is an approximately 141,388 gross square foot rehabilitation hospital located in Thornton, Colorado, which is approximately 10 miles from Denver, Colorado. Of the 117 beds, 70 are rehabilitation beds, 23 are psychiatric beds and 24 are skilled nursing care beds. Construction of the original facility was completed in 1962 with additions completed as recently as 1975. We acquired a fee simple interest in this facility on August 17, 2004 for a purchase price of approximately \$8.5 million including acquisition costs.

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

NEW BEDFORD, MASSACHUSETTS

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

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

KENTFIELD, CALIFORNIA

General. This facility, licensed for 60 beds, is an approximately 43,500

gross square foot long-term acute care hospital located in Kentfield, California, which is approximately 15 miles from San Francisco, California. Construction of the facility was completed in 1963 with the last renovations in 1988. We

acquired a fee simple interest in this facility on July 1, 2004 for a purchase price of approximately \$7.6 million including acquisition costs.

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

DESERT VALLEY FACILITY

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

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

DVH has subleased approximately 40,110 square feet of space in the medical office portion of the facility to its affiliate, Desert Valley Medical Group, Inc., or DVMG, for office use. The DVMG lease requires DVMG to pay rent of \$50,137.50 per month, to be adjusted commencing on January 1, 2006 by the CPI. The DVMG sublease expires on December 31, 2011. DVH has also subleased approximately 500 square feet of space in the facility to Network Pharmaceuticals, Inc. for the operation of a pharmacy. The pharmacy sublease requires the tenant to pay annual rent of \$2,000 per month. The pharmacy sublease currently expires on May 15, 2007, subject to the pharmacy's option to renew for a term of 10 years.

Lease Guaranties and Security. The Desert Valley lease is guaranteed by Prime A Investments, L.L.C., Desert Valley Health System, Inc. and Desert Valley Medical Group, Inc. The guaranty is an absolute and irrevocable guaranty. The lease is cross-defaulted with any other leases between us or any of our affiliates and DVH, any guarantor and any of their affiliates. In addition, as security for the lease, DVH has granted us a security interest in all personal property, other than receivables, located at the Desert Valley Facility, subject to purchase money liens on equipment. Desert Valley Hospital, Inc. has provided

to us unaudited financial statements reflecting that, as of October 31, 2004, it had tangible assets of approximately \$23.5 million, liabilities of approximately \$14.9 million and stockholders' equity of

approximately \$8.6 million, and for the ten month period ended October 31, 2004 had net income of approximately \$8.7 million.

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

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

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

FEDERAL TAX BASIS
DEPRECIATION 2004
REAL ESTATE -----

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

Victorville,
California.....
\$2,000,000
\$26,000,000 2.5%
Straight-line 40
\$289,905 1.07%

Expansion Commitment. We have also entered into a commitment letter with DVH pursuant to which, subject to certain conditions, we have agreed to fund up to \$20.0 million for the purpose of expanding our Desert Valley Facility. We have agreed to begin funding and DVH has agreed to begin drawing on the commitment amount before February 28, 2006, in accordance with a disbursement schedule to be provided in a definitive development agreement to be entered into between us and DVH at the time of the first draw. Upon receipt and approval of the development agreement, DVH is obligated to pay us a commitment fee in cash equal to 0.5% of the maximum commitment amount. This commitment fee will be

adjusted following the full and final funding of the expansion to a sum equal to 0.5% of the actual amount funded. Except for any adjustments to the commitment fee that may result from funding less than the maximum commitment amount, the commitment fee is non-refundable. If DVH fails to provide a development agreement to us by January 29, 2006, we will have no further liability or obligation to provide the funding. We do not expect to generate any revenues from this transaction in the near future.

HOUSTON, TEXAS

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

West Houston GP, L.P., an affiliate of GPMV, holds a 25% general partnership interest in Stealth. The limited partners of Stealth, which currently hold a 75% interest, consist of 85 physicians. The sole business of Stealth is the operation of the West Houston Hospital offering multi-specialty services and the West Houston MOB. Because those facilities are still in the construction phase, Stealth has had no meaningful operations to date. Our operating partnership owns an approximate 93% limited partnership interest in the hospital limited partnership and Stealth owns an approximate 6% limited partnership interest. MPT West Houston Hospital, LLC, a wholly-owned limited liability company of our operating partnership, owns the 1% general partnership interest in the hospital limited partnership. Currently, our operating partnership owns all of the limited partnership interests in the MOB limited partnership and MPT West Houston MOB, LLC, a wholly-owned subsidiary of our operating partnership, owns the 1% general partnership interest. We are in the process of offering up to 40% of the limited partnership interests in the MOB limited partnership to local physicians who are expected to be affiliated with the West Houston Hospital.

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

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

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

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

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

Stealth is obligated to pay MPT Development Services, Inc., our taxable REIT subsidiary, a project inspection fee for construction coordination services of \$100,000 in the case of the West Houston Hospital and \$50,000 in the case of the adjacent West Houston MOB. These fees are to be paid, with interest at the rate of 10.75% per year, over a 15 year period beginning on the date that the West Houston Hospital is completed. The total development costs for the facilities, including acquisition cost, development services fee, commitment fee, project management fee, and construction costs, are estimated to be \$42.6 million for the hospital facility and \$20.5 million for the medical office building. Construction, which commenced in July 2004, is expected to be completed in October 2005 for the West Houston Hospital and in August 2005 for the adjacent West Houston MOB. During the construction period, we will advance funds pursuant to requests made in accordance with the terms of the development agreements between us and the developers. We have agreed to fund 100% of the total development costs for the West Houston Hospital and the adjacent West Houston MOB. Our agreement with Stealth provides that 60% of this funding will be in the form of debt for the West Houston Hospital and 80% in the form of debt for the adjoining West Houston MOB. If we obtain third-party construction financing, the debt portion of the development costs will be provided by the third-party lender.

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

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

Purchase Option. After the first full 12 month period after construction of each of the West Houston Facilities is completed, as long as Stealth is not in default under either of its leases with us or any of the leases

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

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

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

Security. The leases for the West Houston Facilities are cross-defaulted and are guaranteed by West Houston G.P., L.P. and West Houston Joint Ventures, Inc., affiliates of Stealth. To secure its performance of its lease obligations under the West Houston Hospital lease, Stealth has obtained a certificate of deposit in the amount of \$1,905,234, of which we are the beneficiary. The sublease between Stealth and Triumph requires Triumph to obtain a certificate of deposit in the amount of \$400,000 to secure the performance of its obligations under its sublease with Stealth. However, subject to execution of definitive agreements, we, Stealth and Triumph have agreed that Triumph shall obtain and deliver to us a \$400,000 letter of credit, in lieu of the certificate of deposit, to be held by us. The sublease has been assigned to us as collateral security for Stealth's performance under its lease. Under the lease and the sublease, each of Stealth and

Triumph, respectively, are required to give us a security interest in these certificates of deposit and to enter into control agreements with us and the issuing banks which provide that the banks will follow our instructions regarding the certificates of deposit. Once the West Houston Hospital commences operations, Stealth is required to substitute a letter of credit in the amount of \$1,905,234 in place of the \$1,905,234 certificate of deposit; and on May 1, 2005, the sublease requires that Triumph substitute a letter of credit in the amount of \$1,000,000 in place of the \$400,000 certificate of deposit. The lease further provides that the Stealth letter of credit may be released in two increments of 50% of the total amount of the letter of credit over a 2 year period following the date on which Stealth generates a total rent (excluding additional charges) coverage from EBITDAR of at least 200% for 12 consecutive months.

Stealth has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately \$6.0 million, including cash of approximately \$4.6 million, liabilities of approximately \$281,328 and owners' equity of approximately \$5.7 million. Neither of the guarantors has any substantial assets, other than its interest in Stealth.

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

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

```

DEPRECIATION
  ESTIMATED
  FEDERAL TAX
  BASIS -----
  -----
  -----
  2004 REAL
  ESTATE ----
  -----
  -----
  ANNUAL ----
  -----
  -- LAND
  BUILDINGS
  RATE METHOD
  LIFE IN
  YEARS TAXES
  RATE -----
  -----
  -----
  -----
  -- West
  Houston
  Hospital....
  $ 8,400,000
  $34,200,000
  2.5%
  Straight-
  line 40
  $1,324,860
  
```


3.11% West
Houston
MOB.....
1,800,000
18,700,000
2.5
Straight-
line 40
637,550
3.11

OUR PENDING ACQUISITIONS AND DEVELOPMENTS

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

ANNUAL YEAR ONE MINIMUM GROSS NUMBER OF CONTRACTUAL INCREASE IN PURCHASE LOCATION TYPE TENANT BEDS(1) BASE RENT RENT PRICE - -----

- ----- Operating Covington, Louisiana*..... Long-term Gulf States 58 \$ 1,170,750(2) 2.5%(3) \$ 11,150,000 acute LTACH of care Covington, LLC hospital Denham Springs, Louisiana*..... Long-term Gulf States 59 630,000(2) 2.5%(3) 6,000,000 acute LTACH of Denham care Springs, LLC hospital Hammond, Louisiana*(5)..... Long-term Hammond 40 840,000(6) 2.5%(3) 10,285,000 acute Rehabilitation care Hospital, LLC hospital --- -----
SUBTOTAL.....
157 \$ 2,640,750 \$ 27,435,000 -----

----- Under Development Bensalem, Pennsylvania**..... Women's Bucks County 30 -- 2.5%(3) 38,000,000 hospital/ Oncoplastic medical Institute, LLC office building Bloomington, Indiana*..... Community Monroe 32 -- 2.5%(3) \$ 28,000,000 hospital Hospital, L.L.C. Houston, Texas*..... Community North Cypress 64 -- 2.5%(3) 51,000,000 hospital Medical Center Operating Company, Ltd. --- -----
SUBTOTAL.....
-- -- 126 -- \$117,000,000 ===
=====
TOTAL.....
-- -- 283 \$ 2,640,750 \$144,435,000 ===
=====
LOCATION LEASE EXPIRATION - -----
----- Operating Covington, Louisiana*..... April 2020(4) Denham Springs, Louisiana*..... April 2020(4) Hammond, Louisiana* (5)..... May 2021
SUBTOTAL.....
----- Under Development Bensalem, Pennsylvania**..... (7) Bloomington, Indiana*..... (7) Houston, Texas*..... (7)
SUBTOTAL.....
--

* Under letter of commitment.

** Under contract.

- (1) Based on the number of licensed beds.
- (2) Year One is the 12 month period commencing on an expected closing date of April 30, 2005.
- (3) The annual rent increase is the greater of 2.5% and any change in the Consumer Price Index, or CPI.
- (4) The lease expiration is based upon a 15 year term commencing on an expected closing date of April 30, 2005.
- (5) On April 1, 2005, we entered into a letter of commitment with Hammond Healthcare Properties, LLC, or Hammond Properties, and Hammond Rehabilitation Hospital, LLC, or Hammond Hospital, pursuant to which we have agreed to lend Hammond Properties \$8.0 million and have agreed to a put-call option pursuant to which, during the 90 day period commencing on the first anniversary of the date of the loan closing, we expect to purchase from Hammond Properties a long-term acute care hospital located in Hammond, Louisiana for a purchase price between \$10.3 million and \$11.0 million. If we purchase the facility, we will lease it back to Hammond Hospital for an initial term of 15 years. The lease would be a net lease and would provide for contractual base rent and, beginning January 1, 2007, an annual rent escalator.
- (6) Based on one year contractual interest at the rate of 10.5% per year on the \$8.0 million mortgage loan to Hammond Properties. We expect to exercise our option to purchase the Hammond facility in 2006. For the one year period following our purchase of the facility, contractual base rent would equal \$1,080,030, based on 10.5% of an estimated purchase price of \$10,285,000.
- (7) We expect that each of these leases will have a 15 year term commencing on the date that construction of the facility is completed.

COVINGTON AND DENHAM SPRINGS, LOUISIANA

General. On March 14, 2005, we entered into a commitment letter with Covington Healthcare Properties, LLC, or Covington, and Denham Springs Healthcare Properties, LLC, or Denham Springs, both unaffiliated third parties, to purchase two long-term acute care hospital facilities. One facility, which we refer to as the Covington Facility, is located in Covington, Louisiana, which is approximately 35 miles from New Orleans, Louisiana. The Covington Facility contains approximately 43,250 square feet of space and is licensed for 58 beds. We expect our purchase price for the Covington Facility to be approximately \$11,150,000. The other facility, which we refer to as to Denham Springs Facility, is located in Denham Springs, Louisiana, which is approximately 10 miles from Baton Rouge, Louisiana. The Denham Springs Facility contains approximately 36,000 square feet of space and is licensed for 59 beds. We expect our

purchase price for the Denham Springs Facility to be approximately \$6 million. Also, at the request of Covington or Denham Springs, respectively, we will agree to structure the purchase of the facility as a contribution of the contract of sale to us, in exchange for cash and operating partnership units. In the event we pursue such a structure, the relative amounts of cash, the number of units and the per unit value will be mutually determined; provided, however, that the aggregate value of such units is not to be expected to exceed \$1 million collectively.

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

We intend to form a Delaware limited liability company, MPT of Covington, LLC, which will own the Covington Facility, and a Delaware limited liability company, MPT of Denham Springs, LLC, which will own the Denham Springs Facility. Initially, we expect our operating partnership to own all of the membership interests in each of these limited liability companies; however, at some point following closing, we have agreed to offer up to 30% of the interests in each of these limited liability companies to local physicians.

Lease. At the time we purchase the Covington Facility, we intend to lease 100% of the facility to Gulf States LTACH of Covington, LLC or its affiliate for a 15-year term, with 3 options to renew for 5 years each. At the time we purchase the Denham Springs Facility, we intend to lease 100% of the facility to Gulf States LTACH of Denham Springs, LLC or its affiliate for a 15-year term, with 3 options to renew for 5 years each. We expect each lease to be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. Each lease is expected to require the tenant to pay base rent in an amount equal to 10.5% per annum of the purchase price plus any costs and charges that may be capitalized, which base rent will be payable in monthly installments. Each lease is also expected to provide that on each January 1, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1; provided, however, on January 1, 2006, the adjustment shall be prorated. We also expect each lease to require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Reserve for Extraordinary Repairs. We expect each lease to require the tenant to be responsible for all maintenance and repairs and all extraordinary repairs required to keep the facility in compliance with all applicable laws and regulations and as required under the lease. We also expect each lease to require the tenant, commencing on the date we purchase the facility, to make annual deposits into a reserve account. Each lease is expected to provide that on each January 1 following the date we purchase the facility, the payment into the reserve account will be increased, and that all extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and the tenant will pay into the reserve such funds as necessary for all extraordinary repairs.

Security. As security for each lease, we expect the tenant will grant us a security interest in all personal property, other than receivables, located and to be located at the respective facility. We also expect each lease to require the tenant to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to six months' base rent under the lease. We expect each lease to also provide that at such time as the operations in the facility have generated EBITDAR coverage of at least two times the base rent for eight consecutive fiscal quarters, the letter of credit may be reduced to an amount equal to three months of the base rent then in effect. If, however, after satisfying the

conditions necessary to reduce the letter of credit to three months' base rent, EBITDAR coverage subsequently drops below two times base rent for two consecutive fiscal quarters, the letter of credit shall be increased to six months' base rent. The leases are

expected to be cross-defaulted with any other lease or agreement between the parties. Gulf States Health Services, Inc. has provided to us unaudited financial statements reflecting that, as of September 30, 2004, it had tangible assets of approximately \$8.3 million, liabilities of approximately \$8.1 million and stockholders' equity of approximately \$1.5 million, and for the nine month period ended September 30, 2004 had net income of approximately \$700,000. Team Rehab, LLC, which is one of the guarantors of the leases, has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately \$21.3 million, liabilities of approximately \$9.2 million and owner's equity of approximately \$12.1 million, and for the year ended December 31, 2004 had net income of approximately \$1.7 million.

We expect the lease for the Covington Facility to require that, as of the commencement date of the lease and at all times during the lease term, the tenant and its affiliates, Team Rehab, LLC, Gulf States Health Services, Inc. and Jamestown Properties, LLC, maintain an aggregate tangible net worth in an amount to be mutually agreed upon with us. We expect the lease for the Denham Springs Facility to require that, as of the commencement date of the lease and at all times during the lease, the tenant and its affiliates, Team Rehab, LLC, Gulf States Health Services, Inc. and Jamestown Properties, LLC, maintain an aggregate tangible net worth in an amount to be mutually agreed upon.

Purchase Options. We expect each lease to provide that so long as the tenant is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default under its (and its affiliates) leases with us or any of our affiliates or any of the leases with its subtenants, the tenant will have the option to purchase the facility (i) at the expiration of the initial term and each extension term of the lease, to be exercised by 90 days' written notice prior to the expiration of the initial term and each extension term, and (ii) within 90 days of written notification from us exercising our right to terminate the engagement of the tenant's or its affiliate's management company as the management company for the facility as a result of an event of default under the lease. Each lease is expected to provide that the purchase price shall be equal to the greater of (i) the appraised value of the facility, assuming the lease remains in effect for 15 years and not taking into account any purchase options contained therein, or (ii) the purchase price paid by us for the facility, increased annually by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1.

Commitment Fee. We will be entitled to a commitment fee at the closing of the purchase of the Covington Facility equal to 1% of the purchase price, \$16,250 of which has already been paid. We will be entitled to a commitment fee at the closing of the purchase of the Denham Springs Facility equal to 1% of the purchase price, \$6,250 of which has already been paid.

Hammond, Louisiana

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

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

Under the mortgage loan transaction, we expect to lend to Hammond Properties the sum of \$8.0 million, which will bear interest at the rate of

10.5% per year and be payable interest only on a monthly basis with a balloon payment due and payable at the expiration of the put-call option period described below or, if the put-call option is exercised, at closing of our purchase of the facility. The loan is expected to be secured by a first mortgage on the facility and by the other collateral and guaranteed as described below.

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

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

Lease. If the put-call option is exercised, we intend to lease 100% of the facility to Hammond Hospital or its affiliate for a 15-year term, with 3 options to renew for 5 years each. We expect the lease to be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The lease is expected to require the tenant to pay base rent in an amount equal to 10.50% per annum of the purchase price plus any costs and charges that may be capitalized, which base rent will be payable in monthly installments. The lease is also expected to provide that on each January 1 beginning January 1, 2007, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. We also expect each lease to require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Reserve for Extraordinary Repairs. We expect the lease to require the tenant to be responsible for all maintenance and repairs and all extraordinary repairs required to keep the facility in compliance with all applicable laws and regulations and as required under the lease. We also expect the lease to require the tenant, commencing on the date we purchase the facility, to make annual deposits into a reserve account. The lease is expected to provide that on each January 1 following the date we purchase the facility, the payment into the reserve account will be increased, and that all extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and the tenant will pay into the reserve such funds as necessary for all extraordinary repairs.

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

Purchase Options. We expect the lease to provide that so long as the tenant is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a

default under its (and its affiliates) leases with us or any of our affiliates or any of the leases with its subtenants, the tenant will have the option to purchase the facility at the expiration of the initial term and each extension term of the lease. The lease is expected to provide that the purchase price shall be equal to the greater of (i) the appraised value of the facility, assuming the lease remains in effect for 15 years and not taking into account any purchase options contained therein, or (ii) the purchase price paid by us for the facility, increased annually by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1. The parties will agree upon the notice and closing periods applicable to these purchase options.

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

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

BENSALEM, PENNSYLVANIA

General. On March 3, 2005, we entered into a purchase and sales agreement with Bucks County Oncoplastic Institute, LLC, or BCO, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and DSI Facility Development, LLC, or the developer, all unaffiliated third parties, to purchase land and develop a women's hospital facility with an incorporated medical office building in Bucks County, Pennsylvania, which is approximately 15 miles from Philadelphia, Pennsylvania. BCO expects to enter into a contract with the owner of the land upon which the facility will be constructed for the purchase of the land.

We intend to enter into a development agreement with the developer to develop the facility. The total development costs to develop the facility, including the cost of the land, are estimated at approximately \$38.0 million.

We have agreed to advance up to \$1.6 million of development costs prior to closing, which advances bear interest at the rate of 10.75% and are guaranteed to the extent of \$1.3 million by Dr. Tannenbaum and \$300,000 by Mr. Harrison.

Lease. We have formed a Delaware limited partnership, MPT of Bucks County Hospital, L.P., to own the facility. At the time we purchase the land, we intend to lease back 100% of the land and all improvements to be constructed thereon to BCO for a 15-year term, with three options to renew for five years each. Alternatively, we may loan to BCO the amounts necessary for construction of the improvements and, subject to certain conditions, purchase from and lease to BCO the improvements upon their completion. The lease is to be a net-lease with BCO responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The lease will require BCO to pay monthly rent or, alternatively, interest during the construction period in a per annum amount equal to 10.75% multiplied by the total amount of the funds disbursed under the development agreement. The lease will require the tenant to pay, following the completion of construction of the facility, base rent in an amount equal to 10.75% per annum of the total development costs, which base rent will be payable in monthly installments. The lease will provide that on January 1, 2006, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI, has increased over the CPI figure in effect on the previous January 1. The lease will also require BCO to carry customary insurance which is adequate to satisfy our underwriting standards. The lease will require BCO to pay us on the commencement date of the lease an amount equal to \$7,500 to cover the cost of the physical inspections of the facility,

which fee will, beginning on January 1, 2006, and continuing on each January 1 thereafter, be increased by 2.5% per annum. In addition to the inspection fee, the total development costs will also include a fee equal to \$75,000 to cover our inspection of the facility during the construction period.

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

Security. As security for the lease, BCO will grant us a security interest in all personal property, other than receivables, located and to be located at the facility, which security interest will be subject to any lien of any purchase money lender. The lease will require BCO to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to one year's base rent under the lease. As a condition to closing and as a continuing covenant under the lease, BCO will be required to maintain a tangible net worth of \$5 million or access to a working capital line of at least \$5 million guaranteed by Dr. Tannenbaum and other approved guarantors. The lease will be cross-defaulted to any other lease or agreement between the parties. has provided to us unaudited financial statements reflecting that, as of , it had tangible assets of approximately \$, including cash of approximately \$, liabilities of approximately \$ and owners' equity of approximately \$, and for the period ended , had net income (loss) of \$.

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

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

BLOOMINGTON, INDIANA

General. On February 28, 2005, we entered into a letter of commitment with Monroe Hospital, L.L.C. and Monroe Hospital Operating Company, an affiliate of Monroe Hospital, both unaffiliated third parties, to develop an acute care hospital in Bloomington, Indiana, which is approximately 50 miles from Indianapolis, Indiana. We expect to enter into a contract with Monroe Hospital and Monroe Hospital Operating Company to, among other things, purchase the land. We intend to enter into a development agreement with an affiliate of Monroe Hospital to develop the facility. We expect that the total development costs to develop the facility, including the cost of the land, will be approximately \$28.0 million.

Lease. We intend to form a Delaware limited liability company, MPT of Bloomington, LLC, which will own the facility. At the time we purchase the land, we intend to lease 100% of the land and all improvements to be constructed thereon to Monroe Hospital Operating Company for a 15-year term, with three options to renew for five years each. Alternatively, we may loan to Monroe Hospital the amounts necessary for construction of the improvements and, subject to certain conditions, purchase from and lease to Monroe Hospital the improvements upon their completion. We expect the lease to be a net-lease with the tenant responsible for all costs of the facility, including, but not limited

to, taxes, utilities, insurance and maintenance. The lease is expected to require the tenant to pay monthly rent or, alternatively, interest, during the construction period in a per annum amount equal to 10.50% multiplied by the total amount of the funds disbursed under the development agreement. We also expect the lease to require the tenant to

pay, following the completion of construction of the facility, base rent in an amount equal to 10.50% per annum of the total development costs, which base rent will be payable in monthly installments. The lease is also expected to provide that on January 1, 2006, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. We also expect the lease to require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards. We expect the lease to require the tenant to pay us on the commencement date of the lease an amount equal to \$5,000 to cover the cost of the physical inspections of the facility, which fee will, beginning on January 1, 2006, and continuing on each January 1 thereafter, be increased by 2.5% per annum. The lease will be cross-defaulted with any other lease between us and the tenant or its affiliates.

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

Security. As security for the lease, we expect that the tenant will grant us a security interest in all personal property, other than receivables, located and to be located at the facility. We also expect the lease to require the tenant to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to one year's base rent under the lease. We expect the lease to also provide that at such time as the operations in the facility generated EBITDAR coverage of at least two times the base rent for two consecutive fiscal years, the letter of credit may be reduced to an amount equal to six months of the base rent then in effect. We expect the lease to require the tenant to have received an equity contribution of \$6 million. The lease is expected to be cross-defaulted to any other lease or agreement between the parties. has provided to us unaudited financial statements reflecting that, as of , it had tangible assets of approximately \$, including cash of approximately \$, liabilities of approximately \$ and owners' equity of approximately \$, and for the period ended , had net income (loss) of approximately \$.

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

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

HOUSTON, TEXAS

General. On March 16, 2005, we entered into a commitment letter with North

Cypress Medical Center Operating Company, Ltd., or North Cypress, an unaffiliated third party, to develop a general acute care hospital in Houston, Texas. We expect to enter into a ground lease with the current owner of the land, with an option for us to purchase the ground, and then sublease the ground to North Cypress. We

intend to enter into a development agreement with an affiliate of North Cypress to develop the facility. We expect that the total development costs to develop the facility, will be approximately \$51.0 million. We have ordered an independent appraisal in connection with the lease of the land and the development of the facility and expect that the appraised value will not be less than the total development costs.

Commitment Fee. In connection with the acquisition of the leasehold and development of the facility, North Cypress has agreed to pay us a commitment fee equal to 1% of the total development costs, which shall be due and paid to us at the time the lease is signed; provided, however, \$100,000 of the total 1% commitment fee was paid to us at the time the commitment letter was executed.

Sublease. We intend to form a Delaware limited partnership, MPT of North Cypress, LP, which will enter into the ground lease with the current owner. At the time we enter into the ground lease, we intend to sublease 100% of the land and all improvements to be constructed thereon to North Cypress or its affiliate for a cumulative term of the construction period and the 15-year period following the completion of construction, with three options to renew for five years each. Alternatively, we may loan to North Cypress the amounts necessary for construction of the improvements and, subject to certain conditions, purchase from and lease to North Cypress the improvements upon their completion. We expect the sublease to be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, all rent and other costs and expenses due and payable under the ground lease, taxes, utilities, insurance and maintenance. The sublease is expected to require the tenant to pay monthly rent or, alternatively, interest, during the construction period in a per annum amount equal to 10.50% multiplied by the total amount of the funds disbursed under the development agreement plus the sum of all rents paid pursuant to the ground lease. We also expect the sublease to require, following the completion of construction of the facility, the tenant to pay base rent in an amount equal to 10.50% per annum of the total development costs plus the sum of all rents paid pursuant to the ground lease, which base rent will be payable in monthly installments. The sublease is also expected to provide that on January 1, 2006, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (A) 2.5% per year of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. We also expect the sublease to require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards. We expect the sublease to require the tenant to pay us, commencing on January 1, 2006, an amount equal to \$7,500 to cover the cost of the physical inspections of the Facility, which fee will, on each January 1, be increased by 2.5% per annum. In addition to the inspection fee, we expect the total development costs to include \$75,000 to cover our inspection of the facility during the construction period.

Reserve for Extraordinary Repairs. We expect the sublease to require the tenant to be responsible for all maintenance and repairs and all extraordinary repairs required to keep the Facility in compliance with all applicable laws and regulations and as required under the sublease. We also expect the sublease to require the tenant, beginning on the date that construction of the facility has been completed, to make annual deposits into a reserve account in the amount of \$2,500 per bed per year. The sublease is expected to provide that on each January 1 thereafter, the payment of \$2,500 per bed per year into the improvement reserve will be increased by 2.5%, and that all extraordinary repair expenditures made in each year during the term of the sublease will be funded first from the reserve, and the tenant will pay into the reserve such funds as necessary for all extraordinary repairs.

Cash Infusion and Net Worth Covenant. We expect the sublease to require that, as of the commencement date of the sublease, tenant shall have received from its equity owners at least \$15 million in cash equity to be used for operating expenses and which shall not be distributed to its equity owners. Those contributions shall include the letter of credit as described below. The lease is also expected to provide that upon our request tenant will provide to us evidence that such cash equity is in place and has not been distributed to tenant's equity owners. We further expect the sublease to require that North Cypress maintain at all times during the sublease a tangible net worth, the amount of which shall be negotiated prior to closing and execution of the

Security. As security for the sublease, we expect that the tenant will grant us a security interest in all personal property, other than receivables, located and to be located at the facility. We expect the sublease to be cross-defaulted with any other sublease between North Cypress, or its affiliates, and us, or our affiliates. We also expect the sublease to require the tenant to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to one year's base rent under the sublease. We expect the sublease to also provide that at such time as the operations in the facility have for two consecutive fiscal years generated EBITDAR coverage of at least two times the base rent, the letter of credit may be reduced to an amount equal to six months of the base rent then in effect. _____ has provided to us unaudited financial statements reflecting that, as of _____, it had tangible assets of approximately \$ _____, including cash of approximately \$ _____, liabilities of approximately \$ _____ and owners' equity of approximately \$ _____, and for the period ended _____, had net income (loss) of approximately \$ _____.

Purchase Options. So long as we have the corresponding rights under the ground lease, we expect the sublease to provide that so long as the tenant is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default under its, and its affiliates, leases and subleases with us or any of our affiliates or any of the leases and subleases with its subtenants, at the expiration of the sublease, and at the expiration of each extension term, the tenant will have the option to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, or (ii) the total development costs, including any capital additions funded by us, as increased by an amount equal to the greater of (A) 2.5% per annum from the date of the sublease, or (B) the rate of increase in the CPI on each January 1.

Sale Proceeds Distributions or Syndication. At the time we enter into the lease with the tenant, we intend to also enter into an agreement with the tenant granting the tenant the right to choose between two options relating to the facility. The first option is based on a sale of the facility and, after we receive from the sales proceeds an amount equal to the total development costs plus an internal rate of return equal to 15% any proceeds above that amount will be distributed to the tenant and us on an equal basis. The other option we expect to grant is that, subject to applicable healthcare regulatory requirements, if requested by tenant, we will offer the tenant or its physician partners opportunities to purchase up to 49% of the limited partnership equity interest in the limited partnership entity that will hold the title to the facility. The valuation of the limited partnership's equity interest will be based on the historical cost of the limited partnership's assets. To the extent that we elect to place debt on the facility, such debt will be non-recourse to the limited partners. Such offering will occur six to nine months following the occupancy of the facility. If tenant chooses this option, tenant and/or its physician partners will invest on an equal basis with us.

OTHER LETTERS OF COMMITMENT

Diversified Specialty Institutes, Inc. Acquisition and Development Funding

General. On March 3, 2005, we entered into a letter of commitment with Diversified Specialty Institutes, Inc., or DSI, the developer of the women's hospital and medical office building in Bensalem, Pennsylvania that we have contracted to develop and leaseback, pursuant to which, subject to certain conditions set forth in the letter of commitment, we have agreed to make available to DSI or its affiliates acquisition and development funding in the total amount of \$50 million to be used to finance the potential future acquisition or development of healthcare facilities, in each case subject to our due diligence and approval. We expect the commitment to remain outstanding until March 2, 2006, and be available to finance any acquisition facility or development facility that is subject to definitive agreements as of March 2, 2006, notwithstanding that the closing or completion of the acquisition facility or development facility may not have occurred as of March 2, 2006. We have agreed that the definitive documents relating to the commitment must close by

April 30, 2005, unless a 30-day extension is requested by DSI or ourselves.

As funds are drawn from the commitment to fund an acquisition or development facility, as applicable, we expect to enter into definitive documents with DSI. With respect to any development facility, we expect to enter into a development agreement with a developer, which may be an affiliate of DSI, to develop the development facility.

Commitment Fee. DSI has agreed to pay us a commitment fee equal to 1% of the commitment, \$100,000 of which was paid when the letter of commitment was signed. The remainder of the commitment fee will be due and payable at the closing of future projects, with the fee on each project being equal to 1% of that project's purchase price. We have agreed to give DSI a credit on future payments of commitment fees for the \$100,000 paid at the execution of the letter of commitment.

Lease. We expect to form a Delaware limited liability company or a limited partnership to own each facility acquired or developed pursuant to the commitment. At the time of our purchase of any acquisition or development facility, we intend to lease back to the applicable tenant 100% of the land and all improvements, including improvements to be constructed in the case of a development facility, for a 15-year term, with 3 options to renew for five years each, so long as the options are exercised at least six months prior to the expiration of the lease or the applicable extended term. We further expect that each lease will be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance.

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

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

Reserve for Extraordinary Repairs. We expect the lease to require the tenant to be responsible for all maintenance and repairs and all extraordinary repairs required to keep the facility in compliance with all applicable laws and regulations and as required under the lease. We expect the lease to require, commencing on the date that construction has been completed with respect to a development facility, or on the date of commencement of the lease with respect to an acquisition facility, the tenant to make annual deposits into a reserve account in the amount of \$2,500 per bed per year. The lease is expected to provide that on each January 1 thereafter, the payment of \$2,500 per bed per year into the improvement reserve will be increased by 2.5%, and that all

extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and the tenant will pay into the reserve such funds as necessary for all extraordinary repairs.

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

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

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

We cannot assure you that we will acquire or develop any of the Pending Acquisition and Development Facilities or complete any of the other transactions we have under letter of commitment on the terms described in this prospectus or at all, because each of these transactions is subject to a variety of conditions, including, in the case of the Pending Acquisition and Development Facilities under contract, our satisfactory completion of due diligence, receipt of appraisals and other third party reports, obtaining of government and third party approvals and consents and other customary closing conditions and, in the case of the transactions under letters of commitment, negotiation and execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third party reports, obtaining of government and third party approvals and consents, approval by our board of directors and other customary closing conditions.

OUR ACQUISITION AND DEVELOPMENT PIPELINE

In addition to the transactions described above, as of _____, 2005, we had facilities under letters of intent with an aggregate gross purchase price and estimated development costs totaling approximately \$ _____ million. The letters of intent are non-binding, and we cannot assure you that we will acquire or develop any of the facilities under letters of intent because each of these transactions is subject to a variety of conditions, including the willingness of the parties to proceed with the contemplated transaction, negotiation and execution of a letter of commitment and mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third party reports, obtaining of government and third party approvals and consents, approval by our board of directors and other customary closing conditions.

We have also identified a number of opportunities to acquire or develop additional healthcare facilities. In some cases, we are actively negotiating agreements or letters of intent with the owners or prospective tenants. In other instances, we have only identified the potential opportunity and had preliminary discussions with the owner or prospective tenant. None of these potential

acquisitions or developments is under a letter of intent, and we cannot assure you that we will complete any of these potential acquisitions or developments.

MANAGEMENT

OUR DIRECTORS AND EXECUTIVE OFFICERS

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

NAME	AGE	POSITION
Edward K. Aldag, Jr.	41	Chairman of the Board, President and Chief Executive Officer
Steven Hamner	47	Director, Executive Vice President and Chief Financial Officer
William G. McKenzie	46	Vice Chairman of the Board
Emmett E. McLean	49	Executive Vice President, Chief Operating Officer, Treasurer and Assistant Secretary
Michael G. Stewart	50	Executive Vice President, Secretary and General Counsel
Virginia A. Clarke	47	Director
G. Steven Dawson	46	Director
Bryan L. Goolsby	55	Director
Robert E. Holmes, Ph.D.	62	Director*
L. Glenn Orr, Jr.	65	Director

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

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

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

his interest in the company in 2001. Mr. Aldag was the president and a member of the board of directors of Guilford Capital Corporation from 1998 to 2001 and from 1990 to 1998 served as executive vice president, chief operating officer and a member of the board of directors. Mr. Aldag received his B.S. in Commerce & Business from the University of Alabama with a major in corporate finance.

R. Steven Hamner is one of our founders and has served as our executive vice president and chief financial officer since September 2003 and as a director since February 2005. In August and September 2003, Mr. Hamner served as our executive vice president and chief accounting officer. From October 2001 through March 2004, he was the managing director of Transaction Analysis LLC, a company that provided interim and project-oriented accounting and consulting services to commercial real estate owners

and their advisors. From June 1998 to September 2001, he was vice president and chief financial officer of United Investors Realty Trust, a publicly-traded REIT. For the 10 years prior to becoming an officer of United Investors Realty Trust, he was employed by the accounting and consulting firm of Ernst & Young LLP and its predecessors. Mr. Hamner received a B.S. in Accounting from Louisiana State University. Mr. Hamner is a certified public accountant.

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

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

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

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

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

G. Steven Dawson has served as a member of our board of directors since April 2004. From July 1990 to September 2003, Mr. Dawson was chief financial officer and senior vice president-finance of Camden Property Trust (NYSE: CPT) and its predecessors, a REIT engaged in the development, ownership, management, financing and sale of multi-family properties throughout the southern United States. He serves as a director of AmREIT, Inc. (AMEX: AMY), and has served as the chairman of the audit committee of that company since 2000. Mr. Dawson is also the lead outside director and chairman of the compensation committee for AmREIT. He is a director and the chairman of the audit committee for Desert Capital REIT, Inc., a public, unlisted mortgage REIT based in Las Vegas. He also serves on the board of directors and as the audit committee chairman of American Campus Communities (NYSE: ACC), on the board of directors and on the compensation committee of Sunset Financial Resources, Inc. (NYSE: SFO) and is on the board of a private cabling contractor based in Houston. He is involved with various charitable, non-profit and educational organizations, including serving on the board of His Grace Foundation, a charity providing services to the families of children in the Bone Marrow Transplant Unit of Texas Children's Hospital, and as a member of the Real Estate Roundtable at the Mays Graduate School of Business at Texas A&M University. Mr. Dawson received a degree in business from Texas A&M University.

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

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

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

CORPORATE GOVERNANCE -- BOARD OF DIRECTORS AND COMMITTEES

Our board of directors has adopted a code of ethics and business conduct relating to the conduct of our business by our employees, officers and directors, and has also adopted corporate governance guidelines

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

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

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

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

AUDIT COMMITTEE

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

- has sole authority to appoint or replace our independent auditors;
- has sole authority to approve in advance all audit and non-audit services by our independent auditors;
- monitors compliance of our employees with our standards of business conduct and conflict of interest policies; and
- meets at least quarterly with our senior executive officers, internal audit staff and our independent auditors in separate executive sessions.

The specific functions and responsibilities of the audit committee are set forth in the audit committee's charter. Our board of directors has determined that each of the members of the audit committee is financially literate, as such term is interpreted by our board of directors. In addition, our board of directors has determined that Mr. Dawson qualifies as an "audit committee financial expert" under the current SEC regulations.

COMPENSATION COMMITTEE

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

- evaluate the performance of our executive officers;
- review and approve the compensation for our executive officers;
- review and make recommendation to the board with respect to our incentive compensation plans and equity-based plans; and
- administer our equity incentive plan.

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

ETHICS, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

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

INVESTMENT COMMITTEE

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

VACANCIES ON OUR BOARD OF DIRECTORS

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

LIMITED LIABILITY AND INDEMNIFICATION

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

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

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

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

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

DIRECTOR COMPENSATION

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

Upon joining our board of directors, each independent director received a non-qualified option to purchase 20,000 shares of our common stock with an exercise price of \$10.00 per share. One-third of these options vested upon grant. One-half of the remaining options will vest on each of the first and second anniversaries of the date of grant. In addition to this option to purchase stock, each of our independent

directors has been awarded 2,500 deferred stock units, which represent the right to receive 2,500 shares of common stock at no cost in October 2007 for Messrs. Dawson and Holmes and 2,500 shares of common stock at no cost in March 2008 for Ms. Clarke and Messrs. Goolsby and Orr.

EXECUTIVE COMPENSATION

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

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

-	Edward K. Aldag, Jr.			
 2004			
\$350,000	\$350,000	43,500		
\$50,462(2)	\$30,769(3)			
	Chairman, Chief Executive 2003			
145,833(4)	145,833			
10,492(5)	9,249(6)			
	Officer and President Emmett E.			
McLean.....				
2004	\$250,000	\$250,000		
	20,500	\$24,385(7)		
	\$15,385(3)			Executive Vice President, 2003
104,167(4)	104,167	--		
	10,896(8)			Chief Operating Officer, Treasurer and Assistant Secretary R. Steven
Hamner.....				
2004	\$250,000	\$250,000		
	27,000	\$24,385(7)		
	\$15,385(3)			Executive Vice President 2003
104,167(4)	104,167	--		
	5,918(9)			and Chief Financial Officer William G.
McKenzie.....				
2004	\$175,000	\$175,000		
	15,000	\$ 0 \$ 0		Vice Chairman of the Board
2003	72,917(4)	72,917	--	
			--	

Michael G. Stewart.
 2004
 (10),527 \$
 42,188 --
 \$ 0 \$ 0
 Executive Vice President,
 2003 -- --
 -- -- --
 Secretary and General Counsel....

-
- (1) To be awarded upon completion of this offering under our equity incentive plan. These restricted stock awards will vest at a rate of 8.33% per quarter beginning on the last day of the first calendar quarter after completion of this offering so long as each named executive officer remains an employee of ours. Dividends will be paid on the shares of restricted common stock.
 - (2) Represents a \$12,000 automobile allowance and \$25,000 payable to Mr. Aldag to reimburse him for the cost of tax preparation and financial planning services and \$13,462 to reimburse Mr. Aldag for his tax liabilities associated with such payment.
 - (3) Represents reimbursement for life insurance premiums of \$20,000 for Mr. Aldag and \$10,000 for each of Messrs. McLean and Hamner and reimbursement of \$10,769 for Mr. Aldag and \$5,385 for each of Messrs. McLean and Hamner for tax liabilities associated with such premium reimbursements, but does not include any matching contributions under the 401(k) plan that we expect to adopt in 2004.
 - (4) For the partial year period from our inception in August 2003 until December 31, 2003.
 - (5) Represents a \$7,000 automobile allowance and \$3,492 payable to Mr. Aldag to reimburse him for the cost of tax preparation and financial planning services.
 - (6) Represents reimbursement for life insurance premiums of \$9,249.
 - (7) Represents a \$9,000 automobile allowance and \$10,000 for the named executive officers to reimburse them for the cost of tax preparation services and \$5,385 for the named executive officers to reimburse them for their tax liabilities associated with such tax preparation cost reimbursement.
 - (8) Represents reimbursement for life insurance premiums of \$10,896.
 - (9) Represents reimbursement for life insurance premiums of \$5,918.
 - (10) For the partial year period from October 25, 2004, Mr. Stewart's date of hire, to December 31, 2004. Had Mr. Stewart been employed for the full year 2004, he would have been entitled to a base salary of \$225,000 during 2004.

EMPLOYMENT AGREEMENTS

We have employment agreements with each of the named executive officers. These employment agreements provide the following annual base salaries: Edward K. Aldag, Jr., \$350,000; Emmett E. McLean, \$250,000; R. Steven Hamner, \$250,000; Michael G. Stewart, \$225,000; and William G. McKenzie, \$175,000. The base salaries for Messrs. Aldag, McLean and Hamner were increased by 5% effective January 1, 2005, and Mr. Stewart's base salary was increased to \$250,000. On each January 1 hereafter, each of the executive officers is to receive a minimum increase in his base salary equal to the increase in the Consumer Price Index. These agreements provide that the executive officers, other than Mr. McKenzie, agree to devote substantially all of their business time to our operation. Mr. Stewart's employment agreement may be terminated by either party, with or without cause immediately upon notice to the other party. Each employment agreement for Messrs. Aldag, McLean, Hamner and McKenzie is for a three year

term which is automatically extended at the end of each year within such term
for an

additional one year period, unless either party gives notice of non-renewal as provided in the agreement. These employment agreements permit us to terminate each executive's employment with appropriate notice for or without "cause." "Cause" is generally defined to mean:

- conviction of, or the entry of a plea of guilty or nolo contendere to, a felony (excluding any felony relating to the negligent operation of a motor vehicle or a conviction or plea of guilty or nolo contendere arising under a statutory provision imposing per se criminal liability due to the position held by the executive with us, provided the act or omission of the executive or officer with respect to such matter was not taken or omitted to be taken in contravention of any applicable policy or directive of the board of directors);
- a willful breach of the executive's duty of loyalty which is materially detrimental to us;
- a willful failure to perform or adhere to explicitly stated duties that are consistent with the executive's employment agreement, or the reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including, without limitation, the business code of ethics adopted by the board of directors, or the failure to follow the lawful directives of the board of directors provided such directives are consistent with the terms of the executive's employment agreement, which continues for a period of 30 days after written notice to the executive; and
- gross negligence or willful misconduct in the performance of the executive's duties.

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

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

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

The employment agreements referred to above provide that the executive officers are eligible to receive the same benefits, including medical insurance coverage and retirement plan benefits in a 401(k) plan to the same extent as other similarly situated employees, and such other benefits as are

commensurate with their position. Participation in employee benefit plans is subject to the terms of said benefit plans as in effect from time to time.

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

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

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

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

- if a person, entity or affiliated group (with certain exceptions) acquires more than 50% of our then-outstanding voting securities;
- if we merge into or complete a share exchange, consolidation or other business combination transaction with another entity unless the holders of our voting stock immediately prior to the merger have at least 50% of the combined voting power of the securities in the merged entity or its parent; or
- upon the liquidation, dissolution, sale or disposition of all or substantially all of our assets such that after that transaction the holders of our voting stock immediately prior to the transaction own less than 50% of the voting securities of the acquiror or its parent.

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

For an 18 month period after termination of an executive's employment for any reason other than (i) termination by us without cause or (ii) termination by the executive for good reason, each of the executives under these employment agreements has agreed not to compete with us by working with or

investing in, subject to certain limited exceptions, any enterprise engaged in a business substantially similar to our business as it was conducted during the period of the executive's employment with us.

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

BENEFIT PLANS

ANNUAL INCENTIVE BONUS POLICY

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

401(K) PLAN

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

EQUITY INCENTIVE PLAN

We have adopted the Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan, or equity incentive plan, for the purpose of attracting and retaining directors, executive officers and other key employees and consultants, including officers and employees of our operating partnership. The equity incentive plan provides that the aggregate number of shares of common stock as to which awards can be made pursuant to the equity incentive plan is 791,180. There remain 564,180 shares available for awards under the equity incentive plan, of which 435,000 shares have been reserved by the compensation committee for awards of restricted stock after December 31, 2005 based on our performance and, in the case of our officers and employees, their individual performance in 2005 as measured in accordance with criteria to be established by our compensation committee. We intend to seek stockholder approval of an amendment to the equity incentive plan at our 2005 annual meeting in order to increase the shares of common stock available under the plan.

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

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

Options. Each option granted pursuant to the equity incentive plan is designated at the time of grant as either an option intended to qualify as an incentive stock option under Section 422 of the Code, referred to as a qualified incentive option, or as an option that is not intended to so qualify, referred to as a non-qualified option. The equity incentive plan authorizes our compensation committee to grant incentive stock

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

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

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

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

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

Stock Appreciation Rights. The equity incentive plan also authorizes our compensation committee to grant stock appreciation rights. Stock appreciation rights are awards that give the recipient the right to

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

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

INSTITUTIONAL TRADING OF OUR COMMON STOCK

Currently, approximately 19.9 million shares of common stock issued in connection with our April 2004 private placement are eligible for trading in the Portal(SM) Market, a subsidiary of The Nasdaq Stock Market, Inc., which permits secondary sales of eligible unregistered securities to qualified institutional buyers in accordance with Rule 144A under the Securities Act. The last sale of our common stock on the Portal(SM) Market occurred on March 29, 2005 at a price of \$10.25 per share. The following table shows the high and low sales prices for our common stock for each quarterly period since our common stock became eligible for trading in the Portal(SM) Market:

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

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of March 31, 2005 by (i) each of our directors, (ii) each of our executive officers, (iii) all of our directors and executive officers as a group and (iv) each person known to us who is the beneficial owner of more than 5% of our common stock, as adjusted to give effect to the issuance of shares of restricted common stock issuable upon completion of this offering. The SEC has defined "beneficial" ownership of a security to mean the possession, directly or indirectly, of voting power or investment power. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (a) the exercise of any option, warrant or right, (b) the conversion of a security, (c) the power to revoke a trust, discretionary account or similar arrangement, or (d) the automatic termination of a trust, discretionary account or similar arrangement. Each beneficial owner named in the table has the sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table. Unless otherwise indicated, the address of each named beneficial owner is Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama, 35242.

PERCENTAGE OF ALL COMMON PERCENTAGE
OF ALL NUMBER OF SHARES SHARES
COMMON SHARES NAME OF BENEFICIAL
OWNER BENEFICIALLY OWNED (PRE-
OFFERING)(1) (POST-OFFERING)(1) - -

NAME OF BENEFICIAL OWNER	PRE-OFFERING(1)	POST-OFFERING(1)	PERCENTAGE
Edward K. Aldag, Jr.	282,217(2)		1.08%
R. Steven Hamner	73,804(3)		*
William G. McKenzie	97,680(4)		*
Emmett E. McLean	105,207(5)		*
Michael G. Stewart	0		*
Virginia A. Clarke	6,666(6)		*
G. Steven Dawson	33,333(7)		*
Bryan L. Goolsby	6,666(6)		*
Robert E. Holmes, Ph.D.	14,333(7)		*
L. Glenn Orr, Jr.	6,666(6)		*
All executive officers and directors as a group (10 persons)	625,672(8)		2.39%
Friedman, Billings, Ramsey Group, Inc.	2,869,610(9)	1001 Nineteenth St. North Arlington, Virginia 22209	11.00%

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

(1) Pre-offering calculations assume 26,082,862 shares of common stock outstanding as of March 31, 2005. Post-offering calculations assume shares of common stock outstanding. Shares of common stock that are deemed to be beneficially owned by a stockholder within 60 days after 2005 are deemed outstanding for purposes of computing such stockholder's percentage ownership but are not deemed outstanding for the purpose of computing the percentage ownership of any other stockholder.

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

completion of this offering.

- (3) Excludes 27,000 shares of restricted common stock to be awarded upon completion of this offering.
- (4) Excludes 15,000 shares of restricted common stock to be awarded upon completion of this offering.
- (5) Excludes 20,500 shares of restricted common stock to be awarded upon completion of this offering.
- (6) Includes 6,666 shares of common stock issuable upon exercise of a vested stock option.
- (7) Includes 13,333 shares of common stock issuable upon exercise of a vested stock option.
- (8) See notes (1)-(7) above.
- (9) Includes 1,795,571 shares of common stock owned directly by Friedman, Billings, Ramsey Group, Inc., the parent company of Friedman, Billings, Ramsey & Co., Inc., 79,039 shares owned directly by Friedman, Billings, Ramsey & Co., Inc. and 995,000 shares held by various investment funds over which Friedman, Billings, Ramsey Group, Inc., through a wholly-owned indirect subsidiary, exercises shared investment and voting power.

We and our founders have agreed that the 521,908 shares of our common stock held by them that were issued in connection with our formation, which excludes the 36,000 shares in the aggregate that they purchased in our April 2004 private placement, will vest upon the effective date of the registration

statement of which this prospectus is a part. In addition, a founder's unvested shares will become 100% vested if the founder's employment is terminated by that founder with good reason or by us without cause, upon the founder's death or disability or upon a change of control of the company prior to completion of this offering. A founder's unvested shares will be forfeited if the founder's employment with us is terminated by us for good cause or by the founder without good reason prior to completion of this offering.

SELLING STOCKHOLDERS

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

Pursuant to a registration rights agreement between us and our existing stockholders, these stockholders have the right to sell in this offering all or a portion of their shares of common stock. In accordance with notices that we received pursuant to these registration rights, we are including _____ shares of common stock in this offering.

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

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

* Represents less than 1%.

(1) Assumes _____ shares of common stock outstanding as of _____, 2005.

(2) Assumes shares of common stock outstanding as of , 2005,
including shares of common stock issued in this offering.

REGISTRATION RIGHTS AND LOCK-UP AGREEMENTS

REGISTRATION RIGHTS

The purchasers of our common stock in our April 2004 private placement are entitled to the benefits of a registration rights agreement among the purchasers of our stock in that offering, Friedman, Billings, Ramsey & Co., Inc. and us. In accordance with the registration rights agreement, we have agreed to include shares held by of these purchasers in this offering. At the request of us or the underwriters, the holders of our outstanding common stock not being sold in this offering will be prohibited from selling, contracting to sell or otherwise disposing of or hedging their common stock for specified periods of time following the date of this prospectus. These registration rights and lock-up agreements are described in detail below. The summary of the registration rights agreement is subject to and qualified in its entirety by reference to the registration rights agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

Inclusion of Common Stock in this Offering. On or about November 12, 2004, we sent to all of our stockholders notice that we have filed a registration statement with the SEC for this offering. We sent this

notice pursuant to the registration rights agreement among our stockholders, Friedman, Billings, Ramsey & Co., Inc. and us, under which the persons who purchased our common stock in our private placement in April 2004 and their transferees have the right to sell in this offering all or a portion of their common stock, subject to various rights of the underwriters and other conditions referred to below.

Because this offering is underwritten, the registration rights agreement:

- requires the selling stockholders to enter into the underwriting agreement for this offering;
- permits the underwriters, based on marketing factors, to limit the number of shares a selling stockholder may sell in this offering; and
- conditions the selling stockholders' participation in this offering on compliance with applicable provisions of the registration rights agreement.

Resale Registration Statement. Pursuant to the registration rights agreement, we also agreed for the benefit of the holders of shares of common stock sold in our April 2004 private placement or issued to Friedman, Billings, Ramsey & Co., Inc. in connection with our April 2004 private placement, that we would, at our expense, file with the SEC, no later than nine months following the closing of the offering, or January 6, 2005, a resale registration statement permitting the public offering and sale of the registrable securities. The resale registration statement was filed on January 6, 2005. Pursuant to a registration rights agreement between us, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, we are required to pay most expenses in connection with the registration of the shares of common stock purchased in the April 2004 private placement. In addition, we will reimburse selling stockholders in an aggregate amount of up to \$50,000, for the fees and expenses of one counsel and one accounting firm, as selected by Friedman, Billings, Ramsey & Co., Inc. for the selling stockholders to review any registration statement. Each selling stockholder participating in this offering will bear a proportionate share based on the total number of shares of common stock sold in this offering of all discounts and commissions payable to the underwriters, all transfer taxes and transfer fees and any other expense of the selling stockholders not allocated to us in the registration rights agreement.

In addition, we agreed to use our reasonable best efforts to cause the resale registration statement to become effective under the Securities Act as promptly as practicable after the filing and to maintain the resale registration statement continuously effective under the Securities Act until the first to occur of (1) such time as all of the shares of common stock covered by the resale registration statement have been sold pursuant to the registration statement or pursuant to Rule 144 (or any successor or analogous rule) under the Securities Act, (2) such time as all of the common stock not held by affiliates of us, and covered by the resale registration statement, are eligible for sale pursuant to Rule 144(k) (or any successor or analogous rule) under the Securities Act, (3) such time as the shares of common stock have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer have been delivered by us and subsequent public distribution of such shares does not require registration, or (4) the second annual anniversary of the initial effective date of the resale registration statement.

Notwithstanding the foregoing, we will be permitted, under limited circumstances, to suspend the use, from time to time, of the prospectus that is part of the resale registration statement, and therefore suspend sales under the registration statement, for certain periods, referred to as "blackout periods," if a majority of the independent directors of our board, in good faith, determines that we are in compliance with the terms of the registration rights agreement, that it is in our best interest to suspend the use of the registration statement, and:

- that the offer or sale of any registrable shares would materially impede, delay or interfere with any material proposed acquisition, merger, tender offer, business combination, corporate reorganization, consolidation or similar material transaction;

- after the advice of counsel, sale of the registrable shares would require disclosure of non-public material information not otherwise required to be disclosed under applicable law; and
- disclosure would have a material adverse effect on us or on our ability to close the applicable transaction.

In addition, we may effect a blackout if a majority of independent directors of our board, in good faith, determines that we are in compliance with the terms of the registration rights agreement, that it is in our best interest to suspend the use of the registration statement, and, after advice of counsel, that it is required by law, rule or regulation to supplement the registration statement or file a post-effective amendment for the purposes of:

- including in the registration statement any prospectus required under Section 10(a)(3) of the Securities Act;
- reflecting any facts or events arising after the effective date of the registration statement that represents a fundamental change in information set forth therein; or
- including any material information with respect to the plan of distribution or change to the plan of distribution not set forth therein.

The cumulative blackout periods in any 12 month period commencing on the closing of the offering may not exceed an aggregate of 90 days and furthermore may not exceed 60 days in any 90 day period. We may not institute a blackout period more than three times in any 12 month period. Upon the occurrence of any blackout period, we are to use our reasonable best efforts to take all action necessary to promptly permit resumed use of the registration statement.

If, among other matters, we fail to file a resale registration statement within nine months of the closing of the April 2004 private placement or fail to maintain its effectiveness, or, if our board of directors suspends the effectiveness of the resale registration statement in excess of the permitted blackout periods described above, the holders of registrable shares (other than our affiliates) will be entitled to receive liquidated damages from us for the period during which such failures or excess suspensions are continuing. The liquidated damages will accrue daily during the first 90 days of any such period at a rate of \$0.25 per registrable share per year and will escalate by \$0.25 per registrable share per year at the end of each 90 day period within any such period up to a maximum rate of \$1.00 per registrable share per year. The liquidated damages will be payable quarterly, in arrears within ten days after the end of each applicable quarter.

In connection with the registration of the shares sold in the April 2004 private placement, we agreed to use our reasonable best efforts to list our common stock on the NYSE or the Nasdaq National Market and thereafter to maintain the listing.

LOCK-UP AGREEMENTS

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

OUR FORMATION

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

James P. Bennett was formerly an owner, officer, director and consultant of the company's predecessor, Medical Properties Trust, LLC, but has not been affiliated with us since August 2003. Our predecessor had a consulting agreement with Mr. Bennett pursuant to which he was to be paid a monthly consulting fee, certain fringe benefits and, under certain circumstances, a fee based upon the completion of specified acquisition transactions. We owe Mr. Bennett, and have accrued unpaid consulting fees in the amount of, \$411,238. Mr. Bennett disputes this amount and has notified us that he believes he is entitled to be paid consulting fees of approximately \$1.6 million. We intend to vigorously defend against this claim.

From time to time, we may acquire or develop facilities in transactions involving prospective tenants in which our directors or executive officers have an interest. In accordance with our written conflicts of interest policy, we do not intend to engage in these transactions without the approval of a majority of our disinterested directors.

OUR STRUCTURE

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any limited partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under applicable Maryland law in connection with their management of our company. At the same time, we, through our wholly owned subsidiary, have fiduciary duties, as a general partner, to our operating partnership and to the limited partners under Delaware law in connection with the management of our operating partnership. Our duties, through our wholly owned subsidiary, as a general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. The partnership agreement of our operating partnership requires us to resolve such conflicts in favor of our stockholders.

Pursuant to Maryland law, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof. However, such transaction will not be void or voidable only if:

- the material facts relating to the common directorship or interest and as to the transaction are disclosed to our board of directors or a committee of our board, and our board or committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;
- the material facts relating to the common directorship or interest and as to the transaction are disclosed to our stockholders entitled to vote thereon, and the transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote (other than the votes of shares owned of record or beneficially by the interested director); or

- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Furthermore, under Delaware law, where our operating partnership is formed, we, acting through the general partner, have a fiduciary duty to our operating partnership and, consequently, such transactions are also subject to the duties of care and loyalty that we, as a general partner, owe to limited partners in our operating partnership (to the extent such duties have not been eliminated pursuant to the terms of the partnership agreement). Where appropriate, in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion, or engage independent counsel to represent the interests of non-affiliated security holders, although our board of directors will have no obligation to do so.

RELATIONSHIP WITH ONE OF OUR UNDERWRITERS

On November 13, 2003, we entered into an engagement letter agreement with Friedman, Billings, Ramsey & Co., Inc., one of the underwriters of this offering. The engagement letter gives Friedman, Billings, Ramsey & Co., Inc. the right to serve in the following capacities until April 2006:

- as our financial advisor with respect to any future mergers, acquisitions or other business combinations;
- as the sole book running and lead underwriter or sole placement agent in connection with any public or private offering of equity or any public offering of debt securities; and
- as our agent in connection with the exercise of our warrants or options, other than warrants or options held by management or by Friedman, Billings, Ramsey & Co., Inc.

On March 31, 2004, we entered into a Purchase/Placement Agreement with Friedman, Billings, Ramsey & Co., Inc., pursuant to which Friedman, Billings, Ramsey & Co., Inc. acted as initial purchaser and sole placement agent for our April 2004 private placement and received aggregate initial purchaser discounts and placement fees of \$17.7 million. In addition, we issued 260,954 shares of our common stock to Friedman, Billings, Ramsey & Co., Inc. as payment for financial advisory services. As of March 31, 2005, Friedman, Billings, Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc., beneficially owned, directly or indirectly through affiliates, 2,869,610 shares of our common stock or approximately 11% of our outstanding common stock. We have an account with Friedman, Billings, Ramsey & Co., Inc. through which we manage approximately \$96.1 million of our cash and cash equivalents.

INVESTMENT POLICIES AND POLICIES
WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of our investment policies and our policies with respect to certain other activities, including financing matters and conflicts of interest. These policies may be amended or revised from time to time at the discretion of our board of directors, without a vote of our stockholders. Any change to any of these policies by our board of directors, however, would be made only after a thorough review and analysis of that change, in light of then-existing business and other circumstances, and then only if, in the exercise of its business judgment, our board of directors believes that it is advisable to do so in our and our stockholders' best interests. We cannot assure you that our investment objectives will be attained.

INVESTMENTS IN REAL ESTATE OR INTERESTS IN REAL ESTATE

We conduct our investment activities through our operating partnership and other subsidiaries. Our policy is to acquire or develop assets primarily for current income generation. In general, our investment strategy consists of the following elements:

- Integral Healthcare Real Estate: We acquire and develop net-leased healthcare facilities providing state-of-the-art healthcare services. In our experience, healthcare service providers, including physicians and hospital operating companies, choose to remain in an established location for relatively long periods since changing the location of their physical facilities does not assure that other critical components of the healthcare delivery system, such as laboratory support, access to specialized equipment, patient referral sources, nursing and other professional support, and patient convenience, will continue to be available at the same level of quality and efficiency. Consequently, we believe market conditions will remain favorable for long-term net-leased healthcare facilities, and we do not presently expect high levels of tenant turnover. Moreover, we believe that our partnering approach will afford us the opportunity to play an integral role in the strategic planning process for the financing of replacement facilities and the development of alternative uses for existing facilities.
- Net-lease Strategy: Our healthcare facilities are leased to healthcare operators pursuant to long-term net-lease agreements under which our tenants are responsible for virtually all costs of occupancy, including property taxes, utilities, insurance and maintenance. We believe an important investment consideration is that our leases to healthcare operators provide a means for us to participate in the anticipated growth of the healthcare sector of the United States economy. Our leases generally provide for either contractual annual rent increases ranging from 1.0% to 3.0% and, where feasible and in compliance with applicable healthcare laws and regulations, percentage rent. We expect that such rental rate adjustments will provide us with significant internal growth.
- Diversified Investment Strategy: Our facilities and the Pending Acquisition and Development Facilities are diversified geographically, by service type within the healthcare industry and by types of operator. We have invested and intend to invest in a portfolio of net-leased healthcare facilities providing state-of-the-art healthcare services. Our facilities and Pending Acquisition and Development Facilities include new and established facilities, both small and large facilities, including rehabilitation hospitals, long-term acute care hospitals, ambulatory surgical centers, regional and community hospitals, medical office buildings and specialized single-discipline facilities. Our facilities are and we expect will continue to be located across the country. In addition, our tenants and prospective tenants are diversified across many healthcare service areas. Because of the expected diversity of our facilities in terms of facility type, geographic location and tenant, we believe that our financial performance is less likely to be materially affected by changes in reimbursement or payment rates by private or public insurers or by changes in local or regional economies.
- Financing Strategy: We intend to employ leverage in our capital structure in amounts determined from time to time by our board of directors. At present, we intend to limit our debt to

approximately 60% of the aggregate costs of our facilities, although we may temporarily exceed that level from time to time. We expect our borrowings to be a combination of long-term, fixed-rate, non-recourse mortgage loans, variable-rate secured term and revolving credit facilities, and other fixed and variable-rate short to medium-term loans.

There are no limitations on the amount or percentage of our total assets that may be invested in any one facility. Additionally, no limits have been set on the concentration of investments in any one location or facility type or with any one tenant. Our current policy requires the approval of our board of directors for acquisitions or developments of facilities which exceed \$10 million.

We believe that adherence to the investment strategy outlined above will allow us to achieve the following objectives:

- increase in our stock value through increases in the cash flows and values of our facilities;
- achievement of long-term capital appreciation, and preservation and protection of the value of our interest in our facilities; and
- providing regular cash distributions to our stockholders, a portion of which may constitute a nontaxable return of capital because it will exceed our current and accumulated earnings and profits, as well as providing growth in distributions over time.

INVESTMENTS IN SECURITIES OF OR INTERESTS IN PERSONS PRIMARILY ENGAGED IN REAL ESTATE ACTIVITIES AND OTHER ISSUERS

Generally speaking, we do not expect to engage in any significant investment activities with other entities, although we may consider joint venture investments with other investors or with healthcare service providers. We may also invest in the securities of other issuers in connection with acquisitions of indirect interests in facilities (normally general or limited partnership interests in special purpose partnerships owning facilities). We may in the future acquire some, all or substantially all of the securities or assets of other REITs or similar entities where that investment would be consistent with our investment policies and the REIT qualification requirements. There are no limitations on the amount or percentage of our total assets that may be invested in any one issuer, other than those imposed by the gross income and asset tests that we must satisfy to qualify as a REIT. However, we do not anticipate investing in other issuers of securities for the purpose of exercising control or acquiring any investments primarily for sale in the ordinary course of business or holding any investments with a view to making short-term profits from their sale. In any event, we do not intend that our investments in securities will require us to register as an "investment company" under the Investment Company Act, and we intend to divest securities before any registration would be required.

We do not intend to engage in trading, underwriting, agency distribution or sales of securities of other issuers.

DISPOSITIONS

Although we have no current plans to dispose of any of our facilities, we will consider doing so, subject to REIT qualification rules, if our management determines that a sale of a facility would be in our best interests based on the price being offered for the facility, the operating performance of the facility, the tax consequences of the sale and other factors and circumstances surrounding the proposed sale. In addition, our tenants have, and we expect that some or all of our prospective tenants will have, the option to acquire the facilities at the end of or, in some cases, during the lease term.

FINANCING POLICIES

We intend to employ leverage in our capital structure in amounts determined from time to time by our board of directors. At present, we intend to limit our debt to approximately 60% of the aggregate costs of our facilities, although we may temporarily exceed that level from time to time. We expect our

borrowings to be a combination of long-term, fixed-rate, non-recourse mortgage loans, variable-rate secured term and revolving credit facilities, and other fixed and variable-rate short to medium-term loans. Our board of directors considers a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of facilities to be acquired, the estimated market value of our facilities and the ability of particular facilities, and our company as a whole, to generate cash flow to cover expected debt service.

Any of this indebtedness may be unsecured or may be secured by mortgages or other interests in our facilities, and may be recourse, non-recourse or cross-collateralized and, if recourse, that recourse may include our general assets and, if non-recourse, may be limited to the particular facility to which the indebtedness relates. In addition, we may invest in facilities subject to existing loans secured by mortgages or similar liens on the facilities, or may refinance facilities acquired on a leveraged basis. We may use the proceeds from any borrowings for working capital, to purchase additional interests in partnerships or joint ventures in which we participate, to refinance existing indebtedness or to finance acquisitions, expansion, redevelopment of existing facilities or development of new facilities. We may also incur indebtedness for other purposes when, in the opinion of our board of directors, it is advisable to do so. In addition, we may need to borrow to meet the taxable income distribution requirements under the Code if we do not have sufficient cash available to meet those distribution requirements.

LENDING POLICIES

We do not have a policy limiting our ability to make loans to persons other than our executive officers. We may consider offering purchase money financing in connection with the sale of facilities where the provision of that financing will increase the value to be received by us for the facility sold. We may make loans to joint ventures in which we may participate in the future. Although we do not intend to engage in significant lending activities in the future, we have and may in the future make acquisition and working capital loans to prospective tenants as well as mortgage loans to other facility owners. See "Summary -- Loans and Fees Receivable."

EQUITY CAPITAL POLICIES

Subject to applicable law, our board of directors has the authority, without further stockholder approval, to issue additional shares of authorized common stock and preferred stock or otherwise raise capital, including through the issuance of senior securities, in any manner and on the terms and for the consideration it deems appropriate, including in exchange for property. Existing stockholders will have no preemptive right to additional shares issued in any offering, and any offering might cause a dilution of investment. We may in the future issue common stock in connection with acquisitions. We also may issue limited partnership units in our operating partnership or equity interests in other subsidiaries in connection with acquisitions of facilities or otherwise.

Our board of directors may authorize the issuance of preferred stock with terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control in us that might involve a premium price for holders of our common stock or otherwise might be in their best interests. Additionally, any shares of preferred stock could have dividend, voting, liquidation and other rights and preferences that are senior to those of our common stock.

We may, under certain circumstances, purchase our common stock in the open market or in private transactions with our stockholders, if those purchases are approved by our board of directors. Our board of directors has no present intention of causing us to repurchase any shares, and any action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualifying as a REIT.

In the future we may institute a dividend reinvestment plan, which would allow our stockholders to acquire additional common stock by automatically reinvesting their cash dividends. Shares would be acquired pursuant to the plan at a price equal to the then prevailing market price, without payment of

brokerage commissions or service charges. Stockholders who do not participate in the plan will continue to receive cash dividends as declared and paid.

CODE OF ETHICS AND CONFLICT OF INTEREST POLICY

We have adopted written policies that are intended to minimize actual or potential conflicts of interest. However, we cannot assure you that these policies will be successful in eliminating the influence of these conflicts. Our code of ethics and business conduct, or code of ethics, requires our directors, officers and employees to conduct themselves in a manner that avoids even the appearance of a conflict of interest, and to discuss any transaction or relationship that reasonably could be expected to give rise to a conflict of interest with our code of ethics contact person. Our code of ethics also addresses insider trading, company funds and property, corporate opportunities and fair dealing.

In addition, we have adopted a policy that requires that all contracts and transactions between us, our operating partnership or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of our disinterested directors.

DESCRIPTION OF CAPITAL STOCK

The following summary of the material provisions of our capital stock is subject to and qualified in its entirety by reference to the Maryland general corporation law, or MGCL, and our charter and bylaws. Copies of our charter and bylaws are filed as exhibits to the registration statement of which this prospectus is a part. We recommend that you review these documents. See "Where You Can Find More Information."

AUTHORIZED STOCK

Our charter authorizes us to issue up to 100,000,000 shares of common stock, par value \$.001 per share, and 10,000,000 shares of preferred stock, par value \$.001 per share. Upon completion of this offering, there will be _____ shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding. Our charter authorizes our board of directors to increase the aggregate number of authorized shares or the number of shares of any class or series without stockholder approval. Under Maryland law, stockholders generally are not liable for the corporation's debts or obligations.

COMMON STOCK

All shares of our common stock offered hereby will be duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other class or series of stock and to the provisions of our charter regarding the restrictions on transfer of stock, holders of shares of our common stock are entitled to receive dividends on such stock when, as and if authorized by our board of directors out of funds legally available therefor and declared by us and to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of our company, including the preferential rights on dissolution of any class or classes of preferred stock.

Subject to the provisions of our charter regarding the restrictions on transfer of stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of our board of directors. Our directors are elected by a plurality of the votes cast at a meeting of stockholders at which a quorum is present.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of our company. Subject to the provisions of our charter regarding the restrictions on transfer of stock, shares of our common stock will have equal dividend, liquidation and other rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, consolidate, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the corporation's board of directors and by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter does not provide for a lesser percentage for these matters. However, Maryland law permits a corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to one or more persons if all of the equity interests of the person or persons are owned, directly or indirectly, by the corporation. Because operating assets may be held by a corporation's subsidiaries, as in our situation, this may mean that a subsidiary of a corporation can transfer all of its assets without a vote of the corporation's stockholders.

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series.

PREFERRED STOCK

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any series. Prior to issuance of shares of each series, our board of directors is required by the MGCL and our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each such series. Thus, our board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a change of control transaction that might involve a premium price for holders of our common stock or which holders might believe to otherwise be in their best interest. As of the date hereof, no shares of preferred stock are outstanding, and we have no current plans to issue any preferred stock.

WARRANT

On April 7, 2004, we granted an unregistered warrant for 35,000 shares of common stock, with an exercise price of \$9.30 per share, to an unaffiliated third party. The warrant is fully vested, and may be exercised at any time until the first to occur of a sale of all or substantially all of our assets or a similar transaction, the closing of our initial public offering or April 7, 2009. We are required to give the warrant holder notice at least 10 days prior to the closing of this offering.

POWER TO INCREASE AUTHORIZED STOCK AND ISSUE ADDITIONAL SHARES OF OUR COMMON STOCK AND PREFERRED STOCK

We believe that the power of our board of directors, without stockholder approval, to increase the number of authorized shares of stock, issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the common stock, will be available for issuance without further action by our stockholders, unless stockholder consent is required by applicable law or the rules of any national securities exchange or automated quotation system on which our securities may be listed or traded.

RESTRICTIONS ON OWNERSHIP AND TRANSFER

In order for us to qualify as a REIT under the Code, not more than 50% of the value of the outstanding shares of our stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made by us). In addition, if we, or one or more owners (actually or constructively) of 10% or more of our stock, actually or constructively owns 10% or more of a tenant of ours (or a tenant of any partnership in which we are a partner), the rent received by us (either directly or through any such partnership) from such tenant will not be qualifying income for purposes of the REIT gross income tests of the Code. Our stock must also be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made by us).

Our charter contains restrictions on the ownership and transfer of our capital stock that are intended to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, effective upon completion of this offering and subject to the exceptions described below, no person or persons acting as a group may own, or be deemed to own by virtue of the attribution provisions of the Code, more than (i) 9.8% of the number or value, whichever is more restrictive, of the outstanding shares of our common stock or (ii) 9.8% of the number or value, whichever is more restrictive, of the issued and outstanding preferred or other shares of any class or series of our stock. We refer to this restriction as the "ownership limit." The ownership limitation in our charter is more restrictive than the restrictions on ownership of our common stock imposed by the Code.

The ownership attribution rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of our common stock (or the acquisition of an interest in an entity that owns, actually or constructively, our common stock) by an individual or entity could nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding common stock and thereby subject the common stock to the ownership limit.

Our board of directors may, in its sole discretion, waive the ownership limit with respect to one or more stockholders if it determines that such ownership will not jeopardize our status as a REIT (for example, by causing any tenant of ours to be considered a "related party tenant" for purposes of the REIT qualification rules).

As a condition of our waiver, our board of directors may require an opinion of counsel or IRS ruling satisfactory to our board of directors and representations or undertakings from the applicant with respect to preserving our REIT status.

In connection with the waiver of the ownership limit or at any other time, our board of directors may decrease the ownership limit for all other persons and entities; provided, however, that the decreased ownership limit will not be effective for any person or entity whose percentage ownership in our capital stock is in excess of such decreased ownership limit until such time as such person or entity's percentage of our capital stock equals or falls below the decreased ownership limit, but any further acquisition of our capital stock in excess of such percentage ownership of our capital stock will be in violation of the ownership limit. Additionally, the new ownership limit may not allow five or fewer "individuals" (as defined for purposes of the REIT ownership restrictions under the Code) to beneficially own more than 49.5% of the value of our outstanding capital stock.

Our charter generally prohibits:

- any person from actually or constructively owning shares of our capital stock that would result in us being "closely held" under Section 856(h) of the Code; and
- any person from transferring shares of our capital stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our common stock that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing provisions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Pursuant to our charter, if any purported transfer of our capital stock or any other event would otherwise result in any person violating the ownership limits or the other restrictions in our charter, then any such purported transfer will be void and of no force or effect with respect to the purported transferee or owner (collectively referred to hereinafter as the "purported owner") as to that number of shares in excess of the ownership limit (rounded up to the nearest whole share). The number of shares in excess of the ownership limit will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by us. The trustee of the trust will be designated by us and must be unaffiliated with us and with any purported owner. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust and all dividends and other distributions paid by us with respect to such "excess" shares prior to the sale by the trustee of such shares shall be paid to the trustee for the beneficiary. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit, then our

charter provides that the transfer of the excess shares will be void. Subject to Maryland law, effective as of the date that such excess shares have been transferred to the trust, the trustee shall have the authority (at the trustee's sole discretion and subject to applicable law) (i) to rescind as void any vote cast by a purported owner prior to our discovery that such shares have been transferred to the trust and (ii) to recast such vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust, provided that if we have already taken irreversible action, then the trustee shall not have the authority to rescind and recast such vote.

Shares of our capital stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares of our capital stock at market price, the market price on the day of the event which resulted in the transfer of such shares of our capital stock to the trust) and (ii) the market price on the date we, or our designee, accepts such offer. We have the right to accept such offer until the trustee has sold the shares of our capital stock held in the trust pursuant to the provisions discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the purported owner and any dividends or other distributions held by the trustee with respect to such capital stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limits. After that, the trustee must distribute to the purported owner an amount equal to the lesser of (i) the net price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the market price on the day of the event which resulted in the transfer of such shares of our capital stock to the trust) and (ii) the net sales proceeds received by the trust for the shares. Any proceeds in excess of the amount distributable to the purported owner will be distributed to the beneficiary.

All persons who own, directly or by virtue of the attribution provisions of the Code, more than 5% (or such other percentage as provided in the regulations promulgated under the Code) of the lesser of the number or value of the shares of our outstanding capital stock must give written notice to us within 30 days after the end of each calendar year. In addition, each stockholder will, upon demand, be required to disclose to us in writing such information with respect to the direct, indirect and constructive ownership of shares of our stock as our board of directors deems reasonably necessary to comply with the provisions of the Code applicable to a REIT, to comply with the requirements or any taxing authority or governmental agency or to determine any such compliance.

All certificates representing shares of our capital stock will bear a legend referring to the restrictions described above.

These ownership limits could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price over the then prevailing market price for the holders of some, or a majority, of our outstanding shares of common stock or which such holders might believe to be otherwise in their best interest.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Co.

MATERIAL PROVISIONS OF MARYLAND LAW AND OF
OUR CHARTER AND BYLAWS

The following is a summary of certain provisions of Maryland law and of our charter and bylaws. For a complete description, we refer you to the applicable Maryland laws and to our charter and bylaws, copies of which are exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

THE BOARD OF DIRECTORS

Our charter and bylaws provide that the number of our directors is to be established by our board of directors but may not be fewer than one nor more than 15. Currently, our board is comprised of seven directors. Any vacancy, other than one resulting from an increase in the number of directors, may be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors, though less than a quorum. Any vacancy resulting from an increase in the number of our directors must be filled by a majority of the entire board of directors. A director elected to fill a vacancy shall be elected to serve until the next election of directors and until his successor shall be elected and qualified.

Pursuant to our charter, each member of our board of directors is elected until the next annual meeting of stockholders and until his successor is elected, with the current members' terms expiring at the annual meeting of stockholders to be held in 2005. Holders of shares of our common stock have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, all of the members of our board of directors will stand for election and our directors will be elected by a plurality of votes cast. Directors may be removed with or without cause by the affirmative vote of two-thirds of the votes entitled to be cast in the election of directors.

BUSINESS COMBINATIONS

Maryland law prohibits "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, certain transfers of assets, certain stock issuances and reclassifications. Maryland law defines an interested stockholder as:

- any person who beneficially owns 10% or more of the voting power of the corporation's voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation.

A person is not an interested stockholder if the board of directors approves in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving the transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five year prohibition, any business combination between a corporation and an interested stockholder generally must be recommended by the board of directors and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock; and
- two-thirds of the votes entitled to be cast by holders of the voting stock other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or shares held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are approved by the board of directors before the time that the interested stockholder becomes an interested stockholder.

As permitted by Maryland law, our charter includes a provision excluding our company from these provisions of the MGCL and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any interested stockholder of ours unless we later amend our charter, with stockholder approval, to modify or eliminate this exclusion provision. We believe that our ownership restrictions will substantially reduce the risk that a stockholder would become an "interested stockholder" within the meaning of the Maryland business combination statute. There can be no assurance, however, that we will not opt into the business combination provisions of the MGCL at a future date.

CONTROL SHARE ACQUISITIONS

The MGCL provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror or by officers or directors who are our employees are excluded from shares entitled to vote on the matter. "Control shares" are voting shares which, if aggregated with all other shares previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power except solely by virtue of a revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions, including an undertaking to pay expenses, may compel a corporation's board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by Maryland law, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares, except those for which voting rights have previously been approved, for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, then all other stockholders are entitled to demand and receive fair value for their stock, or provided for in the "dissenters" rights provisions of the MGCL may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our charter contains a provision exempting from the control share acquisition statute any and all acquisitions by any person of our stock. There can be no assurance that we will not opt into the control share acquisition provisions of the MGCL in the future.

MARYLAND UNSOLICITED TAKEOVERS ACT

Maryland law also permits Maryland corporations that are subject to the Exchange Act and have at least three outside directors to elect by resolution of the board of directors or by provision in its charter or bylaws to be subject to some corporate governance provisions that may be inconsistent with the corporation's charter and bylaws. Under the applicable statute, a board of directors may classify itself without the vote of stockholders. A board of directors classified in that manner cannot be altered by amendment to the charter of the corporation. Further, the board of directors may, by electing into applicable statutory provisions and notwithstanding the charter or bylaws:

- provide that a special meeting of the stockholders will be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at the meeting;
- reserve for itself the right to fix the number of directors;
- provide that a director may be removed only by the vote of the holders of two-thirds of the stock entitled to vote;
- retain for itself sole authority to fill vacancies created by the death, removal or resignation of a director; and
- provide that all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors, in office, even if the remaining directors do not constitute a quorum for the remainder of the full term of the class of directors in which the vacancy occurred.

A board of directors may implement all or any of these provisions without amending the charter or bylaws and without stockholder approval. A corporation may be prohibited by its charter or by resolution of its board of directors from electing any of the provisions of the statute. We are not prohibited from implementing any or all of these provisions. While certain of these provisions are already addressed by our charter and bylaws, the law would permit our board of directors to override further changes to the charter or bylaws. If implemented, these provisions could discourage offers to acquire our stock and could increase the difficulty of completing an offer.

AMENDMENT TO OUR CHARTER

Our charter may be amended only if declared advisable by the board of directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter.

DISSOLUTION OF OUR COMPANY

A voluntary dissolution of our company must be declared advisable by a majority of the entire board of directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

Our bylaws provide that:

- with respect to an annual meeting of stockholders, the only business to be considered and the only proposals to be acted upon will be those properly brought before the annual meeting:
- pursuant to our notice of the meeting;
- by, or at the direction of, a majority of our board of directors; or

- by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws;
- with respect to special meetings of stockholders, only the business specified in our company's notice of meeting may be brought before the meeting of stockholders unless otherwise provided by law; and
- nominations of persons for election to our board of directors at any annual or special meeting of stockholders may be made only:
 - by, or at the direction of, our board of directors; or
 - by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in our bylaws.

Generally, under our bylaws, a stockholder seeking to nominate a director or bring other business before our annual meeting of stockholders must deliver a notice to our secretary not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date of mailing of the notice to stockholders for the prior year's annual meeting. For a stockholder seeking to nominate a candidate for our board of directors, the notice must describe various matters regarding the nominee, including name, address, occupation and number of shares of common stock held, and other specified matters. For a stockholder seeking to propose other business, the notice must include a description of the proposed business, the reasons for the proposal and other specified matters.

INDEMNIFICATION AND LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter limits the personal liability of our directors and officers for monetary damages to the fullest extent permitted under current Maryland law, and our charter and bylaws provide that a director or officer shall be indemnified to the fullest extent required or permitted by Maryland law from and against any claim or liability to which such director or officer may become subject by reason of his or her status as a director or officer of our company. Maryland law allows directors and officers to be indemnified against judgments, penalties, fines, settlements, and expenses actually incurred in connection with any proceeding to which they may be made a party by reason of their service on those or other capacities unless the following can be established:

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

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In

addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or on the director's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director did not meet the standard of conduct.

Our charter authorizes us to obligate ourselves to indemnify and our bylaws do obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above.

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

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

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

We have entered into indemnification agreements with each of our directors and executive officers, and we maintain a directors and officers liability insurance policy. See "Management -- Limited Liability and Indemnification."

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

PARTNERSHIP AGREEMENT

The following is a summary of the material terms of the first amended and restated agreement of limited partnership of our operating partnership. This summary is subject to and qualified in its entirety by reference to the first amended and restated agreement of limited partnership of our operating partnership, a copy of which is an exhibit to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

MANAGEMENT OF OUR OPERATING PARTNERSHIP

MPT Operating Partnership, L.P., our operating partnership, was organized as a Delaware limited partnership on September 10, 2003. The initial partnership agreement was entered into on that date and amended and restated on March 1, 2004. Pursuant to the partnership agreement, as the owner of the sole general partner of the operating partnership, Medical Properties Trust, LLC, we have, subject to certain protective rights of limited partners described below, full, exclusive and complete responsibility and discretion in the management and control of the operating partnership. We have the power to cause the operating partnership to enter into certain major transactions, including acquisitions, dispositions, refinancings and selection of tenants, and to cause changes in the operating partnership's line of business and distribution policies. However, any amendment to the partnership agreement that would affect the redemption rights of the limited partners or otherwise adversely affect the rights of the limited partners requires the consent of limited partners, other than us, holding more than 50% of the units of our operating partnership held by such partners.

TRANSFERABILITY OF INTERESTS

We may not voluntarily withdraw from the operating partnership or transfer or assign our interest in the operating partnership or engage in any merger, consolidation or other combination, or sale of substantially all of our assets, in a transaction which results in a change of control of our company unless:

- we receive the consent of limited partners holding more than 50% of the partnership interests of the limited partners, other than those held by our company or its subsidiaries;
- as a result of such transaction, all limited partners will have the right to receive for each partnership unit an amount of cash, securities or other property equal in value to the greatest amount of cash, securities or other property paid in the transaction to a holder of one share of our common stock, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding shares of our common stock, each holder of partnership units shall be given the option to exchange its partnership units for the greatest amount of cash, securities or other property that a limited partner would have received had it (i) exercised its redemption right (described below) and (ii) sold, tendered or exchanged pursuant to the offer shares of our common stock received upon exercise of the redemption right immediately prior to the expiration of the offer; or
- we are the surviving entity in the transaction and either (i) our stockholders do not receive cash, securities or other property in the transaction or (ii) all limited partners receive for each partnership unit an amount of cash, securities or other property having a value that is no less than the greatest amount of cash, securities or other property received in the transaction by our stockholders.

We also may merge with or into or consolidate with another entity if immediately after such merger or consolidation (i) substantially all of the assets of the successor or surviving entity, other than partnership units held by us, are contributed, directly or indirectly, to the partnership as a capital contribution in exchange for partnership units with a fair market value equal to the value of the assets so contributed as determined by the survivor in good faith and (ii) the survivor expressly agrees to assume all of our obligations under the partnership agreement and the partnership agreement shall be amended after any such merger or consolidation so as to arrive at a new method of calculating the amounts payable upon

exercise of the redemption right that approximates the existing method for such calculation as closely as reasonably possible.

We also may (i) transfer all or any portion of our general partnership interest to (A) a wholly-owned subsidiary or (B) a parent company, and following such transfer may withdraw as general partner and (ii) engage in a transaction required by law or by the rules of any national securities exchange or automated quotation system on which our securities may be listed or traded.

CAPITAL CONTRIBUTION

We contributed to our operating partnership substantially all the net proceeds of our April 2004 private placement as a capital contribution in exchange for units of the operating partnership. The partnership agreement provides that if the operating partnership requires additional funds at any time in excess of funds available to the operating partnership from borrowing or capital contributions, we may borrow such funds from a financial institution or other lender and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds. Under the partnership agreement, we are obligated to contribute the proceeds of any offering of shares of our company's stock as additional capital to the operating partnership. We are authorized to cause the operating partnership to issue partnership interests for less than fair market value if we have concluded in good faith that such issuance is in both the operating partnership's and our best interests. If we contribute additional capital to the operating partnership, we will receive additional partnership units and our percentage interest will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of the limited partners will be decreased on a proportionate basis in the event of additional capital contributions by us. In addition, if we contribute additional capital to the operating partnership, we will revalue the property of the operating partnership to its fair market value, as determined by us, and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property, that has not been reflected in the capital accounts previously, would be allocated among the partners under the terms of the partnership agreement if there were a taxable disposition of such property for its fair market value, as determined by us, on the date of the revaluation. The operating partnership may issue preferred partnership interests, in connection with acquisitions of property or otherwise, which could have priority over common partnership interests with respect to distributions from the operating partnership, including the partnership interests that our wholly-owned subsidiary owns as general partner.

REDEMPTION RIGHTS

Pursuant to Section 8.04 of the partnership agreement, the limited partners, other than us, will receive redemption rights, which will enable them to cause the operating partnership to redeem their limited partnership units in exchange for cash or, at our option, shares of our common stock on a one-for-one basis, subject to adjustment for stock splits, dividends, recapitalization and similar events. Currently, we own 100% of the issued limited partnership units of our operating partnership. Under Section 8.04 of our partnership agreement, holders of limited partnership units will be prohibited from exercising their redemption rights for 12 months after they are issued, unless this waiting period is waived or shortened by our board of directors. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption rights if the delivery of common stock to the redeeming limited partner would:

- result in any person owning, directly or indirectly, common stock in excess of the stock ownership limit in our charter;
- result in our shares of stock being owned by fewer than 100 persons (determined without reference to any rules of attribution);
- result in our being "closely held" within the meaning of Section 856(h) of the Code;

- cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant of our or the partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code; or
- cause the acquisition of common stock by such redeeming limited partner to be "integrated" with any other distribution of common stock for purposes of complying with the registration provisions of the Securities Act.

We may, in our sole and absolute discretion, waive any of these restrictions.

With respect to the partnership units issuable in connection with the acquisition or development of our facilities, the redemption rights may be exercised by the limited partners at any time after the first anniversary of our acquisition of these facilities; provided, however, unless we otherwise agree:

- a limited partner may not exercise the redemption right for fewer than 1,000 partnership units or, if such limited partner holds fewer than 1,000 partnership units, the limited partner must redeem all of the partnership units held by such limited partner;
- a limited partner may not exercise the redemption right for more than the number of partnership units that would, upon redemption, result in such limited partner or any other person owning, directly or indirectly, common stock in excess of the ownership limitation in our charter; and
- a limited partner may not exercise the redemption right more than two times annually.

We currently hold all the outstanding interests in our operating partnership and, accordingly, there are currently no units of our operating partnership subject to being redeemed in exchange for shares of our common stock. The number of shares of common stock issuable upon exercise of the redemption rights will be adjusted to account for stock splits, mergers, consolidations or similar pro rata stock transactions.

The partnership agreement requires that the operating partnership be operated in a manner that enables us to satisfy the requirements for being classified as a REIT, to avoid any federal income or excise tax liability imposed by the Code (other than any federal income tax liability associated with our retained capital gains) and to ensure that the partnership will not be classified as a "publicly traded partnership" taxable as a corporation under Section 7704 of the Code.

In addition to the administrative and operating costs and expenses incurred by the operating partnership, the operating partnership generally will pay all of our administrative costs and expenses, including:

- all expenses relating to our continuity of existence;
- all expenses relating to offerings and registration of securities;
- all expenses associated with the preparation and filing of any of our periodic reports under federal, state or local laws or regulations;
- all expenses associated with our compliance with laws, rules and regulations promulgated by any regulatory body; and
- all of our other operating or administrative costs incurred in the ordinary course of business on behalf of the operating partnership.

DISTRIBUTIONS

The partnership agreement provides that the operating partnership will distribute cash from operations, including net sale or refinancing proceeds, but excluding net proceeds from the sale of the operating partnership's property in connection with the liquidation of the operating partnership, at such time and in such amounts as determined by us in our sole discretion, to us and the limited partners in accordance with their respective percentage interests in the operating partnership.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of the partnership, including any partner loans, any remaining assets of the partnership will be

distributed to us and the limited partners with positive capital accounts in accordance with their respective positive capital account balances.

ALLOCATIONS

Profits and losses of the partnership, including depreciation and amortization deductions, for each fiscal year generally are allocated to us and the limited partners in accordance with the respective percentage interests in the partnership. All of the foregoing allocations are subject to compliance with the provisions of Sections 704(b) and 704(c) of the Code and Treasury regulations promulgated thereunder. The operating partnership expects to use the "traditional method" under Section 704(c) of the Code for allocating items with respect to contributed property acquired in connection with the offering for which the fair market value differs from the adjusted tax basis at the time of contribution.

TERM

The operating partnership will have perpetual existence, or until sooner dissolved upon:

- our bankruptcy, dissolution, removal or withdrawal, unless the limited partners elect to continue the partnership;
- the passage of 90 days after the sale or other disposition of all or substantially all the assets of the partnership; or
- an election by us in our capacity as the owner of the sole general partner of the operating partnership.

TAX MATTERS

Pursuant to the partnership agreement, the general partner is the tax matters partner of the operating partnership. Accordingly, through our ownership of the general partner of the operating partnership, we have authority to handle tax audits and to make tax elections under the Code on behalf of the operating partnership.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the current material federal income tax consequences to our company and to our stockholders generally resulting from the treatment of our company as a REIT. Because this section is a general summary, it does not address all of the potential tax issues that may be relevant to you in light of your particular circumstances. Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C., or Baker Donelson, has acted as our counsel, has reviewed this summary, and is of the opinion that the discussion contained herein fairly summarizes the federal income tax consequences that are material to a holder of shares of our common stock. The discussion does not address all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders that are subject to special treatment under the federal income tax laws, such as insurance companies, tax-exempt organizations (except to the limited extent discussed in "-- Taxation of Tax-Exempt Stockholders"), financial institutions or broker-dealers, and non-United States individuals and foreign corporations (except to the limited extent discussed in "-- Taxation of Non-United States Stockholders").

The statements in this section and the opinion of Baker Donelson, referred to as the Tax Opinion, are based on the current federal income tax laws governing qualification as a REIT. We cannot assure you that new laws, interpretations of law or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in those opinions.

This section is not a substitute for careful tax planning. We urge you to consult your own tax advisors regarding the specific federal state, local, foreign and other tax consequences to you, in light of your own particular circumstances, of the purchase, ownership and disposition of shares of our common stock, our election to be taxed as a REIT and the effect of potential changes in applicable tax laws.

TAXATION OF OUR COMPANY

We were previously taxed as a subchapter S corporation. We revoked our subchapter S election on April 6, 2004 and we will elect to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004. We believe that we are organized and have operated in such a manner to enable us to qualify for taxation as a REIT under the Code. We further believe that our proposed future method of operation will enable us to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, since qualification as a REIT depends on our satisfying on a continuing basis numerous asset, income and distribution tests described below, the satisfaction of which depends, in part, on our operating results.

The sections of the Code relating to qualification and operation as a REIT, and the federal income taxation of a REIT and its stockholders, are highly technical and complex. The following discussion sets forth only the material aspects of those sections. This summary is qualified in its entirety by the applicable Code provisions and the related rules and regulations.

Our counsel has opined that, for federal income tax purposes, we have been organized in conformity with the requirements for qualification to be taxed as a REIT under the Code commencing with our initial short taxable year ended December 31, 2004, and our current and proposed method of operations as described in this prospectus and as represented to our counsel by us will enable us to continue to satisfy the requirements for such qualification and taxation as a REIT under the Code for future taxable years. This opinion, however, is based upon factual assumptions and representations made by us. Moreover, such qualification and taxation as a REIT depend upon our ability to meet, for each taxable year, various tests imposed under the Code as discussed below. Those qualification tests involve the percentage of income that we earn from specified sources, the percentage of our assets that falls within specified categories, the diversity of our stock ownership, and the percentage of our earnings that we distribute. Baker Donelson will not review our compliance with those tests on a continuing basis. Accordingly, with respect to our current and future taxable years, no assurance can be given that the actual results of our operation will

satisfy such requirements. For a discussion of the tax consequences of our failure to qualify as a REIT. See "-- Failure to Qualify."

If we qualify as a REIT, we generally will not be subject to federal income tax on the taxable income that we distribute to our stockholders. The benefit of that tax treatment is that it avoids the "double taxation," or taxation at both the corporate and stockholder levels, that generally results from owning stock in a corporation. However, we will be subject to federal tax in the following circumstances:

- We are subject to the corporate federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.
- We are subject to the corporate "alternative minimum tax" on any items of tax preference that we do not distribute or allocate to stockholders.
- We are subject to tax, at the highest corporate rate, on:
 - net income from the sale or other disposition of property acquired through foreclosure ("foreclosure property") that we hold primarily for sale to customers in the ordinary course of business, and
 - other non-qualifying income from foreclosure property.
- We are subject to a 100% tax on net income from sales or other dispositions of property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business.
- If we fail to satisfy the 75% gross income test or the 95% gross income test, as described below under "-- Requirements for Qualification -- Gross Income Tests," but nonetheless continue to qualify as a REIT because we meet other requirements, we will be subject to a 100% tax on:
 - the greater of (i) the amount by which we fail the 75% test, or (ii) the excess of 90% (95% for taxable years beginning on and after January 1, 2005) of our gross income over the amount of gross income attributable to sources that qualify under the 95% test, multiplied by
 - a fraction intended to reflect our profitability.
- If we fail to distribute during a calendar year at least the sum of: (i) 85% of our REIT ordinary income for the year, (ii) 95% of our REIT capital gain net income for the year, and (iii) any undistributed taxable income from earlier periods, then we will be subject to a 4% excise tax on the excess of the required distribution over the amount we actually distributed.
- If we fail to satisfy one or more requirements for REIT qualification during a taxable year beginning on or after January 1, 2005, other than a gross income test or an asset test, we will be required to pay a penalty of \$50,000 for each such failure.
- We may elect to retain and pay income tax on our net long-term capital gain. In that case, a United States stockholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we make a timely designation of such gain to the stockholder) and would receive a credit or refund for its proportionate share of the tax we paid.
- We may be subject to a 100% excise tax on certain transactions with a taxable REIT subsidiary that are not conducted at arm's-length.
- If we acquire any asset from a "C corporation" (that is, a corporation generally subject to the full corporate-level tax) in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset in the hands of the C corporation, and we recognize gain on the disposition of the asset during the 10 year period beginning on the date that we acquired the asset, then the asset's "built-in" gain will be subject to tax at the highest regular corporate rate.

REQUIREMENTS FOR QUALIFICATION

To qualify as a REIT, we must elect to be treated as a REIT, and we must meet various (i) organizational requirements, (ii) gross income tests, (iii) asset tests, and (iv) annual distribution requirements.

Organizational Requirements. A REIT is a corporation, trust or association that meets each of the following requirements:

- (1) it is managed by one or more trustees or directors;
- (2) its beneficial ownership is evidenced by transferable stock, or by transferable certificates of beneficial interest;
- (3) it would be taxable as a domestic corporation, but for its election to be taxed as a REIT under Sections 856 through 860 of the Code;
- (4) it is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws;
- (5) at least 100 persons are beneficial owners of its stock or ownership certificates (determined without reference to any rules of attribution);
- (6) not more than 50% in value of its outstanding stock or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the federal income tax laws define to include certain entities, during the last half of any taxable year; and
- (7) it elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.

We must meet requirements one through four during our entire taxable year and must meet requirement five during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. If we comply with all the requirements for ascertaining information concerning the ownership of our outstanding stock in a taxable year and have no reason to know that we violated requirement six, we will be deemed to have satisfied requirement six for that taxable year. We do not have to satisfy requirements five and six for our taxable year ending December 31, 2004. After the issuance of common stock pursuant to our April 2004 private placement we had issued common stock with enough diversity of ownership to satisfy requirements five and six as set forth above. Our charter provides for restrictions regarding the ownership and transfer of our shares of common stock so that we should continue to satisfy these requirements. The provisions of our charter restricting the ownership and transfer of our shares of common stock are described in "Description of Capital Stock -- Restrictions on Ownership and Transfer."

For purposes of determining stock ownership under requirement six, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit sharing trust under the federal income tax laws, and beneficiaries of such a trust will be treated as holding our shares in proportion to their actuarial interests in the trust for purposes of requirement six.

A corporation that is a "qualified REIT subsidiary," or QRS, is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction and credit of a QRS are treated as assets, liabilities, and items of income, deduction and credit of the REIT. A QRS is a corporation, all of the capital stock of which is owned by the REIT. Thus, in applying the requirements described herein, any QRS that we own will be ignored, and all assets, liabilities, and items of income, deduction and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction and credit.

An unincorporated domestic entity, such as a partnership, that has a single owner, generally is not treated as an entity separate from its parent for federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Thus, our proportionate share of the assets, liabilities and items of income of our operating partnership and any other partnership, joint venture, or limited liability company that is treated as a partnership for federal income tax purposes in which we acquire an interest, directly or indirectly, is treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

A REIT is permitted to own up to 100% of the stock of one or more "taxable REIT subsidiaries." A taxable REIT subsidiary is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly file an election with the IRS to treat the subsidiary as a taxable REIT subsidiary. A taxable REIT subsidiary will pay income tax at regular corporate rates on any income that it earns. In addition, the taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on certain types of transactions between a taxable REIT subsidiary and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis. We may engage in activities indirectly through a taxable REIT subsidiary as necessary or convenient to avoid obtaining the benefit of income or services that would jeopardize our REIT status if we engaged in the activities directly. In particular, we would likely engage in activities through a taxable REIT subsidiary if we wished to provide services to unrelated parties which might produce income that does not qualify under the gross income tests described below. We might also dispose of an unwanted asset through a taxable REIT subsidiary as necessary or convenient to avoid the 100% tax on income from prohibited transactions. See description below under "Prohibited Transactions." A taxable REIT subsidiary may not operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider which is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility. We have formed and made a taxable REIT subsidiary election with respect to MPT Development Services, Inc., a Delaware corporation formed in January 2004. We may form or acquire one or more additional taxable REIT subsidiaries in the future. See "Federal Income Tax Considerations -- Income Taxation of the Partnerships and the Partners -- Taxable REIT Subsidiaries."

Gross Income Tests. We must satisfy two gross income tests annually to maintain our qualification as a REIT. First, at least 75% of our gross income for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

- rents from real property;
- interest on debt secured by mortgages on real property, or on interests in real property;
- dividends or other distributions on, and gain from the sale of, shares in other REITs;
- gain from the sale of real estate assets;
- income derived from the temporary investment of new capital that is attributable to the issuance of our shares of common stock or a public offering of our debt with a maturity date of at least five years and that we receive during the one year period beginning on the date on which we received such new capital; and
- gross income from foreclosure property.

Second, in general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of stock or securities, income from certain hedging instruments or any combination of these. Gross income from our sale of property that we hold primarily for sale to customers in the ordinary course of business is excluded from both the numerator and the denominator in both income tests. In addition, for taxable years beginning on and after January 1, 2005, income and gain from "hedging transactions" that we enter into to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets and that are clearly and timely identified as such also will be excluded from both the numerator and the denominator for purposes of the 95% gross income test (but not the 75% gross income test). The following paragraphs discuss the specific application of the gross income tests to us.

Rents from Real Property. Rent that we receive from our real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met.

First, the rent must not be based in whole or in part on the income or profits of any person. Participating rent, however, will qualify as "rents from real property" if it is based on percentages of receipts or sales and the percentages:

- are fixed at the time the leases are entered into;
- are not renegotiated during the term of the leases in a manner that has the effect of basing rent on income or profits; and
- conform with normal business practice.

More generally, the rent will not qualify as "rents from real property" if, considering the relevant lease and all the surrounding circumstances, the arrangement does not conform with normal business practice, but is in reality used as a means of basing the rent on income or profits. We have represented to Baker Donelson that we intend to set and accept rents which are fixed dollar amounts or a fixed percentage of gross revenue, and not determined to any extent by reference to any person's income or profits, in compliance with the rules above.

Second, we must not own, actually or constructively, 10% or more of the stock or the assets or net profits of any tenant, referred to as a related party tenant, other than a taxable REIT subsidiary. Failure to adhere to this limitation would cause the rental income from the related party tenant to not be treated as qualifying income for purposes of the REIT gross income tests. The constructive ownership rules generally provide that, if 10% or more in value of our stock is owned, directly or indirectly, by or for any person, we are considered as owning the stock owned, directly or indirectly, by or for such person. We do not own any stock or any assets or net profits of any tenant directly. In addition, our charter prohibits transfers of our shares that would cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant. We should not own, actually or constructively, 10% or more of any tenant other than a taxable REIT subsidiary. We have represented to counsel that we will not rent any facility to a related-party tenant. However, because the constructive ownership rules are broad and it is not possible to monitor continually direct and indirect transfers of our shares, no absolute assurance can be given that such transfers or other events of which we have no knowledge will not cause us to own constructively 10% or more of a tenant other than a taxable REIT subsidiary at some future date. MPT Development Services, Inc., our taxable REIT subsidiary, has made loans to Vibra Healthcare, LLC, the parent entity of our tenants, in an aggregate amount of approximately \$41.4 million to acquire the operations at certain facilities. MPT Development Services, Inc. also made a loan of approximately \$6.2 million to Vibra and its subsidiaries for working capital purposes which was repaid in February 2005. We believe that the loans to Vibra will be treated as debt rather than equity interests in Vibra, and that our rental income from Vibra will be treated as qualifying income for purposes of the REIT gross income tests. However, there can be no assurance that the IRS will not take a contrary position. If the IRS were to successfully treat the loans to Vibra as equity interests in Vibra, Vibra would be a related party tenant with respect to our company, the rent that we receive from Vibra would not be qualifying income for purposes of the REIT gross

income tests, and we could lose our REIT status. However, as stated above, we believe that the loans to Vibra will be treated as debt rather than equity interests in Vibra.

As described above, we currently own 100% of the stock of MPT Development Services, Inc., a taxable REIT subsidiary, and may in the future own up to 100% of the stock of one or more additional taxable REIT subsidiaries. Under an exception to the related-party tenant rule described in the preceding paragraph, rent that we receive from a taxable REIT subsidiary will qualify as "rents from real property" as long as (i) the taxable REIT subsidiary is a qualifying taxable REIT subsidiary (among other things, it does not operate or manage a healthcare facility), (ii) at least 90% of the leased space in the facility is leased to persons other than taxable REIT subsidiaries and related party tenants, and (iii) the amount paid by the taxable REIT subsidiary to rent space at the facility is substantially comparable to rents paid by other tenants of the facility for comparable space. If in the future we receive rent from a taxable REIT subsidiary, we will seek to comply with this exception.

Third, the rent attributable to the personal property leased in connection with a lease of real property must not be greater than 15% of the total rent received under the lease. The rent attributable to personal property under a lease is the amount that bears the same ratio to total rent under the lease for the taxable year as the average of the fair market values of the leased personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property covered by the lease at the beginning and at the end of such taxable year (the "personal property ratio"). With respect to each of our leases, we believe that the personal property ratio generally will be less than 15%. Where that is not, or may in the future not be, the case, we believe that any income attributable to personal property will not jeopardize our ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge our calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, we could fail to satisfy the 75% or 95% gross income test and thus lose our REIT status.

Fourth, we cannot furnish or render noncustomary services to the tenants of our facilities, or manage or operate our facilities, other than through an independent contractor who is adequately compensated and from whom we do not derive or receive any income. However, we need not provide services through an "independent contractor," but instead may provide services directly to our tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, we may provide a minimal amount of "noncustomary" services to the tenants of a facility, other than through an independent contractor, as long as our income from the services does not exceed 1% of our income from the related facility. Finally, we may own up to 100% of the stock of one or more taxable REIT subsidiaries, which may provide noncustomary services to our tenants without tainting our rents from the related facilities. We do not intend to perform any services other than customary ones for our tenants, other than services provided through independent contractors or taxable REIT subsidiaries. We have represented to Baker Donelson that we will not perform noncustomary services which would jeopardize our REIT status.

Finally, in order for the rent payable under the leases of our properties to constitute "rents from real property," the leases must be respected as true leases for federal income tax purposes and not treated as service contracts, joint ventures, financing arrangements, or another type of arrangement. We generally treat our leases with respect to our properties as true leases for federal income tax purposes. We believe that our lease of the Desert Valley Facility is a true lease; however, because of the nature of the lessee's purchase option thereunder, there can be no assurance that the IRS would not consider this lease a financing arrangement instead of a true lease for federal income tax purposes. In that case, our income from the lease of the Desert Valley Facility would be interest income rather than rent and would be qualifying income for purposes of the 75% gross income test to the extent that our "loan" does not exceed the fair market value of the real estate assets associated with the Desert Valley Facility. All of the interest income from our loan would be qualifying income for purposes of the 95% gross income test. We believe that the characterization of the Desert Valley Facility lease as a financing arrangement would not adversely affect our ability to qualify as a REIT.

If a portion of the rent we receive from a facility does not qualify as "rents from real property" because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. If rent attributable to personal property, plus any other income that is nonqualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of our gross income during the year, we would lose our REIT status. By contrast, in the following circumstances, none of the rent from a lease of a facility would qualify as "rents from real property": (i) the rent is considered based on the income or profits of the tenant; (ii) the tenant is a related party tenant or fails to qualify for the exception to the related-party tenant rule for qualifying taxable REIT subsidiaries; or (iii) we furnish more than a de minimis amount of noncustomary services to the tenants of the facility, or manage or operate the facility, other than through a qualifying independent contractor or a taxable REIT subsidiary. In any of these circumstances, we could lose our REIT status because we would be unable to satisfy either the 75% or 95% gross income test.

Tenants may be required to pay, besides base rent, reimbursements for certain amounts we are obligated to pay to third parties (such as a tenant's proportionate share of a facility's operational or capital expenses), penalties for nonpayment or late payment of rent or additions to rent. These and other similar payments should qualify as "rents from real property."

Interest. The term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of the amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely because it is based on a fixed percentage or percentages of receipts or sales. Furthermore, to the extent that interest from a loan that is based upon the residual cash proceeds from the sale of the property securing the loan constitutes a "shared appreciation provision," income attributable to such participation feature will be treated as gain from the sale of the secured property.

Prohibited Transactions. A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We believe that none of our assets will be held primarily for sale to customers and that a sale of any of our assets will not be in the ordinary course of our business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. Nevertheless, we will attempt to comply with the terms of safe-harbor provisions in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we can comply with the safe-harbor provisions or that we will avoid owning property that may be characterized as property that we hold "primarily for sale to customers in the ordinary course of a trade or business." We may form or acquire a taxable REIT subsidiary to hold and dispose of those facilities we conclude may not fall within the safe-harbor provisions.

Foreclosure Property. We will be subject to tax at the maximum corporate rate on any income from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property acquired by a REIT as the result of the REIT's having bid on the property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law after actual or imminent default on a lease of the property or on indebtedness secured by the property, or a "Repossession Action." Property acquired by a Repossession Action will not be considered "foreclosure property" if (i) the REIT held or acquired the property subject to a lease or securing indebtedness for sale to customers in the ordinary course of business or (ii) the lease or loan was acquired or entered into with intent to take Repossession Action or in circumstances where the REIT had reason to know a default would occur. The determination of such intent or reason to know must be based on all

relevant facts and circumstances. In no case will property be considered "foreclosure property" unless the REIT makes a proper election to treat the property as foreclosure property.

Foreclosure property includes any qualified healthcare property acquired by a REIT as a result of a termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease). A "qualified healthcare property" means any real property, including interests in real property, and any personal property incident to such real property which is a healthcare facility or is necessary or incidental to the use of a healthcare facility. For this purpose, a healthcare facility means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease secured by such facility, was operated by a provider of such services which was eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility.

However, a REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property (or, in the case of a qualified healthcare property which becomes foreclosure property because it is acquired by a REIT as a result of the termination of a lease of such property, at the end of the second taxable year following the taxable year in which the REIT acquired such property) or longer if an extension is granted by the Secretary of the Treasury. This period (as extended, if applicable) terminates, and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;
- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or
- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income. For this purpose, in the case of a qualified healthcare property, income derived or received from an independent contractor will be disregarded to the extent such income is attributable to (i) a lease of property in effect on the date the REIT acquired the qualified healthcare property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date) or (ii) any lease of property entered into after such date if, on such date, a lease of such property from the REIT was in effect and, under the terms of the new lease, the REIT receives a substantially similar or lesser benefit in comparison to the prior lease.

Hedging Transactions. From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. For taxable years beginning prior to January 1, 2005, any periodic income or gain from the disposition of any financial instrument for these or similar transactions to hedge indebtedness we incur to acquire or carry "real estate assets" should be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. For taxable years beginning on and after January 1, 2005, income and gain from "hedging transactions" will be excluded from gross income for purposes of the 95% gross income test (but not the 75% gross income test). For those taxable years, a "hedging transaction" will mean any transaction entered into in the normal course of our trade or business primarily to manage the risk of interest rate or price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets. We will be required to clearly identify any

such hedging transaction before the close of the day on which it was acquired, originated, or entered into. Since the financial markets continually introduce new and innovative instruments related to risk-sharing or trading, it is not entirely clear which such instruments will generate income which will be considered qualifying income for purposes of the gross income tests. We intend to structure any hedging or similar transactions so as not to jeopardize our status as a REIT.

Failure to Satisfy Gross Income Tests. If we fail to satisfy one or both of the gross income tests for our 2004 taxable year, we nevertheless may qualify as a REIT for that year if we qualify for relief under certain provisions of the federal income tax laws. Those relief provisions generally will be available if:

- our failure to meet these tests is due to reasonable cause and not to willful neglect;
- we attach a schedule of the sources of our income to our tax return; and
- any incorrect information on the schedule is not due to fraud with intent to evade tax.

For taxable years beginning on and after January 1, 2005, those relief provisions will be available if:

- our failure to meet those tests is due to reasonable cause and not to willful neglect, and
- following our identification of such failure for any taxable year, a schedule of the sources of our income is filed in accordance with regulations prescribed by the Secretary of the Treasury.

We cannot with certainty predict whether any failure to meet these tests will qualify for the relief provisions. As discussed above in "-- Taxation of Our Company," even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amounts by which we fail the 75% and 95% gross income tests, multiplied by a fraction intended to reflect our profitability.

Asset Tests. To maintain our qualification as a REIT, we also must satisfy the following asset tests at the end of each quarter of each taxable year.

First, at least 75% of the value of our total assets must consist of:

- cash or cash items, including certain receivables;
- government securities;
- real estate assets, which includes interest in real property, leaseholds, options to acquire real property or leaseholds, interests in mortgages on real property and shares (or transferable certificates of beneficial interest) in other REITs;
- stock in other REITs; and
- investments in stock or debt instruments attributable to the temporary investment (i.e., for a period not exceeding 12 months) of new capital that we raise through equity offerings or offerings of debt with at least a five year term.

With respect to investments not included in the 75% asset class, we may not hold securities of any one issuer (other than a taxable REIT subsidiary) that exceed 5% of the value of our total assets; nor may we hold securities of any one issuer (other than a taxable REIT subsidiary) that represent more than 10% of the voting power of all outstanding voting securities of such issuer, or more than 10% of the value of all outstanding securities of such issuer.

In addition, we may not hold securities of one or more taxable REIT subsidiaries that represent in the aggregate more than 20% of the value of our total assets, irrespective of whether such securities may also be included in the 75% asset class (e.g., a mortgage loan issued to a taxable REIT subsidiary). Furthermore, no more than 25% of our total assets may be represented by securities that are not included in the 75% asset class, but this requirement will necessarily be satisfied if the 75% asset class requirement is satisfied.

For purposes of the 5% and 10% asset tests, the term "securities" does not include stock in another REIT, equity or debt securities of a qualified REIT subsidiary or taxable REIT subsidiary, mortgage loans

that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT, except that for purposes of the 10% value test, the term "securities" does not include:

- "Straight debt," defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which we or any controlled TRS (i.e., a TRS in which we own directly or indirectly more than 50% of the voting power or value of the stock) holds non-"straight debt" securities that have an aggregate value of more than 1% of the issuer's outstanding securities. However, "straight debt" securities include debt subject to the following contingencies:
 - a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt obligations held by us exceeds \$1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and
 - a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;
- Any loan to an individual or an estate;
- Any "section 467 rental agreement," other than an agreement with a related party tenant;
- Any obligation to pay "rents from real property";
- Any security issued by a state or any political subdivision thereof, the District of Columbia, a foreign government of any political subdivision thereof, or the Commonwealth of Puerto Rico, but only if the determination of any payment thereunder does not depend in whole or in part on the profits of any entity not described in this paragraph or payments on any obligation issued by an entity not described in this paragraph;
- Any security issued by a REIT;
- Any debt instrument of an entity treated as a partnership for federal income tax purposes to the extent of our interest as a partner in the partnership;
- Any debt instrument of an entity treated as a partnership for federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transaction, is qualifying income for purposes of the 75% gross income test described above in "-- Requirements for Qualification -- Income Tests."

For purposes of the 10% value test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to securities described in the last two bullet points above.

In connection with the acquisition of the facilities in our current portfolio, MPT Development Services, Inc., our taxable REIT subsidiary, has made loans to Vibra Healthcare, LLC, the parent entity of our tenants, in an aggregate amount of approximately \$41.4 million to acquire the operations at those facilities. MPT Development Services, Inc. also made a loan of approximately \$6.2 million to Vibra and its subsidiaries for working capital purposes which was repaid in February 2005. Those loans bear interest at an annual rate of 10.25%. Our operating partnership loaned the funds to MPT Development Services, Inc. to make these loans. The loans from our operating partnership to MPT Development Services, Inc. bear interest at an annual rate of 9.25%.

Baker Donelson is of the opinion that the loans to Vibra will be treated as debt rather than equity interests in Vibra, and that our rental income from Vibra will be treated as qualifying income for purposes of the REIT gross income tests. However, there can be no assurance that the IRS will not take a contrary position. If the IRS were to successfully treat the loans to Vibra as equity interests in Vibra, Vibra would be a "related party tenant" with respect to our company and the rent that we receive from Vibra would not be qualifying income for purposes of the REIT gross income tests. As a result, we could lose our REIT status. In addition, if the IRS were to successfully treat the loans to Vibra as interests held by our operating partnership rather than by MPT Development Services, Inc. and to treat the loans as other than straight debt, we would fail the 10% asset test with respect to such interests and, as a result, could lose our REIT status. Baker Donelson is of the opinion that the loans to Vibra will be treated as straight debt for federal income tax purposes.

We will monitor the status of our assets for purposes of the various asset tests and will manage our portfolio in order to comply at all times with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT status if:

- we satisfied the asset tests at the end of the preceding calendar quarter; and
- the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If we did not satisfy the condition described in the second item, above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

In the event that, at the end of any calendar quarter in a taxable year beginning on or after January 1, 2005, we violate the 5% or 10% test described above, we will not lose our REIT status if (1) the failure is de minimis (up to the lesser of 1% of our assets or \$10 million) and (2) we dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified the failure of the asset test. In the event of a more than de minimis failure of the 5% or 10% tests, or a failure of the other assets test, at the end of any calendar quarter in a taxable year beginning on or after January 1, 2005, as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT status if we (1) dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified the failure of the asset test and (2) pay a tax equal to the greater of \$50,000 or 35% of the net income from the nonqualifying assets during the period in which we failed to satisfy the asset tests.

Distribution Requirements. Each taxable year, we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount not less than:

- the sum of:
 - 90% of our "REIT taxable income," computed without regard to the dividends-paid deduction or our net capital gain or loss, and
 - 90% of our after-tax net income, if any, from foreclosure property,
- minus
 - the sum of certain items of non-cash income.

We must pay such distributions in the taxable year to which they relate, or in the following taxable year if we declare the distribution before we timely file our federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration.

We will pay federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders. In addition, we will incur a 4% nondeductible excise tax on the excess of a

specified required distribution over amounts we actually distribute if we distribute an amount less than the required distribution during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year. The required distribution must not be less than the sum of:

- 85% of our REIT ordinary income for the year;
- 95% of our REIT capital gain income for the year; and
- any undistributed taxable income from prior periods.

We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. See " -- Taxation of Taxable United States Stockholders." If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% excise tax described above. We intend to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% excise tax.

It is possible that, from time to time, we may experience timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our "REIT taxable income." Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute all of our taxable income and thereby avoid corporate income tax and the excise tax imposed on certain undistributed income. In such a situation, we may need to borrow funds or issue additional shares of common or preferred stock.

Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest based upon the amount of any deduction we take for deficiency dividends.

Recordkeeping Requirements. We must maintain certain records in order to qualify as a REIT. In addition, to avoid paying a penalty, we must request on an annual basis information from our stockholders designed to disclose the actual ownership of our shares of outstanding capital stock. We intend to comply with these requirements.

Failure to Qualify. If we failed to qualify as a REIT in any taxable year and no relief provision applied, we would have the following consequences. We would be subject to federal income tax and any applicable alternative minimum tax at rates applicable to regular C corporations on our taxable income, determined without reduction for amounts distributed to stockholders. We would not be required to make any distributions to stockholders, and any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits. Corporate stockholders could be eligible for a dividends-received deduction if certain conditions are satisfied. Unless we qualified for relief under specific statutory provisions, we would not be permitted to elect taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

For taxable years beginning on and after January 1, 2005, if we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we could avoid disqualification if the failure is due to reasonable cause and not to willful neglect and we pay a penalty of \$50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described above in "-- Income Tests" and "-- Asset Tests."

Taxation of Taxable United States Stockholders. As long as we qualify as a REIT, a taxable "United States stockholder" will be required to take into account as ordinary income distributions made out of our current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain. A United States stockholder will not qualify for the dividends-received

deduction generally available to corporations. The term "United States stockholder" means a holder of shares of common stock that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation or partnership (including an entity treated as a corporation or partnership for United States federal income tax purposes) created or organized under the laws of the United States or of a political subdivision of the United States;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- any trust if (i) a United States court is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a United States person.

Distributions paid to a United States stockholder generally will not qualify for the new 15% tax rate for "qualified dividend income." The Jobs and Growth Tax Relief Reconciliation Act of 2003 reduced the maximum tax rate for qualified dividend income from 38.6% to 15% for tax years through 2008. Without future congressional action, the maximum tax rate on qualified dividend income will move to 35% in 2009 and 39.6% in 2011. Qualified dividend income generally includes dividends paid by domestic C corporations and certain qualified foreign corporations to most United States noncorporate stockholders. Because we are not generally subject to federal income tax on the portion of our REIT taxable income distributed to our stockholders, our dividends generally will not be eligible for the new 15% rate on qualified dividend income. As a result, our ordinary REIT dividends will continue to be taxed at the higher tax rate applicable to ordinary income. Currently, the highest marginal individual income tax rate on ordinary income is 35%. However, the 15% tax rate for qualified dividend income will apply to our ordinary REIT dividends, if any, that are (i) attributable to dividends received by us from non-REIT corporations, such as our taxable REIT subsidiary, and (ii) attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a stockholder must hold our common stock for more than 60 days during the 120-day period beginning on the date that is 60 days before the date on which our common stock becomes ex-dividend.

Distributions to a United States stockholder which we designate as capital gain dividends will generally be treated as long-term capital gain, without regard to the period for which the United States stockholder has held its common stock. We generally will designate our capital gain dividends as either 15%, 20% or 25% rate distributions. A corporate United States stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, a United States stockholder would be taxed on its proportionate share of our undistributed long-term capital gain. The United States stockholder would receive a credit or refund for its proportionate share of the tax we paid. The United States stockholder would increase the basis in its shares of common stock by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A United States stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the United States stockholder's shares. Instead, the distribution will reduce the adjusted basis of the shares, and any amount in excess of both our current and accumulated earnings and profits and the adjusted basis will be treated as capital gain, long-term if the shares have been held for more than one year, provided the shares are a capital asset in the hands of the United States stockholder. In addition, any distribution we declare in October, November, or December of any year that is payable to a United States stockholder of record on a specified date in any of those months will be treated as paid by us and received by the United States stockholder on December 31 of the year, provided we actually pay the distribution during January of the following calendar year.

Stockholders may not include in their individual income tax returns any of our net operating losses or capital losses. Instead, these losses are generally carried over by us for potential offset against our future income. Taxable distributions from us and gain from the disposition of shares of common stock will not be treated as passive activity income; stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the stockholder is a limited partner, against such income. In addition, taxable distributions from us and gain from the disposition of common stock generally will be treated as investment income for purposes of the investment interest limitations. We will notify stockholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital, and capital gain.

Taxation of United States Stockholders on the Disposition of Shares of Common Stock. In general, a United States stockholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our shares of common stock as long-term capital gain or loss if the United States stockholder has held the stocks for more than one year, and otherwise as short-term capital gain or loss. However, a United States stockholder must treat any loss upon a sale or exchange of common stock held for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us which the United States stockholder treats as long-term capital gain. All or a portion of any loss that a United States stockholder realizes upon a taxable disposition of common stock may be disallowed if the United States stockholder purchases other shares of our common stock within 30 days before or after the disposition.

Capital Gains and Losses. The tax-rate differential between capital gain and ordinary income for non-corporate taxpayers may be significant. A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate is currently 35%. The maximum tax rate on long-term capital gain applicable to individuals is 15% for sales and exchanges of assets held for more than one year and occurring on or after May 6, 2003 through December 31, 2008. The maximum tax rate on long-term capital gain from the sale or exchange of "section 1250 property" (i.e., generally, depreciable real property) is 25% to the extent the gain would have been treated as ordinary income if the property were "section 1245 property" (i.e., generally, depreciable personal property). We generally may designate whether a distribution we designate as capital gain dividends (and any retained capital gain that we are deemed to distribute) is taxable to non-corporate stockholders at a 15% or 25% rate.

The characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum of \$3,000 annually. A non-corporate taxpayer may carry unused capital losses forward indefinitely. A corporate taxpayer must pay tax on its net capital gain at corporate ordinary-income rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses carried back three years and forward five years.

Information Reporting Requirements and Backup Withholding. We will report to our stockholders and to the IRS the amount of distributions we pay during each calendar year and the amount of tax we withhold, if any. A stockholder may be subject to backup withholding at a rate of up to 28% with respect to distributions unless the holder:

- is a corporation or comes within certain other exempt categories and when required, demonstrates this fact; or
- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A stockholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to us. For a

discussion of the backup withholding rules as applied to non-United States stockholders, see "Taxation of Non-United States Stockholders."

Taxation of Tax-Exempt Stockholders. Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, referred to as pension trusts, generally are exempt from federal income taxation. However, they are subject to taxation on their "unrelated business taxable income." While many investments in real estate generate unrelated business taxable income, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute unrelated business taxable income so long as the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts we distribute to tax-exempt stockholders generally should not constitute unrelated business taxable income. However, if a tax-exempt stockholder were to finance its acquisition of common stock with debt, a portion of the income it received from us would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the federal income tax laws are subject to different unrelated business taxable income rules, which generally will require them to characterize distributions they receive from us as unrelated business taxable income. Finally, in certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of our shares of common stock must treat a percentage of the dividends it receives from us as unrelated business taxable income. The percentage is equal to the gross income we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the dividends. This rule applies to a pension trust holding more than 10% of our shares only if:

- the percentage of our dividends which the tax-exempt trust must treat as unrelated business taxable income is at least 5%;
- we qualify as a REIT by reason of the modification of the rule requiring that no more than 50% of our shares of common stock be owned by five or fewer individuals, which modification allows the beneficiaries of the pension trust to be treated as holding shares in proportion to their actual interests in the pension trust; and
- either of the following applies:
 - one pension trust owns more than 25% of the value of our shares of common stock; or
 - a group of pension trusts individually holding more than 10% of the value of our shares of common stock collectively owns more than 50% of the value of our shares of common stock.

Taxation of Non-United States Stockholders. The rules governing United States federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign stockholders are complex. This section is only a summary of such rules. We urge non-United States stockholders to consult their own tax advisors to determine the impact of federal, state, and local income tax laws on ownership of shares of common stock, including any reporting requirements.

A non-United States stockholder that receives a distribution which (i) is not attributable to gain from our sale or exchange of "United States real property interests" (defined below) and (ii) we do not designate a capital gain dividend (or retained capital gain) will recognize ordinary income to the extent of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply unless an applicable tax treaty reduces or eliminates the tax. However, a non-United States stockholder generally will be subject to federal income tax at graduated rates on any distribution treated as effectively connected with the non-United States stockholder's conduct of a United States trade or business, in the same manner as United States stockholders are taxed on distributions. A corporate non-United States stockholder may, in addition, be subject to the 30% branch profits tax. We

plan to withhold United States income tax at the rate of 30% on the gross amount of any distribution paid to a non-United States stockholder unless:

- a lower treaty rate applies and the non-United States stockholder files an IRS Form W-8BEN evidencing eligibility for that reduced rate with us; or
- the non-United States stockholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

A non-United States stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the excess portion of the distribution does not exceed the adjusted basis of the stockholder's shares of common stock. Instead, the excess portion of the distribution will reduce the adjusted basis of the shares. A non-United States stockholder will be subject to tax on a distribution that exceeds both our current and accumulated earnings and profits and the adjusted basis of its shares, if the non-United States stockholder otherwise would be subject to tax on gain from the sale or disposition of shares of common stock, as described below. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. However, a non-United States stockholder may obtain a refund of amounts we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

We must withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. We will, therefore, withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which we qualify as a REIT, a non-United States stockholder will incur tax on distributions attributable to gain from our sale or exchange of "United States real property interests" under the "FIRPTA" provisions of the Code. The term "United States real property interests" includes interests in real property and stocks in corporations at least 50% of whose assets consist of interests in real property. Under the FIRPTA rules, a non-United States stockholder is taxed on distributions attributable to gain from sales of United States real property interests as if the gain were effectively connected with the conduct of a United States business of the non-United States stockholder. A non-United States stockholder thus would be taxed on such a distribution at the normal capital gain rates applicable to United States stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-United States corporate stockholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. We must withhold 35% of any distribution that we could designate as a capital gain dividend. A non-United States stockholder may receive a credit against our tax liability for the amount we withhold.

For taxable years beginning on and after January 1, 2005, for non-U.S. stockholders of our publicly-traded shares, capital gain distributions that are attributable to our sale of real property will not be subject to FIRPTA and therefore will be treated as ordinary dividends rather than as gain from the sale of a United States real property interest, as long as the non-U.S. stockholder did not own more than 5% of the class of our stock on which the distributions are made during the taxable year. As a result, non-U.S. stockholders generally would be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends.

A non-United States stockholder generally will not incur tax under FIRPTA with respect to gain on a sale of shares of common stock as long as, at all times, non-United States persons hold, directly or indirectly, less than 50% in value of the outstanding common stock. We cannot assure you that this test will be met. In addition, a non-United States stockholder that owned, actually or constructively, 5% or less of the outstanding common stock at all times during a specified testing period will not incur tax under FIRPTA on gain from a sale of common stock if the stock is "regularly traded" on an established securities market. Any gain subject to tax under FIRPTA will be treated in the same manner as it would

be in the hands of United States stockholders subject to alternative minimum tax, but under a special alternative minimum tax in the case of nonresident alien individuals.

A non-United States stockholder generally will incur tax on gain from the sale of common stock not subject to FIRPTA if:

- the gain is effectively connected with the conduct of the non-United States stockholder's United States trade or business, in which case the non-United States stockholder will be subject to the same treatment as United States stockholders with respect to the gain; or
- the non-United States stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-United States stockholder will incur a 30% tax on capital gains.

OTHER TAX CONSEQUENCES

Tax Aspects of Our Investments in the Operating Partnership. The following discussion summarizes certain federal income tax considerations applicable to our direct or indirect investment in our operating partnership and any subsidiary partnerships or limited liability companies we form or acquire, each individually referred to as a Partnership and, collectively, as Partnerships. The following discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as Partnerships. We are entitled to include in our income our distributive share of each Partnership's income and to deduct our distributive share of each Partnership's losses only if such Partnership is classified for federal income tax purposes as a partnership (or an entity that is disregarded for federal income tax purposes if the entity has only one owner or member), rather than as a corporation or an association taxable as a corporation. An organization with at least two owners or members will be classified as a partnership, rather than as a corporation, for federal income tax purposes if it:

- is treated as a partnership under the Treasury regulations relating to entity classification (the "check-the-box regulations"); and
- is not a "publicly traded" partnership.

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity does not make an election, it generally will be treated as a partnership for federal income tax purposes. We intend that each Partnership will be classified as a partnership for federal income tax purposes (or else a disregarded entity where there are not at least two separate beneficial owners).

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or a substantial equivalent). A publicly traded partnership is generally treated as a corporation for federal income tax purposes, but will not be so treated for any taxable year for which at least 90% of the partnership's gross income consists of specified passive income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends (the "90% passive income exception").

Treasury regulations, referred to as PTP regulations, provide limited safe harbors from treatment as a publicly traded partnership. Pursuant to one of those safe harbors, or private placement exclusion, interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act, and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. For the determination of the number of partners in a partnership, a person owning an interest in a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in the partnership only if (i) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (ii) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. Each Partnership should qualify for the private placement exclusion.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that the Partnerships will be classified as partnerships for federal income tax purposes. If for any reason a Partnership were taxable as a corporation, rather than as a partnership, for federal income tax purposes, we likely would not be able to qualify as a REIT. See "-- Requirements for Qualification -- Income Tests" and " -- Requirements for Qualification -- Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case we might incur tax liability without any related cash distribution. See "-- Requirements for Qualification -- Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

INCOME TAXATION OF THE PARTNERSHIPS AND THEIR PARTNERS

Partners, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. We will therefore take into account our allocable share of each Partnership's income, gains, losses, deductions, and credits for each taxable year of the Partnership ending with or within our taxable year, even if we receive no distribution from the Partnership for that year or a distribution less than our share of taxable income. Similarly, even if we receive a distribution, it may not be taxable if the distribution does not exceed our adjusted tax basis in our interest in the Partnership.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, allocations will be disregarded for tax purposes if they do not comply with the provisions of the federal income tax laws governing partnership allocations. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain, and loss are intended to comply with the requirements of the federal income tax laws governing partnership allocations.

Tax Allocations With Respect to Contributed Properties. Income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. Similar rules apply with respect to property revalued on the books of a partnership. The amount of such unrealized gain or unrealized loss, referred to as built-in gain or built-in loss, is generally equal to the difference between the fair market value of the contributed or revalued property at the time of contribution or revaluation and the adjusted tax basis of such property at that time, referred to as a book-tax difference. Such allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The United States Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Our operating partnership generally intends to use the traditional method for allocating items with respect to which there is a book-tax difference.

Basis in Partnership Interest. Our adjusted tax basis in any partnership interest we own generally will be:

- the amount of cash and the basis of any other property we contribute to the partnership;
- increased by our allocable share of the partnership's income (including tax-exempt income) and our allocable share of indebtedness of the partnership; and
- reduced, but not below zero, by our allocable share of the partnership's loss, the amount of cash and the basis of property distributed to us, and constructive distributions resulting from a reduction in our share of indebtedness of the partnership.

Loss allocated to us in excess of our basis in a partnership interest will not be taken into account until we again have basis sufficient to absorb the loss. A reduction of our share of partnership indebtedness will be treated as a constructive cash distribution to us, and will reduce our adjusted tax basis. Distributions, including constructive distributions, in excess of the basis of our partnership interest will constitute taxable income to us. Such distributions and constructive distributions normally will be characterized as long-term capital gain.

Depreciation Deductions Available to Partnerships. The initial tax basis of property is the amount of cash and the basis of property given as consideration for the property. A partnership in which we are a partner generally will depreciate property for federal income tax purposes under the modified accelerated cost recovery system of depreciation, referred to as MACRS. Under MACRS, the partnership generally will depreciate furnishings and equipment over a seven year recovery period using a 200% declining balance method and a half-year convention. If, however, the partnership places more than 40% of its furnishings and equipment in service during the last three months of a taxable year, a mid-quarter depreciation convention must be used for the furnishings and equipment placed in service during that year. Under MACRS, the partnership generally will depreciate buildings and improvements over a 39 year recovery period using a straight line method and a mid-month convention. The operating partnership's initial basis in properties acquired in exchange for units of the operating partnership should be the same as the transferor's basis in such properties on the date of acquisition by the partnership. Although the law is not entirely clear, the partnership generally will depreciate such property for federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors. The partnership's tax depreciation deductions will be allocated among the partners in accordance with their respective interests in the partnership, except to the extent that the partnership is required under the federal income tax laws governing partnership allocations to use a method for allocating tax depreciation deductions attributable to contributed or revalued properties that results in our receiving a disproportionate share of such deductions.

Under recently enacted legislation, a first-year bonus depreciation of 50% may be available for certain tenant improvements. In addition, certain qualified leasehold improvement property placed in service before January 1, 2006 will be depreciated over a 15-year recovery period using a straight method and a half-year convention.

Sale of a Partnership's Property. Generally, any gain realized by a Partnership on the sale of property held for more than one year will be long-term capital gain, except for any portion of the gain treated as depreciation or cost recovery recapture. Any gain or loss recognized by a Partnership on the disposition of contributed or revalued properties will be allocated first to the partners who contributed the properties or who were partners at the time of revaluation, to the extent of their built-in gain or loss on those properties for federal income tax purposes. The partners' built-in gain or loss on contributed or revalued properties is the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution or revaluation. Any remaining gain or loss recognized by the Partnership on the disposition of contributed or revalued properties, and any gain or loss recognized by the Partnership on the disposition of other properties, will be allocated among the partners in accordance with their percentage interests in the Partnership.

Our share of any Partnership gain from the sale of inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction subject to a 100% tax. Income from a prohibited transaction may have an adverse effect on our ability to satisfy the gross income tests for REIT status. See "-- Requirements for Qualification -- Income Tests." We do not presently intend to acquire or hold, or to allow any Partnership to acquire or hold, any property that is likely to be treated as inventory or property held primarily for sale to customers in the ordinary course of our, or the Partnership's, trade or business.

Taxable REIT Subsidiaries. As described above, we have formed and have made a timely election to treat MPT Development Services, Inc. as a taxable REIT subsidiary and may form or acquire

additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary may provide services to our tenants and engage in activities unrelated to our tenants, such as third-party management, development, and other independent business activities.

We and any corporate subsidiary in which we own stock must make an election for the subsidiary to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary directly or indirectly owns shares of a corporation with more than 35% of the value or voting power of all outstanding shares of the corporation, the corporation will automatically also be treated as a taxable REIT subsidiary. Overall, no more than 20% of the value of our assets may consist of securities of one or more taxable REIT subsidiaries, irrespective of whether such securities may also qualify under the 75% assets test, and no more than 25% of the value of our assets may consist of the securities that are not qualifying assets under the 75% test, including, among other things, certain securities of a taxable REIT subsidiary, such as stock or non-mortgage debt.

Rent we receive from our taxable REIT subsidiaries will qualify as "rents from real property" as long as at least 90% of the leased space in the property is leased to persons other than taxable REIT subsidiaries and related party tenants, and the amount paid by the taxable REIT subsidiary to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space. The taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to us to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on certain types of transactions between a taxable REIT subsidiary and us or our tenants that are not conducted on an arm's-length basis.

A taxable REIT subsidiary may not directly or indirectly operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider which is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility.

State and Local Taxes. We and our stockholders may be subject to taxation by various states and localities, including those in which we or a stockholder transacts business, owns property or resides. The state and local tax treatment may differ from the federal income tax treatment described above. Consequently, stockholders should consult their own tax advisors regarding the effect of state and local tax laws upon an investment in our common stock.

UNDERWRITING

Friedman, Billings, Ramsey & Co., Inc. is acting as representative of the underwriters of this offering. Subject to the terms and conditions in the underwriting agreement entered into in connection with the sale of our common stock described in this prospectus, the underwriters named below have severally agreed to purchase the number of shares of common stock set forth opposite their respective names.

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

The underwriting agreement provides that the obligations of the underwriters to purchase and accept delivery of the shares of common stock offered by this prospectus are subject to approval by their counsel of legal matters and to other conditions contained in the underwriting agreement including, among other items, the receipt of legal opinions from counsel, the receipt of comfort letters from our current auditors, the absence of any material adverse changes affecting us or our business and the absence of any objections from the National Association of Securities Dealers Inc. with respect to the fairness and reasonableness of the underwriting terms. The underwriters are obligated to purchase and accept delivery of all of the shares of common stock offered by this prospectus, other than those covered by the over-allotment option described below, if any shares are taken. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or, in the event that the purchase commitments of the defaulting underwriters represent more than 10% of the total number shares of common stock offered by this prospectus, the underwriting agreement may be terminated.

The underwriters propose to offer the shares of common stock directly to the public at the public offering price indicated on the cover page of this prospectus and to various dealers at that price less a concession not to exceed \$ per share, of which \$ may be reallocated to other dealers. After this offering, the public offering price, concession and reallocation to dealers may be reduced by the underwriters. No reduction shall change the amount of proceeds to be received by us as indicated on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this prospectus, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase from time to time up to an aggregate of additional shares of our common stock to cover over-allotments, if any, at the public offering price less the underwriting discount. If the underwriters exercise their over-allotment option to purchase any of the additional shares of common stock, each underwriter, subject to certain conditions, will become obligated to purchase these additional shares based on the underwriters' percentage purchase commitment in the offering as indicated in the table above. If purchased, these additional shares will be sold by the underwriters on the same terms as those on which the shares offered by this prospectus are being sold. The underwriters may exercise the over-allotment option to cover over-allotments made in connection with the sale of the shares of common stock offered in this offering.

The following table summarizes the underwriting compensation to be paid to the underwriters by us and the selling stockholders. These amounts assume both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

WITHOUT	WITH	OVER-ALLOTMENT	OVER-ALLOTMENT	-----
				By us: Per
share:.....				
Total:.....				
				By the selling stockholders: Per
share:.....				
Total:.....				

Pursuant to a registration rights agreement between us, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, we are required to pay substantially all of the expenses in connection with the registration of the shares of common stock purchased in the April 2004 private placement. In addition, we will reimburse selling stockholders in an aggregate amount of up to \$50,000, for the fees and expenses of one counsel and one accounting firm, as selected by Friedman, Billings, Ramsey & Co., Inc. for the selling stockholders, to review any registration statement. Each selling stockholder participating in this offering will bear a proportionate share of the underwriting discounts payable to the underwriters, all transfer taxes and transfer fees and any other expense of the selling stockholders not allocated to us in the registration rights agreement.

We have agreed to reimburse Friedman, Billings, Ramsey & Co., Inc. for certain of its reasonable out-of-pocket expenses in connection with this offering, including any fees or disbursements of its counsel, not to exceed \$150,000. In addition to the items of compensation to be paid to the underwriters in connection with this offering, until April 7, 2006, we have appointed Friedman, Billings, Ramsey & Co., Inc. to act as lead underwriter or placement agent in connection with any public or private offerings in our equity securities and to act as our financial advisor in connection with any purchase or sale of stock, merger, corporate acquisition, business combination or other strategic combination in which we may engage. Other than with respect to this offering, the underwriters are not providing us with any financial advisory services.

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

We and the selling stockholders have agreed to indemnify the underwriters against various liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities. The underwriters have informed us that they do not intend to confirm sales to any accounts over which they exercise discretionary authority.

We will apply to list our common stock on the New York Stock Exchange upon the completion of this offering under the symbol "MPW." In connection with the listing of our common stock on the New York Stock Exchange, the underwriters will undertake to sell round lots of 100 shares or more to a minimum of 2,000 beneficial owners.

Prior to this offering, there has been no public market for our common stock, other than limited trading on the Portal Market. The initial public offering price has been determined through negotiations between the underwriters and us. Among the factors considered in such determination were:

- prevailing market conditions;
- dividend yields and financial characteristics of publicly traded REITs that we and the underwriters believe to be comparable to us;
- the present state of our financial and business operations;

- our management;
- estimates of our business and earnings potential; and
- the prospects for the industry in which we operate.

Each of our executive officers and directors has agreed, subject to specified exceptions, not to:

- offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow or otherwise dispose of any shares of common stock, any of our or our subsidiaries' other equity securities or any securities convertible into or exercisable or exchangeable for shares of our common stock or any such equity securities; or
- establish or increase any "put equivalent position" or liquidate or decrease any "call equivalent position" or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences associated with the ownership of any shares of our common stock or of our or our subsidiaries' other equity securities (regardless of whether any of these transactions are to be settled by the delivery of common stock, other securities, cash or otherwise) for a period of 180 days after the date of this prospectus without the prior written consent of Friedman, Billings, Ramsey & Co., Inc. This restriction terminates after the close of trading of the common stock on and including the 180th day after the date of this prospectus. However, Friedman, Billings, Ramsey & Co., Inc. may, in its sole discretion and at any time or from time to time before the termination of the 180-day period, without notice, release all or any portion of the securities subject to lock-up agreements. There are no other existing agreements between the underwriters and any officer or director who has executed a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

In addition, we have agreed that, for 180 days after the date of this prospectus, we will not, without the prior written consent of Friedman, Billings, Ramsey & Co., Inc., issue, sell, contract to sell, or otherwise dispose of, any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock other than our sale of shares in this offering, the issuance of options or shares of common stock upon the exercise of outstanding options or warrants, the issuance of options or shares of common stock under existing stock option and incentive plans, or the issuance of common stock or other securities convertible into common stock issued in connection with the acquisition of properties. We also have agreed that we will not consent to the disposition of any shares held by officers or directors subject to lock-up agreements prior to the expiration of their respective lock-up periods unless pursuant to an exception to those agreements or with the consent of Friedman, Billings, Ramsey & Co., Inc. The lockup provisions do not prohibit us from filing a resale registration statement to register the shares issued in our April 2004 private placement.

Our stockholders other than our executive officers and directors may not sell or otherwise dispose of any of the shares of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus and are not selling in this offering until 60 days after the date of this prospectus, subject to limited exceptions.

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- short sales;
- syndicate covering transactions;
- imposition of penalty bids; and
- purchases to cover positions created by short sales.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Stabilizing transactions may include making short sales of our common stock, which involves the sale by the underwriters of

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greater number of shares of common stock than they are required to purchase in this offering, and purchasing common stock from us or in the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares pursuant to the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The representatives also may impose a penalty bid on underwriters and selling group members. This means that if the representative purchases shares in the open market in stabilizing transactions or to cover short sales, the representative can require the underwriters or selling group members that sold those shares as part of this offering to repay underwriting discount or the selling concession received by them.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriters do not expect sales to accounts over which they exercise discretionary authority to exceed 5% of the total number of shares of common stock offered by this prospectus.

At our request, the underwriters have reserved up to % of the common stock being offered by this prospectus for sale to our directors, employees, business associates and related persons at the public offering price. The sales will be made by Friedman, Billings, Ramsey & Co., Inc. through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. Any directors, employees or other persons purchasing such reserved shares will be prohibited from disposing of or hedging such shares for a period of at least 180 days after the date of this prospectus. The common stock issued in connection with the directed share program will be issued as part of the underwritten public offering.

We have an engagement letter with Friedman, Billings, Ramsey & Co., Inc. which gives Friedman, Billings, Ramsey & Co., Inc. the right to provide certain services to us. For a description of that engagement letter, see the discussion in "Certain Relationships and Related Transactions -- Relationship with One of our Underwriters." Subject to the terms of that engagement letter, the underwriters and their affiliates may from time to time engage in future transactions with us and our affiliates and provide services to us and our affiliates in the ordinary course of their business. Friedman, Billings, Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc. is currently our largest stockholder and therefore Friedman, Billings, Ramsey & Co., Inc. will have an interest in the successful completion of this offering beyond the underwriting discounts and commissions it will receive.

LEGAL MATTERS

The validity of the common stock and certain tax matters, including REIT qualification and debt characterization, will be passed upon for us by Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. The summary of legal matters contained in the section of this prospectus under the heading "United States Federal Income Tax Considerations" is based on the opinion of Baker Donelson. Certain legal

matters in connection with this offering will be passed upon for the underwriters by Hunton & Williams LLP.

EXPERTS

Our consolidated financial statements and the accompanying financial statement schedule as of December 31, 2004, and 2003, and for the year ended December 31, 2004 and for the period from inception (August 27, 2003) through December 31, 2003, included herein, have been audited by KPMG LLP, independent registered public accounting firm, as stated in their report included herein.

The consolidated financial statements of Vibra as of December 31, 2004 and for the period from inception (May 14, 2004) through December 31, 2004 included herein have been audited by Parente Randolph, LLC, independent registered public accounting firm, as stated in their report included herein.

The independent registered public accounting firms have not examined, compiled or otherwise applied procedures to any financial forecast, projection or anticipated results presented herein and, accordingly, do not express an opinion or any other form of assurance on such.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-11, including exhibits, schedules and amendments filed with, or incorporated by reference in, this registration statement, under the Securities Act with respect to the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of our common stock to be sold in this offering, reference is made to the registration statement, including the exhibits to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to in, or incorporated by reference in, this prospectus are not necessarily complete and, where that contract is an exhibit to the registration statement, each statement is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the Securities and Exchange Commission, 450 Fifth Street, N.W. Room 1024, Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the Securities and Exchange Commission upon payment of prescribed fees. Our Securities and Exchange Commission filings, including our registration statement, are also available to you on the Securities and Exchange Commission's website, www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act, and will file periodic reports, proxy statements and will make available to our stockholders annual reports containing audited financial information for each year, and quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information sets forth:

- the historical financial information derived from our audited consolidated financial statements for the year ended December 31, 2004;
- adjustments to give effect to acquisition of our facilities acquired and leased to Vibra and Desert Valley as if we owned them from the inception of each period presented;
- adjustments to give effect to our loans made to Vibra;
- adjustments to give effect to our probable acquisition properties;
- adjustments to give effect to this offering and application of the net proceeds; and
- our pro forma, as adjusted unaudited consolidated balance sheet as of December 31, 2004, and the pro forma, as adjusted, unaudited consolidated statement of operations for the year ended December 31, 2004, to give effect to our initial portfolio, our probable acquisition properties and this offering.

This section contains forward-looking statements, which are projections of future performance and the assumptions upon which the forward-looking statements are based. Our actual results could differ materially from those expressed in our forward-looking statements as a result of various risks, including those set forth in "Risk Factors" and elsewhere in this prospectus. You should read the information below along with all other financial information and analysis presented in this prospectus, including the sections captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and related notes.

The unaudited pro forma consolidated financial information is presented for informational purposes only. We do not expect that this information will reflect our future results of operations or financial position. The unaudited pro forma adjustments and eliminations are based on available information and upon assumptions that we believe are reasonable. The unaudited pro forma financial information assumes that the above described transactions were completed as of December 31, 2004, for purposes of the unaudited pro forma consolidated balance sheets and as of the first day of the period presented for purposes of the unaudited pro forma consolidated statements of operations.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Balance Sheet

December 31, 2004

EFFECT OF ACQUISITION TRANSACTIONS --
 ----- EFFECT
 OF THIS DESERT VALLEY GULF STATES
 COMPANY PRO HISTORICAL OFFERING
 VICTORVILLE HEALTH FORMA -----

----- (AUDITED) ASSETS
 Real estate assets

Land.....
 \$ 10,670,000 \$ -- \$ 2,000,000(2) \$
 1,959,643(3) \$ 14,629,643 Buildings
 and improvements.....
 111,387,232 -- 24,994,553(2)
 24,644,649(3) 161,026,434
 Construction in
 progress..... 24,318,098 --
 (56,668)(2) -- 24,261,430 Intangible
 lease assets..... 5,314,963
 -- 1,005,447(2) 830,708(3) 7,151,118

 - ----- Gross
 investment in real estate
 assets.....
 151,690,293 -- 27,943,332 27,435,000
 207,068,625 Accumulated depreciation
 and
 amortization.....
 (1,478,470) -- -- (1,478,470) -----

----- Net
 investment in real estate.....
 150,211,823 -- 27,943,332 27,435,000
 205,590,155 Cash and cash
 equivalents..... 97,543,677
 105,000,000(1) (27,943,332)(2)
 (27,435,000)(3) 147,165,345 Interest
 receivable.....
 419,776 -- -- 419,776 Unbilled
 rent receivable.....
 3,206,853 -- -- 3,206,853 Loans
 receivable.....
 50,224,069 -- -- 50,224,069 Other
 assets.....
 4,899,865 -- -- 4,899,865 -----

----- Total
 Assets.....
 \$306,506,063 \$105,000,000 \$ -- \$ -- \$
 411,506,063 =====
 =====

===== LIABILITIES AND
 STOCKHOLDERS' EQUITY Liabilities
 Long-term
 debt..... \$
 56,000,000 \$(56,000,000)(1) \$ -- \$ --
 \$ -- Accounts payable and accrued
 expenses.....
 10,903,025 -- -- 10,903,025
 Deferred
 revenue.....
 3,578,229 -- -- 3,578,229 Lease
 deposit.....
 3,296,365 -- -- 3,296,365 -----

----- Total
 liabilities.....
 73,777,619 (56,000,000) -- --
 17,777,619 Minority
 interest.....
 1,000,000 ----- -- 1,000,000

Stockholders' equity Preferred stock,				
\$0.001 par value. Authorized				
10,000,000 shares; no shares				
outstanding.....	--	--	--	--
- - - Common stock, \$0.001 par				
value. Authorized 100,000,000 shares;				
issued and outstanding 26,082,862...				
26,083 -- -- Additional paid in				
capital.....	233,626,690	--	--	
Accumulated				
deficit.....				
(1,924,329) (1,145,000)(5) -- --				
(3,069,329) -----				

-- Total stockholders'				
equity.....	231,728,444			
161,000,000 -- -- 392,728,444 -----				

----- TOTAL				
LIABILITIES AND STOCKHOLDERS'				
EQUITY.....				
\$306,506,063 \$105,000,000 \$ -- \$ --				
\$411,506,063 =====				
=====				
=====				

See accompanying notes to Unaudited Pro Forma Consolidated Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Statement of Operations

For the Year Ended December 31, 2004

EFFECT OF ACQUISITION PRO
FORMA TRANSACTIONS EFFECT OF

VIBRA COMPLETED EFFECT OF
THIS DESERT VALLEY- GULF
STATES HISTORICAL FACILITIES
TRANSACTIONS TRANSACTION
VICTORVILLE HEALTH -----

----- (AUDITED) REVENUES
Rent

income.....
\$ 8,611,344 \$ 9,774,139 (4)
\$18,385,483 \$ -- \$ 3,228,104
(6) \$2,152,728 (7) Interest
income from loans.....
2,282,115 2,754,934 (4)
5,037,049 -- -- 840,000 -----

----- Total

revenues.....
10,893,459 12,529,073
23,422,532 -- 3,228,104

2,992,728 OPERATING EXPENSES:

Depreciation and
amortization..... 1,478,470
1,660,526 (4) 3,138,996 --
691,894 (6) 426,164 (7)

Property
expenses.....
93,502 187,004 (4) 280,506 --

-- -- General and
administrative.....
5,057,284 -- 5,057,284

1,145,000 (5) -- -- Costs of
terminated acquisitions...
585,345 -- 585,345 -- -- --

----- Total operating
expense..... 7,214,601
1,847,530 9,062,131 1,145,000
691,894 426,164 -----

Operating income
(loss)..... 3,678,858

10,681,543 14,360,401

(1,145,000) 2,536,210

2,566,564 OTHER INCOME

(EXPENSES) Interest

income.....

930,260 -- 930,260 -- -- --

Interest

expense.....

(32,769) -- (32,769) -- -- --

----- Net other

income.....

897,491 -- 897,491 -- -- --

----- NET INCOME

(LOSS)..... \$

4,576,349 \$10,681,543

\$15,257,892 \$(1,145,000) \$

2,536,210 \$2,566,564

=====

```

=====
===== NET
LOSS PER SHARE -- BASIC.... $
0.24 $ $ NET LOSS PER SHARE -
- DILUTED..... $ 0.24
$ $ WEIGHTED AVERAGE SHARES
OUTSTANDING -- BASIC.....
19,310,833 WEIGHTED AVERAGE
SHARES OUTSTANDING --
DILUTED..... 19,312,634
COMPANY PRO FORMA -----
- REVENUES Rent
income.....
$ 23,766,315 Interest income
from loans..... 5,877,049
----- Total
revenues.....
29,643,364 OPERATING
EXPENSES: Depreciation and
amortization..... 4,257,054
Property
expenses.....
280,506 General and
administrative.....
6,202,284 Costs of terminated
acquisitions... 585,345 -----
----- Total operating
expense..... 11,325,189
----- Operating income
(loss)..... 18,318,175
OTHER INCOME (EXPENSES)
Interest
income.....
930,260 Interest
expense.....
(32,769) ----- Net
other income.....
897,491 ----- NET
INCOME (LOSS)..... $
19,215,666 ===== NET
LOSS PER SHARE -- BASIC.... $
NET LOSS PER SHARE --
DILUTED..... $
WEIGHTED AVERAGE SHARES
OUTSTANDING -- BASIC.....
WEIGHTED AVERAGE SHARES
OUTSTANDING -- DILUTED.....

```

See accompanying Notes to Unaudited Pro Forma Consolidated Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

ADJUSTMENTS FOR UNAUDITED PRO FORMA BALANCE SHEET AS OF DECEMBER 31, 2004:

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

Number of Shares Offered.....	
Price per Share.....	\$

Gross Proceeds.....	175,000,000
Less: Underwriting discounts, commissions and other transaction costs.....	(14,000,000)
Less: Payment of long-term debt.....	(56,000,000)

Net Proceeds.....	\$ 105,000,000
	=====
Common stock at par value.....	\$
Additional paid in capital.....	
Less: Payment of long-term debt.....	(56,000,000)

Net proceeds.....	\$ 105,000,000
	=====

(2) Records the acquisition of the Desert Valley -- Victorville facility as though we acquired it on December 31, 2004.

Land.....	\$ 2,000,000
Building.....	24,944,553
Intangible lease assets.....	1,005,447

Total cost.....	28,000,000
Less: Acquisition costs incurred to date.....	(56,668)

Cash paid.....	\$27,943,332
	=====

(3) Records the acquisition of the three Gulf States Health facilities as though we acquired them on December 31, 2004.

Land.....	\$ 1,959,643
Building.....	24,644,649
Intangible lease assets.....	830,708

Total cost.....	\$27,435,000
	=====

ADJUSTMENTS FOR UNAUDITED PRO FORMA STATEMENT OF OPERATIONS FOR THE YEAR ENDED
DECEMBER 31, 2004:

(4) Records year of rent income for the six Vibra initial property purchases as though we owned them from January 1, 2004, to December 31, 2004. Rent income is based on the monthly straight-line rent (as required by SFAS No. 13) for each property. Rent income from the Vibra properties is as follows:

ANNUAL RENT ----- Bowling	
Green.....	\$ 5,471,964
Fresno.....	2,675,182
Kentfield.....	1,094,393
Marlton.....	4,752,598 New
Bedford.....	3,171,528
Denver.....	1,219,818 -----
TOTAL.....	18,385,483
Historical rent income for July 1 - December 31, 2004.....	8,611,344 -----
Pro forma rent income.....	\$ 9,774,139
	=====

Records interest income from loans to Vibra entities as though the loans were made on January 1, 2004 and interest income was earned for the year ended December 31, 2004, at the stated rate of 10.25%.

ANNUAL INTEREST LOANS INCOME -----	
Bowling	
Green.....	\$11,771,389 \$1,206,567
Fresno.....	6,561,308 672,534
Kentfield.....	5,422,387 555,795
Marlton.....	11,203,366 1,148,345 New
Bedford.....	8,361,930 857,098
Denver.....	5,821,564 596,710 -----
TOTAL.....	\$49,141,944 5,037,049
Historical interest income for July 1 - December 31, 2004.....	2,282,115 -----
Pro forma interest income.....	\$2,754,934
	=====

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

ANNUAL ANNUAL DEPRECIATION AMORTIZATION -----	
Bowling	
Green.....	\$ 839,268 \$104,736
Fresno.....	

	409,080	51,204	
Kentfield.....	119,124	23,808	
Marlton.....	772,572	90,972	New
Bedford.....	494,304	60,384	
Denver.....	150,324	23,220	-----
TOTAL.....	2,784,672	354,324	
	Historical depreciation and amortization		
	for July 1 - December 31,		
2004.....	1,311,757	166,713	
	----- Pro forma depreciation and		
amortization.....	\$1,472,915	\$187,611	
	=====	=====	

Property expenses consist primarily of payments for the ground lease at Marlton for the year ended December 31, 2004.

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

Shares of common stock awarded.....	[114,500]
Value per share of common stock.....	\$ --

Total value of shares awarded.....	\$1,145,000
	=====
Common stock at par value.....	\$ --
Additional paid in capital.....	--

Net proceeds.....	\$1,145,000
	=====

(6) Records one year of rent income for the Desert Valley -- Victorville facility as though we owned it from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the Desert Valley -- Victorville for the year ended December 31, 2004 consists of the following:

ANNUAL RENT ----- Desert Valley -- Victorville.....	\$3,228,104
--	-------------

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the year ended December 31, 2004 as though constructing and occupying the properties was completed on January 1, 2004.

ANNUAL DEPRECIATION AND COST AMORTIZATION ----- -- -----	
Land.....	\$ 2,000,000 \$ --
Buildings.....	24,994,553 624,864 Intangible lease
assets.....	1,005,447
	67,030 ----- \$691,894 =====

(7) Records one year of rent income for the two Gulf States Health facilities as though we owned them from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the Gulf States Health facilities for the year ended December 31, 2004 consists of the following:

ANNUAL RENT ----- Gulf States Health.....	\$ 2,152,728
--	--------------

Depreciation of buildings (straight line using a 40 year life) for the year ended December 31, 2004 as though constructing and occupying the properties was completed on January 1, 2004.

ANNUAL DEPRECIATION AND COST AMORTIZATION -----	

Land.....	\$ 1,225,000 \$ --
Buildings.....	15,252,102 381,304 Intangible lease
assets.....	672,898 44,860
	----- \$426,164 =====

Records a mortgage loan with a 10.5% annual interest rate on the third Gulf States Health facility as though the loan were made on January 1, 2004 and was outstanding for a full year before the option to purchase is exercised.

ANNUAL INTEREST LOANS INCOME -----	
--- ----- Gulf States	
	Health --
Hammond.....	\$8,000,000 \$840,000

Immediately prior to the printing of the preliminary prospectus included in this S-11, we will be in a position to render the following report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Medical Properties Trust, Inc.:

We have audited the accompanying consolidated balance sheets of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 2004 and for the period from inception (August 27, 2003) to December 31, 2003. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement Schedule III. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the year ended December 31, 2004 and for the period from inception (August 27, 2003) to December 31, 2003 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Birmingham, Alabama

March 16, 2005

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2004 and December 31, 2003

DECEMBER 31, 2004	DECEMBER 31, 2003	-----
----- ASSETS Real estate assets		
Land.....	\$ 10,670,000	\$ -- Buildings and
improvements.....		111,387,232
-- Construction in		
progress.....		24,318,098
166,301 Intangible lease		
assets.....		5,314,963 -- --
----- Gross investment in real estate		
assets.....	151,690,293	166,301 Accumulated
depreciation.....		
(1,311,757) -- Accumulated		
amortization.....		(166,713)
----- Net investment in real estate		
assets.....	150,211,823	166,301 Cash and
cash equivalents.....		
97,543,677	100,000	Interest
receivable.....		
419,776 -- Unbilled rent		
receivable.....		3,206,853
-- Loans		
receivable.....		
50,224,069 -- Other		
assets.....		
4,899,865	201,832	----- TOTAL
ASSETS.....		
\$306,506,063	\$ 468,133	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities Long-term		
debt.....	\$	
56,000,000	\$ --	Accounts payable and accrued
expenses.....	10,903,025	1,389,779
Deferred		
revenue.....		
3,578,229 -- Lease		
deposit.....		
3,296,365 -- Loan		
payable.....		
100,000	-----	Total
liabilities.....		
73,777,619	1,489,779	Minority
interest.....		
1,000,000 -- Stockholders' equity (deficit) Preferred		
stock, \$0.001 par value. Authorized 10,000,000 shares; no		
shares outstanding.....	-- --	Common
stock, \$0.001 par value. Authorized 100,000,000 shares;		
issued and outstanding -- 26,082,862 shares at December		
31, 2004 and 1,630,435 shares at December 31,		
2003.....		
26,083	1,630	Additional paid in
capital.....		233,626,690 --
Accumulated		
deficit.....		
(1,924,329)	(1,023,276)	----- Total
stockholders' equity (deficit).....		
231,728,444	(1,021,646)	----- TOTAL
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT).....		
\$306,506,063	\$ 468,133	=====

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

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

and the Year Ended December 31, 2004

YEAR ENDED PERIOD FROM INCEPTION DECEMBER 31,
(AUGUST 27, 2003) 2004 THROUGH DECEMBER 31, 2003 -
----- REVENUES

Rent

billed.....	\$ 6,162,278	\$ --	Unbilled
rent.....	2,449,066	--	Interest income from
loans.....		2,282,115	--
			----- Total
revenues.....	10,893,459	--	EXPENSES Real estate
depreciation.....	1,311,757	--	Amortization of intangible lease
assets.....	166,713	--	Other property
expenses.....	93,502	--	General and
administrative.....	5,057,284	992,418	Costs of terminated
acquisitions.....	30,858		----- Total operating
expenses.....	1,023,276		----- Operating income
(loss).....		3,678,858	
(1,023,276) OTHER INCOME (EXPENSE) Interest			
income.....	930,260	--	Interest
expense.....	(32,769)	--	----- Net other
income.....	897,491	--	----- NET INCOME
(LOSS).....			\$
4,576,349 \$(1,023,276) =====			===== NET
INCOME (LOSS) PER SHARE, BASIC.....			\$
0.24 \$ (0.63) WEIGHTED AVERAGE SHARES OUTSTANDING			
-- BASIC.....	19,310,833	1,630,435	NET INCOME
(LOSS) PER SHARE, DILUTED.....			\$ 0.24 \$
(0.63) WEIGHTED AVERAGE SHARES OUTSTANDING --			
DILUTED.....	19,312,634	1,630,435	

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

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

and the Year Ended December 31, 2004

PERIOD FROM INCEPTION YEAR ENDED (AUGUST 27,
2003) THROUGH DECEMBER 31, 2004 DECEMBER 31, 2003

OPERATING ACTIVITIES Net income

(loss)..... \$
4,576,349 \$(1,023,276) Adjustments to reconcile
net income (loss) to net cash provided by
operating activities Depreciation and
amortization..... 1,517,530 -
- Unbilled rent
revenue.....
(2,449,066) -- Warrant issued to
lender..... 24,500 --
Deferred stock units issued to
directors..... 125,000 -- Increase in:
Interest
receivable.....
(419,776) -- Other
assets.....
(309,769) -- Increase in: Accounts payable and
accrued expenses..... 6,644,130
1,391,409 Deferred
revenue.....
210,000 -- ----- Net cash
provided by operating activities.....

9,918,898 368,133 INVESTING ACTIVITIES Real
estate
acquired.....
(127,372,195) -- Loans
receivable.....
(44,317,263) -- Construction in
progress.....
(23,151,797) (166,301) Equipment
acquired.....
(759,387) -- ----- Net cash
used for investing activities.....

(195,600,642) (166,301) FINANCING ACTIVITIES
Addition to long-term
debt..... 56,000,000 --
Proceeds from loan
payable..... 200,000
100,000 Payment of loan
payable.....
(300,000) -- Deferred financing
costs..... (3,869,767)
(201,832) Distributions
paid.....

(2,608,286) -- Sale of common stock, net of
offering costs..... 233,703,474 -- -----
----- Net cash provided by (used
for) financing activities..... 283,125,421
(101,832) ----- Increase in
cash and cash equivalents for period.....

97,443,677 100,000 Cash at beginning of
period..... 100,000 -- --

----- CASH AND CASH EQUIVALENTS
AT END OF PERIOD..... \$ 97,543,677 \$

100,000 ===== Supplemental
schedule of non-cash investing activities:
Additions to unbilled rent receivables recorded
as deferred

revenue..... \$
757,787 \$ -- Additions to loans receivable
recorded as lease deposits and deferred
revenue.....
5,906,807 -- Supplemental schedule of non-cash
financing activities: Minority interest granted

for contribution of land to development project.....	
1,000,000 -- Distributions declared, not paid.....	2,869,116 --
Deferred offering costs charged to proceeds from sale of common stock.....	
201,832 -- Additional paid in capital from deferred stock units issued to directors.....	
125,000 -- Conversion of accounts payable and accrued expenses to common stock.....	-
- 1,630 Interest expense paid.....	
	32,769 --

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

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

and the Year Ended December 31, 2004

PREFERRED COMMON
TOTAL -----

ADDITIONAL PAID
ACCUMULATED
STOCKHOLDERS'
SHARES PAR VALUE
SHARES PAR VALUE
IN CAPITAL
DEFICIT EQUITY -

BALANCE AT
INCEPTION
(AUGUST 27,
2003).. -- \$ --
-- \$ -- \$ -- \$ -
- \$ -- Issuance
of common
stock.....
-- -- 1,630,435
1,630 -- --
1,630 Net
loss.....
-- --
(1,023,276)
(1,023,276) ----

BALANCE AT
DECEMBER 31,
2003.....
-- -- 1,630,435
1,630 --
(1,023,276)
(1,021,646)
Redemption of
founders'
shares.....
-- --
(1,108,527)
(1,108) 1,108 --
-- Issuance of
common stock in
private
placement (net
of offering
costs).. -- --
25,560,954
25,561
233,476,082 --
233,501,643
Value of
warrants
issued.....
-- --
24,500 -- 24,500
Deferred stock
units issued to

```

directors.....
-- --
125,000 --
125,000
Distributions
declared ($.21
per common
share).....
-- --
(5,477,402)
(5,477,402) Net
income.....
-- --
4,576,349
4,576,349 ---- -
-----
-----
-----
-----
-----
BALANCE AT
DECEMBER 31,
2004.....
-- $ --
26,082,862
$26,083
$233,626,690
$(1,924,329)
$231,728,444
==== =====
=====
=====
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=====
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See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004

1. ORGANIZATION

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

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

The Company's primary business strategy is to acquire and develop real estate and improvements, primarily for long term lease to providers of healthcare services such as operators of inpatient physical rehabilitation hospitals, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. The Company considers this to be a single business segment as defined in Statement of Financial Accounting Standard (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information.

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

The Company has filed with the Securities and Exchange Commission (SEC) a Form S-11 registration statement for an Initial Public Offering (IPO) of common stock. The Company has not determined the number of shares nor price per share to be offered in the IPO.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation: Property holding entities and other subsidiaries of which the Company owns 100% of the equity or has a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which the Company owns less than 100% of the equity interest, the Company consolidates the property if it has the direct or indirect ability to make decisions about the entities' activities based upon the terms of the respective entities' ownership agreements. For entities in which the Company owns less than 100% and does not have the direct or indirect ability to make decisions but does exert significant influence over the entities' activities, the Company records its ownership in the entity using the equity method of accounting.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

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

Cash and Cash Equivalents: Certificates of deposit and short-term investments with remaining maturities of three months or less when acquired and money-market mutual funds are considered cash equivalents.

Deferred Costs: Costs incurred prior to the completion of offerings of stock or other capital instruments that directly relate to the offering are deferred and netted against proceeds received from the offering. Costs incurred in connection with anticipated financings and refinancing of debt are capitalized as deferred financing costs in other assets and amortized over the lives of the related loans as an addition to interest expense to produce a constant effective yield on the loan (interest method). Costs that are specifically identifiable with, and incurred prior to the completion of, probable acquisitions are deferred and capitalized upon closing. The Company begins deferring costs when the Company and the seller have executed a letter of intent (LOI), commitment letter or similar document for the purchase of the property by the Company. Deferred acquisition costs are expensed when management determines that the acquisition is no longer probable. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to lessees are recognized as a reduction in interest income over the life of the loan by the interest method.

Revenue Recognition: The Company receives income from operating leases based on the fixed, minimum required rents (base rent) and from additional rent based on a percentage of tenant revenues once the tenant's revenue has exceeded an annual threshold (percentage rent). Base rent revenue is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for acquired properties. Percentage rents are recognized in the period in which revenue thresholds are met. Differences between rental revenues earned and amounts due per the respective lease agreements are charged, as applicable, to unbilled rent receivable. Rental payments received prior to their recognition as income are classified as rent received in advance.

Fees received from development and leasing services for lessees are initially recorded as deferred revenue and recognized as income 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.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

The Company records above-market and below-market in-place lease values, if any, for its facilities which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The Company amortizes any resulting capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The Company amortizes any resulting capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. Because the Company's strategy largely involves the origination of long term lease arrangements at market rates, management does not expect the above-market and below-market in-place lease values to be significant for many anticipated transactions.

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

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

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

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

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

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

Real estate is carried at depreciated cost. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. In accordance with SFAS No. 144, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of assets. For assets held for sale, impairment is measured as the difference between carrying value and fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest.

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

Loans Receivable: Real estate related loans consist of working capital loans and long-term loans. Interest income on loans is recognized as earned based upon the principal amount outstanding. The working capital and long-term loans are generally secured by interests in receivables and corporate and individual guaranties.

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

Net Income (Loss) Per Share: The Company reports earnings per share pursuant to SFAS No. 128, Earnings Per Share. Basic net income (loss) per share is computed by dividing the net income (loss) to common stockholders by the weighted average number of common shares and potential common stock outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the assumed conversion of all potentially dilutive outstanding share options.

Income Taxes: For the period from January 1, 2004 through April 7, 2004, the Company has elected Sub-chapter S status for income tax purposes, at which time the Company filed its final tax returns as a Sub-chapter S company. Since April 7, 2004, the Company has conducted its business as a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Company will file its initial tax return as a REIT for the period from April 8, 2004, through December 31, 2004, at which time it must formally make an election to be taxed as a REIT. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute to shareholders at least 90% of its ordinary taxable income. As a REIT, the Company generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year,

it will then be subject to federal income taxes on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially adversely affect the

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

Company's net income and net cash available for distribution to shareholders. However, the Company believes that it will be organized and operate in such a manner as to qualify for treatment as a REIT and intends to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

The Company's financial statements include the operations of a taxable REIT subsidiary, MPT Development Services, Inc. (MDS) that is not entitled to a dividends paid deduction and is subject to federal, state and local income taxes. MDS is authorized to provide property development, leasing and management services for third-party owned properties and makes loans to lessees and operators.

Stock-Based Compensation: The Company currently sponsors a stock option and restricted stock award plan that was established in 2004. The Company accounts for its stock option plan under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25) and related interpretations. Under APB No. 25, no expense is recorded for options which are exercisable at the price of the Company's stock at the date the options are granted. Deferred compensation on restricted stock relates to the issuance of restricted stock to employees and directors of the Company. Deferred compensation is amortized to compensation expense based on the passage of time and certain performance criteria.

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

Reclassifications: Certain reclassifications have been made to the 2003 consolidated financial statements to conform to the 2004 consolidated financial statement presentation. These reclassifications have no impact on shareholders' equity or net income.

New Accounting Pronouncements: The following is a summary of recently issued accounting pronouncements which have been issued but not yet adopted by the Company and which could have a material effect on the Company's financial position and results of operations.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), Share-Based Payment, which is a revision of SFAS No. 123(R), Accounting for Stock Based Compensation. SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as expense in the historical financial

statements as services are performed. Prior to SFAS No. 123(R), only certain pro-forma disclosures of fair value were required. SFAS No. 123(R) becomes effective for public companies with their first interim or annual reporting period that begins after June 15, 2005. For non-public companies, the standard becomes effective for their first fiscal year beginning after December 15, 2005. The adoption of this new accounting pronouncement is expected to have a material impact on the

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

financial statements of the Company commencing with the third quarter of the year ending December 31, 2006.

3. PROPERTY ACQUISITIONS AND LOANS

On July 1, 2004, the Company purchased four rehabilitation facilities at a price of \$96.8 million, which were then leased to a new operator of the facilities, Vibra Healthcare, LLC and its operating subsidiaries (collectively, Vibra). The Company also made loans of \$33.3 million to Vibra. On August 18, 2004, the Company purchased two additional rehabilitation facilities for \$30.6 million, which were then leased to Vibra, and made additional loans to Vibra of \$13.8 million. The Company made an additional \$2 million loan to Vibra on October 1, 2004. Loans totaling \$42.9 million accrue interest at the rate of 10.25% per year and are to be paid over 15 years with interest only for the first three years and the principal balance amortizing over the remaining 12 year period. Loans totaling \$6.2 million accrue interest at the rate of 10.25% per year. Vibra will pay fees of \$1.5 million to the Company for transacting the leases and loans. The Company has determined that Vibra is a variable interest entity as defined by FIN 46-R. The Company has also determined that it is not the primary beneficiary of Vibra and, therefore, has not consolidated Vibra in the Company's consolidated financial statements. For the year ended December 31, 2004, Vibra has been the only tenant which is required to make payments under operating leases and loans from the Company.

The Company recorded intangible lease assets of \$5,314,963 representing the estimated value of the Vibra leases which were entered into at the date the Company acquired the facilities. The Company recorded amortization expense of \$166,713 and expects to recognize amortization expense of \$354,324 in each of the next five years.

As security for the loans, each of the Vibra tenants and Vibra have granted the Company a security interest in their respective rights to receive payments, directly or indirectly, for any goods or services provided to any persons or entities; any records or data related to those rights; and all cash and non-cash proceeds resulting from those rights. As additional security, Vibra has pledged to the Company all of its interests in each of the tenants. One individual is the majority owner of Vibra, The Hollinger Group and Vibra Management, LLC. The owner of Vibra has pledged his interest in Vibra to secure the loans. In addition, The Hollinger Group and Vibra Management have guaranteed the loans. The owner of Vibra has also provided a \$5 million personal guarantee.

4. LONG-TERM DEBT AND LOAN PAYABLE

In 2003, the Company entered into a loan agreement which provided for maximum borrowings of \$300,000 if certain conditions were met by the Company. Borrowings under the agreement (\$100,000 at December 31, 2003) accrued interest at 20% per annum and were due upon the earlier of (i) the third business day following the funding of the Company's private placement or (ii) March 29, 2004. During the first three months of 2004, the Company increased its borrowings on the loan to \$300,000, which was paid in full in April 2004. Contemporaneous with the private placement, the Company issued to the lender a warrant to purchase up to 35,000 shares of the Company's common stock at a price per share equal to 93% of the price at which the Company's shares were offered to investors in the private placement. The warrant has been recorded in the consolidated balance sheet as an addition to Additional Paid-in Capital and as additional interest expense at a value of \$.70 per warrant (\$10.00 per share private placement price

less \$9.30 exercise price per warrant) or a total of \$24,500.

In December 2004, the Company received \$56 million as part of a \$75 million, three year term loan. In February 2005, the Company received the remaining \$19 million of this loan. The loan requires

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

monthly payments based on a 20 year amortization schedule and interest at the one month London Interbank Offered Rate (LIBOR) plus 300 basis points, which results in an interest rate of 5.42% at December 31, 2004. The loan is secured by the six Vibra facilities, which have a book value of \$125.9 million, and requires the Company to meet financial coverage, ratio and total debt covenants typical of such loans.

In December 2004, the Company closed a \$43 million loan with a bank to finance the construction of the Company's medical office building and community hospital development project in Houston, Texas. The loan carries a construction period term of eighteen months, with the option to convert the loan into a thirty month term loan thereafter with a twenty-five year amortization. The loan requires interest payments only during the initial eighteen month term, and principal and interest payments during the optional thirty month term. The loan is secured by mortgages on the development property. The loan bears interest at a rate of three month LIBOR plus 225 basis points (4.81% at December 31, 2004) during the construction period and three month LIBOR plus 250 basis points (5.06% at December 31, 2004) during the thirty month optional period. The Company has paid a commitment fee of one per-cent for the construction loan with an additional .25% per-cent fee due if the Company exercises the term loan option. Proceeds may be drawn down by periodically presenting to the lender documentation of construction and development costs incurred. The Company has not drawn down any proceeds from this loan as of December 31, 2004.

Maturities of long-term debt at December 31, 2004, are as follows:

2005.....	\$ 2,566,663
2006.....	2,799,996
2007.....	50,633,341

	\$56,000,000
	=====

5. COMMITMENTS AND CONTINGENCIES

In June 2004, the Company began construction of a hospital and medical office building with an expected total cost of \$63.4 million. The Company plans to fund this project with a combination of its own and borrowed funds. At December 31, 2004, the Company has funded \$24.2 million of the cost which has been financed with funds from the April 6, 2004 private placement. The remaining commitment for construction and development contracts at December 31, 2004, totals \$32.1 million.

Fixed minimum payments due under operating leases with non-cancellable terms of more than one year at December 31, 2004 are as follows:

2005.....	\$ 275,106
2006.....	339,570
2007.....	346,158

2008.....	352,746
2009.....	359,334
Thereafter.....	2,133,005

	\$3,805,919
	=====

A former consultant to the Company has made a claim for 2003 and 2004 consulting compensation under the terms of a now terminated consulting agreement with the Company. The Company disputes this claim and has made an offer of settlement based on the terms of the consulting agreement. The Company

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

has made provision in the consolidated financial statements for the amount that it has determined is owed to the former officer and consultant.

6. EQUITY INCENTIVE PLAN AND OTHER STOCK AWARDS

The Company has adopted the Medical Properties Trust, Inc. 2004 Amended and Restated Equity Incentive Plan (the Equity Incentive Plan) which authorizes the issuance of options to purchase shares of common stock, restricted stock awards, restricted stock units, deferred stock units, stock appreciation rights and performance units. The Company has reserved 791,180 shares of common stock for awards under the Equity Incentive Plan. The Equity Incentive Plan contains a limit of 300,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year.

Upon their election to the board in April, 2004, each of our original independent directors was awarded options to acquire 20,000 shares of our common stock. These options have an exercise price of \$10 per option, vested one-third upon grant and the remainder will vest one-half on each of the first and second anniversaries of the date of grant, and expire ten years from the date of grant. The Company has determined that the exercise price of these options is equal to the fair value of the common stock because the options were granted immediately following the private placement of its common stock in April, 2004. Accordingly, the options have no intrinsic value as that term is used in SFAS No. 123, Accounting for Stock-Based Compensation. No other options have been granted.

SHARES EXERCISE PRICE -----	Outstanding
at January 1, 2004.....	-- --
Granted.....	
100,000 \$10.00	
Exercised.....	
-- --	
Forfeited.....	
-- -- -----	Outstanding at December 31,
2004.....	100,000 \$10.00 =====
=====	Options exercisable at December 31,
2004.....	33,333 \$10.00 Weighted-average
grant-date fair value of options granted... \$ 1.21	

Options exercisable at December 31, 2004, are as follows:

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

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

The Company follows APB No. 25 and related Interpretations in accounting for the Plan. In accordance with APB 25, no compensation expense has been recognized for stock options. Had compensation expense for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods prescribed in SFAS No. 123, the Company's net income and income per share for the year ended December 31, 2004, would have been decreased by \$67,000 and would have had no per share effect, respectively.

In addition to these options to purchase common stock, each independent director was awarded 2,500 deferred stock units in October, 2004, valued by the Company at \$10 per unit, which represent the right to receive 2,500 shares of common stock in October, 2007. Beginning in 2005, each independent director will receive 2,000 shares of restricted common stock annually, which will be restricted as to transfer for three years. The Company has recognized expense in the amount of \$125,000 for the deferred stock units

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

awarded to its' independent directors in 2004. The Company has also allocated 114,500 shares of restricted stock to be awarded to employees upon completion of its IPO.

The Company uses the Black-Scholes pricing model to calculate the fair values of the options awarded, which are included in the pro forma amounts above. The following assumptions were used to derive the fair values: an option term of four to six years; no estimated volatility; a weighted average risk-free rate of return of 3.63%; and a dividend yield of 1.00% for 2004.

7. LEASING OPERATIONS

For the properties purchased in July and August, 2004 (see Note 3), minimum rental payments due in future periods under operating leases which have non-cancelable terms extending beyond one year at December 31, 2004, are as follows:

2005.....	\$ 14,343,635
2006.....	16,082,461
2007.....	16,484,523
2008.....	16,896,636
2009.....	17,319,052
Thereafter.....	188,238,038

	\$269,364,346
	=====

The leases are with tenants engaged in medical operations in California (two facilities), Colorado, Kentucky, Massachusetts, and New Jersey. Each of the six lease agreements are for an initial term of 15 years with options for the tenant to renew for three periods of five years each. Lease payments are calculated based on the total acquisition cost (aggregating approximately \$127,000,000) and an initial lease rate of 10.25%; the rate increases to 12.23% on the first anniversary of lease commencement and upon each January 1 thereafter escalates at a rate of 2.5%. At such time that the tenants' aggregate net revenue exceeds a certain level, the leases further provide that the tenants will pay additional rent of between 1% and 2% of total net revenue. All of the leases are cross-defaulted.

In addition, the Company is funding the acquisition and development costs for a community hospital and adjacent medical office building in Houston, Texas on land that is leased to the operator/tenant. During the development and construction period, the tenant is charged rent based on the lease rate (which averages 10.4%) and the amount funded, which aggregated \$16,225,907 at December 31, 2004. Upon completion of development, the fixed lease term (15 and 10 years for the hospital and medical office building, respectively) will commence and any accrued construction period rent will be paid, with interest calculated at the lease rate, over the term of the respective lease. The Company expects to complete the construction of the hospital and the medical office building in October 2005 and August 2005, respectively.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

	DECEMBER 31, 2004	DECEMBER 31, 2003
	-----	-----
	----- BOOK VALUE	-----
FAIR VALUE	BOOK VALUE	FAIR VALUE
	-----	-----
	----- Cash and cash	
equivalents.....	\$97,543,677	
	\$97,543,677	\$ 100,000 \$ 100,000
	Interest	
receivable.....	419,776	
	419,776 -- -- Unbilled rent	
receivable.....	3,206,853	
	1,679,450 -- --	
Loans.....		
	50,224,069 50,646,695 100,000	
	100,000 Long-term	
	debt.....	
	56,000,000 56,000,000 -- --	
Accounts payable and accrued		
expenses.....		
	10,903,025 10,903,025 1,389,779	
	1,389,779	

9. INCOME TAXES

The following table reconciles the Company's net income as reported in its consolidated statement of operations prepared in accordance with generally accepted accounting principles with its taxable income under the REIT income tax regulations for the year ended December 31, 2004:

Net income as reported.....	\$ 4,576,349
Less: Net income of the taxable REIT subsidiary.....	(63,905)

Net income from REIT operations.....	4,512,444
Unbilled rent receivable.....	(2,449,066)
GAAP depreciation and amortization in excess of tax	
depreciation.....	198,266
Expenses deductible in future tax periods.....	2,434,535
Other.....	289,759

Taxable income subject to REIT distribution requirements....	\$ 4,985,938
	=====

The Company paid distributions of \$2,608,286 (\$.10 per share) on October 10, 2004, and \$2,869,115 (\$.11 per share) on January 11, 2005. All of the October distribution and \$755,546 of the January 2005, distribution will be subject to federal income taxes by the Company's stockholders in 2004. The remainder of the January, 2005, distribution will be subject to federal income taxes by the Company's stockholders in 2005. All of the distributions are taxable to the Company's shareholders at ordinary income federal tax rates.

10. SUBSEQUENT EVENTS

On February 9, 2005, Vibra made a \$7.8 million payment of principal and interest on its transaction fee and working capital loans from the Company. The payments left a \$41.4 million loan payable to the Company by Vibra. The Company has no commitments to make additional loans to Vibra.

In February, 2005, the Company purchased a community hospital for \$28 million. The purchase price was paid from loan proceeds and from the proceeds of the Company's private placement. Upon closing the purchase of the hospital, the Company and the seller entered into a fifteen year lease of the hospital back to the seller, with renewal options for three additional five year terms.

11. EARNINGS PER SHARE

The following is a reconciliation of the weighted average shares used in net income (loss) per common share to the weighted average shares used in net income (loss) per common share -- assuming

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED DECEMBER 31, 2004 -- (CONTINUED)

dilution for the year ended December 31, 2004, and for the period from Inception (August 27, 2003) through December 31, 2003, respectively:

2004	2003	-----	-----	Weighted
average number of shares issued and				
outstanding....	19,308,511	1,630,435	Vested	deferred stock
units.....	2,322	-		
-	-----	-----	Weighted average shares	
-- basic.....	19,310,833	1,630,435	Common stock	
warrants.....	1,801	-	-----	
shares -- diluted.....	19,312,634	1,630,435	=====	=====

12. RELATED PARTIES

The Company's lead underwriter for its IPO and private placement is the largest stockholder, including shares owned directly and indirectly through funds it manages. In connection with services provided for its managing and underwriting of the private placement, the underwriter received approximately 261,000 shares of the Company's common stock. The Company also manages its cash and cash equivalents (approximately \$96.1 million at December 31, 2004) through the underwriter.

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2004 AND DECEMBER 31, 2003

ADDITIONS SUBSEQUENT
TO INITIAL COSTS
ACQUISITION -----

----- LOCATION TYPE OF
PROPERTY LAND

BUILDINGS IMPROVEMENTS
CARRYING COSTS - -----

----- Bowling
Green,

KY.....
Rehabilitation
hospital \$ 3,070,000 \$
33,570,541 \$ -- \$ --

Thornton,

CO.....
Rehabilitation
hospital 2,130,000

6,013,142 -- --
Fresno,

CA.....
Rehabilitation
hospital 1,550,000

16,363,153 -- --
Kentfield,

CA.....
Long term acute care
2,520,000 4,765,176 --

-- hospital Marlton,

NJ.....
Rehabilitation
hospital -- 30,903,051

-- -- New Bedford,

NJ.....
Long term acute care
1,400,000 19,772,169 -

- -- hospital -----

TOTAL \$10,670,000

\$111,387,232 \$ -- \$ --
=====

=====

COST AT DECEMBER 31, 2004 -

----- ACCUMULATED

DATE OF DATE LOCATION LAND
BUILDINGS(1) TOTAL

DEPRECIATION CONSTRUCTION
ACQUIRED -----

----- Bowling Green,

KY..... \$
3,070,000 \$33,570,541 \$
36,640,541 \$ 419,634 1992

July 1, 2004 Thornton,

CO.....
2,130,000 6,013,142

8,143,142 56,371 1962, 1975
August 17, 2004 Fresno,

CA.....

1,550,000	16,363,153	
17,913,153	204,540	1990
July 1, 2004 Kentfield,		
CA.....		
2,520,000	4,765,176	
7,285,176	59,562	1963 July
1, 2004 Marlton,		
NJ.....		
-- 30,903,051	30,903,051	
386,286	1994	July 1, 2004
New Bedford,		
NJ.....		
1,400,000	19,772,169	
21,172,169	185,364	1962,
1975, 1992 August 17, 2004		

----- TOTAL		
\$10,670,000	\$111,387,232	
\$122,057,232	\$1,311,757	
=====	=====	
=====	=====	
DEPRECIABLE LOCATION LIFE		
(YEARS) -----		
-- Bowling Green,		
KY.....	40	
Thornton,		
CO.....		
40	Fresno,	
CA.....		
40	Kentfield,	
CA.....		
40	Marlton,	
NJ.....		
40	New Bedford,	
NJ.....	40	
TOTAL		

DECEMBER 31, 2004	DECEMBER 31, 2003

COST Balance at beginning of	
period.....	\$ -- \$ --
Additions during the period	
Acquisitions.....	
122,057,232	-- -----
- Balance at end of	
period.....	\$122,057,232
\$ --	=====

DECEMBER 31, 2004	DECEMBER 31, 2003

- ACCUMULATED DEPRECIATION Balance	
at beginning of period.....	\$
-- \$ -- Additions during the period	
Depreciation.....	
1,311,757	-- -----
Balance at end of	
period.....	\$ 1,311,757
\$ --	=====

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member

Vibra Healthcare, LLC

We have audited the accompanying consolidated balance sheet of Vibra Healthcare, LLC and subsidiaries (the "Company") as of December 31, 2004, and the related consolidated statements of operations, changes in partner's capital, and cash flows for the period from inception (May 14, 2004) through December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vibra Healthcare, LLC and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the period from inception (May 14, 2004) through December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Parente Randolph, LLC

Harrisburg, Pennsylvania

March 8, 2005, except Note 11,

as to which the date is March 31, 2005

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2004

ASSETS

Current assets:	
Cash and cash equivalents.....	\$ 2,280,772
Patient accounts receivable, net of allowance for doubtful collections of \$302,988.....	17,319,154
Third party settlements receivable.....	346,141
Prepaid insurance.....	719,480
Deposit for workers' compensation claims.....	1,375,000
Other current assets.....	518,650

Total current assets.....	22,559,197
Property and equipment, net.....	2,662,546
Goodwill.....	24,510,296
Intangible assets.....	4,260,000
Deposits.....	3,485,387
Deferred financing and lease costs.....	1,543,424

Total assets.....	\$59,020,850
	=====

LIABILITIES AND PARTNER'S CAPITAL

Current liabilities:	
Accounts payable.....	\$ 5,142,345
Accounts payable -- related parties.....	262,144
Accrued liabilities.....	4,387,292
Accrued insurance claims.....	1,441,516

Total current liabilities.....	11,233,297
Deferred rent.....	2,460,308
Long-term debt, net of current maturities.....	49,141,945

Total liabilities.....	62,835,550

Partner's capital.....	(3,814,700)

Total liabilities and partner's capital.....	\$59,020,850
	=====

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Partner's Capital

For the Period from Inception (May 14, 2004) through December 31, 2004

REVENUE:	
Net patient service revenue.....	\$48,266,019

EXPENSES:	
Cost of services.....	34,528,924
General and administrative.....	5,631,229
Rent expense.....	8,859,233
Interest expense.....	2,293,402
Management fee -- Vibra Management, LLC.....	982,668
Depreciation and amortization.....	302,194
Bad debt expense.....	776,780

Total expenses.....	53,374,430

Loss from operations.....	(5,108,411)
Non-operating revenue.....	1,293,711

Net loss.....	(3,814,700)
Partner's capital -- beginning.....	--

Partner's capital -- ending.....	(\$3,814,700)

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Period from Inception (May 14, 2004) through December 31, 2004

Operating activities:	
Net loss.....	\$(3,814,700)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization.....	302,194
Provision for bad debts.....	776,780
Changes in operating assets and liabilities, net of effects from acquisition of business:	
Accounts receivable including third party settlements.....	(4,801,250)
Prepays and other current assets.....	(2,257,611)
Deposits.....	(133,671)
Accounts payable.....	1,884,531
Accounts payable -- related party.....	262,144
Accrued liabilities.....	1,608,634
Deferred rent.....	2,460,308
Net cash used in operating activities.....	(3,712,641)
Investing activities:	
Purchases of property and equipment.....	(167,900)
Cash acquired in business acquisition.....	201,280
Net cash provided by investing activities.....	33,380
Financing activities:	
Proceeds of notes payable.....	6,050,458
Payment of deferred financing costs.....	(90,425)
Net cash provided by financing activities.....	5,960,033
Net increase in cash and cash equivalents.....	2,280,772
Cash and cash equivalents -- beginning.....	--
Cash and cash equivalents -- ending.....	\$ 2,280,772
Supplemental cash flow information:	
Cash paid for interest.....	\$ 2,293,402
Non-cash transactions:	
Notes issued relating to acquisition.....	\$38,093,842
Lease deposits funded by notes payable.....	\$ 3,296,365
Deferred financing costs funded by notes payable.....	\$ 1,500,000

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Vibra Healthcare LLC ("Vibra" and the "Company") was formed May 14, 2004, and commenced operations with the acquisition of its subsidiaries consisting of four independent rehabilitation hospitals ("IRF") and two long-term acute care hospitals ("LTACH") located throughout the United States on July 1, 2004, and August 17, 2004. Vibra, a Delaware limited liability company ("LLC"), is a single member LLC with an infinite life. The members liability is limited to the capital contribution. Vibra was previously named Highmark Healthcare LLC until a name change in December 2004. Vibra's wholly-owned subsidiaries consist of:

SUBSIDIARIES LOCATION - ---

92 Brick Road Operating
Company
LLC.....
Marlton, NJ 4499 Acushnet
Avenue Operating Company
LLC..... New
Bedford, MA 1300 Campbell
Lane Operating Company
LLC.....
Bowling Green, KY 8451
Pearl Street Operating
Company
LLC.....
Denver, CO 7173 North
Sharon Avenue Operating
Company LLC.....
Fresno, CA 1125 Sir Francis
Drake Boulevard Operating
Company LLC.....
Kentfield, CA

The Company provides long-term acute care hospital services and inpatient acute rehabilitative hospital care at its hospitals. Patients in the Company's LTACHs typically suffer from serious and often complex medical conditions that require a high degree of care. Patients in the Company's IRFs typically suffer from debilitating injuries including traumatic brain and spinal cord injuries, and require rehabilitation care in the form of physical, psychological, social and vocational rehabilitation services. The Company also operates ten outpatient clinics affiliated with five of its six hospitals.

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ

from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost which approximates market.

Patient Accounts Receivable: Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Inventories: Inventories of pharmaceuticals and pharmaceutical supplies are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis. These inventories totaled \$363,720 at December 31, 2004, and are included in other current assets in the accompanying consolidated balance sheet.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

Property and Equipment: Property and equipment are stated at cost net of accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the lease, as appropriate. The general range of useful lives is as follows:

Leasehold improvements.....	15 years
Furniture and equipment.....	2-7 years

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No 144), the Company reviews the realizability of long-lived assets whenever events or circumstances occur which indicate recorded costs may not be recoverable.

Intangible Assets: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer subject to periodic amortization but are instead reviewed annually or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Management has allocated the intangible assets between identifiable intangibles and goodwill. Intangible assets, other than goodwill, consist of values assigned to certificates of need ("CONs") and licenses. The useful life of each class of intangible assets is as follows:

Goodwill.....	Indefinite
Certificates of Need/Licenses.....	Indefinite

Deferred Financing and Lease Costs: Costs and fees incurred in connection with the MPT loans and leases have been deferred and are being amortized over the 15 year term of the loans and leases using the straight-line method, which approximates the effective interest method. Amortization expense was \$47,000 for the period from inception through December 31, 2004.

Insurance Risk Programs: Under the Company's insurance programs, the Company is liable for a portion of its losses. The Company estimates its liability for losses based on historical trends that will be incurred in a respective accounting period and accrues that estimated liability. These programs are monitored quarterly and estimates are revised as necessary to take into account additional information. At December 31, 2004, the Company has accrued \$1,441,516 related to these programs. Deposits for workers' compensation

claims consist of cash provided to Vibra's insurance carrier to fund workers' compensation claims. In February 2005, Vibra used \$1,375,000 of its borrowing base on the Merrill Lynch loan (see Note 11) to collateralize a letter of credit for the claims and the cash deposit was refunded.

Deferred Rent: The excess of straight line rent expense over each rent paid is credited to deferred rent on a monthly basis. For the period from inception through December 31, 2004, rent expense exceeded the rent paid in cash by \$2,460,308.

Revenue Recognition: Net patient service revenue consists primarily of charges to patients and are recognized as services are rendered. Net patient service revenue is reported net of provisions for contractual allowances from third-party payors and patients. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The differences between the estimated program reimbursement rates and the standard billing rates are

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net patient service revenues. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

A significant portion of the Company's net patient service revenues are generated directly from the Medicare and Medicaid programs. Net patient service revenues generated directly from the Medicare and Medicaid programs represented approximately 63% and 13%, respectively, of the Company's consolidated net patient service revenues for the period from inception through December 31, 2004. Approximately 46% and 21% of the Company's gross patient accounts receivable at December 31, 2004, are from Medicare and Medicaid, respectively. As a provider of services to these programs, the Company is subject to extensive regulations. The inability of a hospital to comply with regulations can result in changes in that hospital's net patient service revenues generated from these programs.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash balances and patient accounts receivables. The Company deposits its cash with large banks. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's primary concentration of credit risk.

Fair Value of Financial Instruments: The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of its current assets, current liabilities and long-term debt approximates their fair value.

Income Taxes: Vibra and its subsidiaries have elected to be a LLC for federal and state income tax purposes. In lieu of corporate income taxes, the member of a LLC is taxed on their proportionate share of the Company's taxable income or loss. Therefore, no provision or liability for federal or state income taxes has been provided for in the consolidated balance sheet or consolidated statement of operations.

2. ACQUISITIONS

In July and August 2004, Vibra entered into agreements with Medical Properties Trust, Inc. (MPT) to acquire the operations of six specialty hospitals. MPT, a healthcare real estate investment trust based in Birmingham, Alabama, acquired the real estate for approximately \$127.4 million and assigned to Vibra its rights to acquire the operations of the hospitals from Care One Realty of Hackensack, New Jersey for approximately \$38.1 million net of cash acquired and \$7.5 million of liabilities assumed which was financed by MPT. The assignment of the LLC interests to Vibra transferred the operations, assets and liabilities of each LLC. The purchase price of the operations may be adjusted either upward or downward pursuant to a post-closing working capital adjustment with the seller. The purchase price of the operations has been allocated to net

assets acquired, and liabilities assumed based on valuation studies subject to purchase price adjustments. The excess of the amount of purchase price over the net asset value, including identifiable intangible assets, was allocated to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospitals as a group under Vibra. The results of operations of the hospitals acquired have been included in the Company's consolidated financial

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

statements since the date of acquisition. The following table summarizes the acquisition date and other relevant information regarding each hospital:

LOCATION TYPE BEDS ACQUISITION DATE - ----	
----- Marlton,	
NJ.....	
IRF 46(1) July 1, 2004 Bowling Green,	
KY..... IRF	
60 July 1, 2004 Fresno,	
CA.....	
IRF 62 July 1, 2004 Kentfield,	
CA.....	
LTACH 60 July 1, 2004 New Bedford,	
MA.....	
LTACH 90 August 17, 2004 Thornton,	
CO.....	
IRF 117(2) August 17, 2004	

- -----

- (1) Vibra subleases a floor of the Marlton building to an unaffiliated provider which operates 30 pediatric rehabilitation beds which are in addition to the 46 beds operated by Vibra.
- (2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Information with respect to the businesses acquired in purchase transactions is as follows:

Notes issued, net of cash acquired.....	\$ 38,093,842
Liabilities assumed.....	7,477,988

	45,571,830
Fair value of assets acquired:	
Accounts receivable.....	(13,640,825)
Property and equipment.....	(2,749,840)
CONS/Licenses.....	(4,260,000)
Other.....	(410,869)

Cost in excess of fair value of net assets acquired (goodwill).....	\$ 24,510,296
	=====

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2004, consists of the following:

Leasehold improvements.....	\$ 48,055
Furniture and equipment.....	2,869,685

	2,917,740
Less: accumulated depreciation and amortization.....	255,194

Total.....	\$2,662,546
	=====

Depreciation expense was \$255,194 for the period from inception through December 31, 2004.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

4. DEPOSITS

The facility lease agreements with MPT require deposits equal to three months rent. The funds are on deposit with MPT in non-interest bearing accounts. Deposits at December 31, 2004, consist of the following:

MPT lease deposits.....	\$3,296,365
Other deposits.....	189,022

Total.....	\$3,485,387
	=====

5. INTANGIBLE ASSETS

The Company adopted SFAS No. 142. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not subject to periodic amortization but are instead reviewed annually as of April 30, or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Goodwill in the amount of \$24,510,296 and CONS/Licenses of \$4,260,000 have been recorded in connection with the acquisition of the six hospitals, and have not been amortized as both have indefinite lives.

6. NOTES PAYABLE

As of December 31, 2004, MPT had advanced \$49,141,945 to Vibra under four notes for the hospital acquisition and working capital. The notes bear interest at 10.25%. Three notes totaling \$7,725,958 are interest only, with a balloon payment due on March 31, 2005. The remaining note for \$41,415,988 is payable interest only for the first 36 months and then amortized over the next 12 years with a final maturity in 2019. Vibra may prepay the notes at any time without penalty. Maturities for the next five years are:

	(IN THOUSANDS)	-----	December 31,
2005.....			\$ --
2006.....			--
			--
2007.....			902
2008.....			9,675
2009.....			2,158

Thereafter.....
36,407 ----- \$49,142 =====

Substantially all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the loans. In addition the sole member of Vibra, an affiliated company owned by the sole member and Vibra Management, LLC have jointly and severally guaranteed the notes payable to MPT, although the obligation of the sole member is limited to \$5 million and his membership interest in Vibra. A default in any of the MPT lease terms will also constitute a default under the notes.

As discussed in Note 11, Vibra used a portion of the proceeds of a long-term revolving credit facility from Merrill Lynch Capital to repay the MPT notes due March 31, 2005. As a result of this refinancing,

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

the notes due MPT have been classified as long-term at December 31, 2004 in the accompanying consolidated balance sheet.

7. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with Vibra Management, LLC (a company affiliated through common ownership) to provide management services to each hospital. The services include information system support, legal counsel, accounting/tax, human resources, program development, quality management and marketing oversight. The agreements call for a management fee equal to 2% of net patient service revenue, and are for an initial term of five years with automatic one-year renewals. Management fee expense amounted to \$982,668 for the period from inception through December 31, 2004. At December 31, 2004, \$164,007 was payable to Vibra Management, LLC and is included accounts payable -- related party in the accompanying consolidated balance sheet.

The spouse of the sole member of the Company provided legal consulting services to the Company on the hospital acquisition and on various operational licensing and financing matters. During the period from inception through December 31, 2004, legal consulting services from this person totaled \$176,187, of which \$98,137 was payable at December 31, 2004.

8. COMMITMENTS AND CONTINGENCIES

LEASES

Vibra entered into triple-net long-term real estate operating leases with MPT at each hospital. Each lease is for an initial term of 15 years and contains renewal options at Vibra's option for three additional five-year terms. Vibra has the option to purchase the leased property at the end of the lease term, including any extension periods, for the greater of the fair market value of the leased property, or the purchase price increased by 2.5% per annum from the commencement date.

The base rate at commencement is calculated at 10.25% of MPT's adjusted purchase price of the real estate ("APP"). The base rate increases to 12.23% of APP effective July 1, 2005. Beginning January 1, 2006, and each January 1, thereafter, the base rate increases by an inflator of 2.5% (i.e. base rate becomes 12.54% of APP on January 1, 2006).

Each lease also contains a percentage rent provision ("Percentage Rent"). Beginning January 1, 2005, if the aggregate monthly net patient service revenues of the six hospitals exceed an annualized net patient service revenue run rate of \$110,000,000, additional rent equal to 2% of monthly net patient service revenue is triggered. The percentage rent is payable within ten days after the end of the applicable quarter. The percentage rent declines from 2% to 1% on a pro rata basis as Vibra repays the \$49.142 million in notes to MPT.

Commencing on July 1, 2005, Vibra must make quarterly deposits to a capital

improvement reserve at the rate of \$375 per quarter per bed or \$652,500 on an annual basis for all hospitals leased from MPT. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

The MPT leases are subject to various financial covenants including limitations on total debt to 100% of the total capitalization of the guarantors (as defined) or 4.5 times the 12 month total EBITDAR of the guarantors, whichever is greater, coverage ratios of 125% of debt service and 150% of rent (as defined), and maintenance of average daily patient census. As of December 31, 2004, Vibra was not in compliance with the debt service and rent coverage covenants. The MPT lease agreements were subsequently amended to delay the initial measurement date with respect to these financial covenants (Note 11). A default in

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

any of the loan terms will also constitute a default under the leases. All of the MPT leases are cross defaulted.

Vibra has entered into operating leases for six outpatient clinics which expire on various dates through 2008.

Minimum future lease obligations on the leases are as follows (in thousands):

MPT RENT OUTPATIENT OBLIGATION CLINICS TOTAL	December 31,
2005.....	\$ 14,344
	\$205 \$ 14,549
2006.....	16,082 122 16,204
2007.....	16,485 84 16,569
2008.....	16,897 55 16,952
2009.....	17,319 -- 17,319
Thereafter.....	188,465 -- 188,465 -----
	\$269,592 \$466 \$270,058 =====

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the sole member of Vibra, an affiliated Company owned by the sole member, and Vibra Management LLC have joint and severally guaranteed the leases to MPT, although the obligation of the sole member is limited to \$5 million and his membership interest in Vibra.

The Company has sublet a floor of its Marlton, NJ, hospital to an independent pediatric rehabilitation provider. Three other hospitals have entered into numerous sublease arrangements. These subleases generated rental income of \$884,913 for the period from inception through December 31, 2004 and is included in non-operating revenue in the accompanying consolidated statement of operations. The following table summarizes amounts due under sub leases (in thousands):

December 31, 2005.....	\$ 1,119
2006.....	1,144
2007.....	1,170
2008.....	1,197
2009.....	1,223
Thereafter.....	4,614

	\$10,467
	=====

LITIGATION

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated (including claims against the hospitals under prior ownership). In the opinion of management, the outcome of these actions will not have a material effect on the financial position or results of operations of the Company.

CALIFORNIA MEDICAID

The Company is in the process of fulfilling change of ownership requirements imposed by Medi-Cal, the California Medicaid administrator that date back to the prior owners' acquisition of the California

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

hospitals. Amounts receivable at December 31, 2004, include \$1,015,959 due from Medi-Cal, including \$657,000 prior to the acquisition. Management is continuing to negotiate with Medi-Cal. The amount that will ultimately be received cannot be determined at this time.

CALIFORNIA SEISMIC UPGRADE

For earthquake protection California requires hospitals to receive an approved Structural Performance Category 2 (SPC-2) by January 1, 2008, to maintain its license. Hospitals may request a five year implementation extension. The Fresno, CA, hospital is expected to meet the SPC-2 standard by January 1, 2008, with capital outlays that are not material to the consolidated financial statements. The Kentfield, CA, hospital has applied for a three year extension to meet the requirement. Management is in preliminary consultations with consulting architects and engineers to develop a plan for Kentfield to meet the requirements. The capital outlay required to meet the standards at Kentfield cannot be determined at this time.

9. RETIREMENT SAVINGS PLAN

In November 2004, the Company began sponsorship of a defined contribution retirement savings plan for substantially all of its employees. Employees may elect to defer up to 15% of their salary. The Company matches 25% of the first 3% of compensation employees contribute to the plan. The employees vest in the employer contributions over a five-year period beginning on the employee's hire date. The expense incurred by the Company related to this plan was \$21,310 for the period from inception through December 31, 2004.

10. SEGMENT INFORMATION

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

The Company's segments consist of (i) IRFs and (ii) LTACHs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the segments based on loss from operations.

The following table summarizes selected financial data for the Company's reportable segments:

FOR THE PERIOD FROM INCEPTION (MAY	
14, 2004) THROUGH DECEMBER 31,	
2004 -----	
----- IRF	
LTACH OTHER TOTAL -----	

Net patient service			
revenue.....	\$24,741,573		
\$23,524,446 \$ --	\$48,266,019	Net	
operating loss.....			
(3,649,867) (1,395,339) (63,205)			
(5,108,411) Interest			
expense.....			
1,493,279 800,123 --	2,293,402		
Depreciation and			
amortization.....	185,746 116,448		
-- 302,194 Deferred			
rent.....			
1,833,216 627,092 --	2,460,308		
Total			
assets.....			
32,175,207 26,702,535 143,108			
59,020,850 Purchases of property			
and			
equipment.....			
75,582 92,318 --	167,900		
Goodwill.....			
16,664,491 7,845,805 --	24,510,296		

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

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11. SUBSEQUENT EVENT

On February 9, 2005, Vibra closed on a revolving credit facility (the "Revolver") with Merrill Lynch Capital secured by a first position in the Company's accounts receivable through an intercreditor agreement with MPT. Up to \$14 million can be borrowed based on a formula of qualifying accounts receivable. The terms of the Revolver are interest only for three years at 30 day LIBOR plus 3% with a balloon maturity on February 8, 2008. The proceeds were used to repay \$7,725,958 of notes payable to MPT and for general corporate purposes.

On March 31, 2005, MPT and Vibra amended the hospital leases for no consideration. The amendments included delaying the initial measurement date with respect to limitations on total debt and coverage ratios until the quarter ending September 30, 2006, aggregating the six hospitals financial results in calculating the financial covenants, establishing an escrow for property taxes and insurance, and certain other terms.

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US OR THE UNDERWRITERS. THE STATEMENTS IN THIS PROSPECTUS ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER DATE IS SPECIFIED, AND NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE HEREOF. THIS PROSPECTUS IS NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY THESE SHARES OF COMMON STOCK IN ANY CIRCUMSTANCES UNDER WHICH THE OFFER OR SOLICITATION IS UNLAWFUL.

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UNTIL , 2005, ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

SHARES

(MEDICAL PROPERTIES TRUST LOGO)
COMMON STOCK

PROSPECTUS

FRIEDMAN BILLINGS RAMSEY

JPMORGAN
, 2005

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 31. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses payable by the Registrant in connection with the issuance and distribution of common stock being registered. All amounts except the SEC registration fee and NASD fee are estimates.

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

- - - - -

* To be filed by amendment.

ITEM 32. SALES TO SPECIAL PARTIES.

Not applicable.

ITEM 33. RECENT SALES OF UNREGISTERED SECURITIES.

On April 6, 2004 and April 7, 2004, we sold in a private placement 21,857,329 shares of common stock to Friedman, Billings, Ramsey & Co., Inc., as initial purchaser, pursuant to the exemptions from registration provided in Section 4(2) of the Securities Act of 1933, as amended, or the Securities Act, and Rule 506 of Regulation D thereunder. Friedman, Billings, Ramsey & Co., Inc. promptly resold 20,244,426 of these shares to qualified institutional buyers in accordance with the resale exemption provided in Rule 144A under the Securities Act and to non-U.S. persons in accordance with the exemption provided in Regulation S under the Securities Act. Friedman, Billings, Ramsey & Co., Inc. paid us a purchase price of \$9.30 per share for the shares it purchased and resold the shares that it resold for a price of \$10.00 per share.

Also on April 7, 2004, the Company sold in a concurrent private placement 3,442,671 shares of common stock directly to institutional and individual accredited investors pursuant to the exemptions from registration provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. These shares were sold for \$10.00 per share; however, Friedman, Billings, Ramsey & Co., Inc., which acted as placement agent, received a placement agent fee of \$0.70 per share. In addition, we issued 260,954 shares of our common stock on April 7, 2004, to Friedman, Billings, Ramsey & Co., Inc. in a private placement under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder as payment for financial advisory services.

Each of the private placements that we made in reliance on the exemptions from registration provided under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder, as described in the two preceding paragraphs, did not involve any public offering of the common stock. In addition, each purchaser of privately placed shares provided us with written representations that it was an accredited investor within the meaning of Rule 501(e) of Regulation D, that it was a sophisticated investor and that it had the knowledge and experience necessary to evaluate the risks and merits of the investment in our

common stock. In addition, each purchaser of our common stock in the private placements and resales that occurred on April 6 and April 7, 2004 was solicited on a private and confidential basis in a manner not involving any general solicitation or advertising in compliance with Regulation D.

Pursuant to our 2004 Equity Incentive Plan, we have granted options to purchase a total of 160,000 shares of common stock, and awarded 20,000 deferred stock units, to our current or former independent directors. In granting these options to purchase common stock and deferred stock units, we relied upon exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 701 under the Securities Act.

In August and September 2003, Mr. Aldag, Mr. McLean, Mr. McKenzie and Mr. Hamner, or our founders, were collectively issued 1,630,435 shares of our common stock in exchange for nominal cash consideration. Upon completion of our private placement in April 2004, 1,108,527 shares of common stock held by our senior management were redeemed for nominal value and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement. We relied upon Section 4(2) of the Securities Act in issuing these shares of common stock to our founders.

ITEM 34. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

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

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

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

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

We have entered into indemnification agreements with each of our directors and executive officers, which we refer to in this context as indemnitees. The indemnification agreements provide that we will, to the fullest extent permitted by Maryland law, indemnify and defend each indemnitee against all losses and expenses incurred as a result of his current or past service as our director or officer, or incurred by reason of the fact that, while he was our director or officer, he was serving at our request as a director, officer, partners, trustee, employee or agent of a corporation, partnership, joint venture, trust, other enterprise or employee benefit plan. We have agreed to pay expenses incurred by an indemnitee before the final disposition of a claim provided that he provides us with a written affirmation that he has met the standard of conduct required for indemnification and a written undertaking to repay the

amount we pay or

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reimburse if it is ultimately determined that he has not met the standard of conduct required for indemnification. We are to pay expenses within 20 days of receiving the indemnitee's written request for such an advance. Indemnitees are entitled to select counsel to defend against indemnifiable claims.

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

ITEM 35. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED.

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

ITEM 36. FINANCIAL STATEMENTS AND EXHIBITS.

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

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

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

Restated
Agreement
of Limited
Partnership
of MPT
Operating
Partnership,
L.P. 10.2*
Amended and
Restated
2004 Equity
Incentive
Plan 10.3**
Employment
Agreement
between the
Registrant
and Edward
K. Aldag,
Jr., dated
September
10, 2003
10.4**
First
Amendment
to
Employment
Agreement
between the
Registrant
and Edward
K. Aldag,
Jr., dated
March 8,
2004 10.5**
Employment
Agreement
between the
Registrant
and Emmett
E. McLean,
dated
September
10, 2003
10.6**
Employment
Agreement
between the
Registrant
and R.
Steven
Hamner,
dated
September
10, 2003
10.7**
Amended and
Restated
Employment
Agreement
between the
Registrant
and William
G.
McKenzie,
dated
September
10, 2003
10.8**
Lease
Agreement
between MPT
West
Houston
MOB, L.P.
and Stealth
L.P., dated
June 17,
2004.
10.9**
Lease

Agreement
between MPT
West
Houston
Hospital,
L.P. and
Stealth
L.P., dated
June 17,
2004.

10.10**
Third
Amended and
Restated
Lease
Agreement
between
1300
Campbell
Lane, LLC
and 1300
Campbell
Lane
Operating
Company,
LLC, dated
December
20, 2004.

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

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

EXHIBIT
NUMBER
EXHIBIT TITLE
- - - - -
- - - - -

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

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

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

First
Amendment to
Second
Amended and
Restated
Lease
Agreement
between 4499
Acushnet
Avenue, LLC
and 4499
Acushnet
Avenue
Operating
Company, LLC,
dated
December 31,
2004. 10.20**

Third Amended
and Restated
Lease
Agreement
between
Kentfield
THCI Holding
Company, LLC
and 1125 Sir
Francis Drake
Boulevard
Operating
Company, LLC,
dated
December 20,
2004. 10.21**

First
Amendment to
Third Amended
and Restated
Lease
Agreement
between
Kentfield
THCI Holding
Company, LLC
and 1125 Sir
Francis Drake
Boulevard
Operating
Company, LLC,
dated
December 31,
2004. 10.22**

Loan

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

Loan

Agreement
between
Colonial
Bank, N.A.,
and MPT West
Houston
Hospital,
L.P., dated
December 17,
2004. 10.24

Loan

Agreement
between
Merrill Lynch
Capital and
4499 Acushnet
Avenue, LLC,
8451 Pearl
Street, LLC,
92 Brick
Road, LLC,
1300 Campbell
Lane, LLC,
Kentfield
THCI Holding
Company, LLC
and San
Joaquin
Health Care
Associates,
LP, dated
December 31,
2004. 10.25

Payment

Guaranty made
by the
Registrant
and MPT
Operating
Partnership,
L.P. in favor
of Merrill
Lynch
Capital,
dated

December 31,
2004. 10.26

Purchase
Agreement
among THCI
Company, LLC,
THCI of
California,
LLC, THCI of
Massachusetts,
LLC, THCI
Mortgage
Holding
Company, LLC
and MPT
Operating
Partnership,
L.P., dated
May 20, 2004.

10.27

Purchase and
Sale

Agreement
among MPT
Partnership,
L.P., MPT of

Victorville,
LLC, Prime A
Investments,
L.L.C.,
Desert Valley
Health
System, Inc.,
Desert Valley
Hospital,
Inc. and
Desert Valley
Medical
Group, Inc.,
dated

February 28,
2005. 10.28
Lease

Agreement
between MPT
of
Victorville,
LLC and
Desert Valley
Hospital,
Inc., dated
February 28,
2005. 10.29
Purchase and
Sale

Agreement
among MPT
Operating
Partnership,
L.P., MPT of
Bucks County
Hospital,
L.P., Bucks
County
Oncoplastic
Institute,
LLC, Jerome
S.

Tannenbaum,
M.D., M.
Stephen
Harrison and
DSI Facility
Development,
LLC, dated
March 3,
2005. 10.30

Employment
Agreement
between the
Registrant
and Michael
G. Stewart,
dated October
25, 2004.

10.31 Letter
of Commitment
between MPT
Operating
Partnership,
L.P. and
Monroe
Hospital
Operating
Hospital,
dated

February 28,
2005. 10.32

Letter of
Commitment
between MPT
Operating
Partnership,
L.P.,
Covington
Healthcare
Properties,

LLC and
Denham
Springs
Healthcare
Properties,
LLC, dated
March 14,
2005. 10.33
Letter of
Commitment
between MPT
Operating
Partnership,
L.P. and
North Cypress
Medical
Center
Operating
Partnership,
Ltd., dated
March 16,
2005. 10.34
Letter of
Commitment
between MPT
Operating
Partnership,
L.P., Hammond
Healthcare
Properties,
LLC and
Hammond
Rehabilitation
Hospital,
LLC, dated
April 1,
2005.

EXHIBIT
NUMBER
EXHIBIT
TITLE - ---

10.35

Letter of
Commitment
between MPT
Operating
Partnership,
L.P. and
Diversified
Specialty
Institutes,
Inc., dated
March 3,
2005.

10.36
Amendment
to Letter
of

Commitment
between MPT
Operating
Partnership,
L.P. and
Diversified
Specialty
Institutes,
Inc., dated
March 31,
2005.

10.37
Letter of
Commitment
between MPT
Operating
Partnership,
L.P., MPT
of

Victorville,
LLC and
Desert
Valley
Hospital,
Inc. dated
February
28, 2005.

21.1*

Subsidiaries
of the
Registrant

23.1

Consent of
KPMG LLP

23.2

Consent of
Parente
Randolph,
LLC

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

(included
in Exhibits
5.1 and

8.1)

24.1

Power of
Attorney,
included on
signature
page of the
Registrant's

Form S-11
filed with
the
Commission
on October
26, 2004.
24.2* Power
of Attorney
(included
on
signature
page of
this
registration
statement)

* To be filed by amendment.

** Previously filed.

ITEM 37. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Birmingham, Alabama on April 7, 2005.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. STEVEN HAMNER

R. Steven Hamner

Executive Vice President,

Chief Financial Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE
TITLE DATE

* Chairman
of the
Board,
President
April 7,
2005 - ---

----- and
Chief
Executive
Officer
Edward K.
Aldag, Jr.

/s/ R.
STEVEN
HAMNER
Executive
Vice
President,
Chief
April 7,
2005 - ---

Financial
Officer
and
Director

R. Steven
Hamner *
April 7,
2005 - ---

Director
G. Steven
Dawson *
April 7,
2005 - ---

Director
Robert E.
Holmes,
Ph.D. *
April 7,
2005 - ---

----- Vice
Chairman
of the
Board
William G.
McKenzie -

----- *By:
/s/ R.
STEVEN
HAMNER
April 7,
2005 -----

----- R.
Steven
Hamner
Attorney-
in-Fact

POWER OF ATTORNEY

Each of the directors of Medical Properties Trust, Inc. whose signature appears below hereby appoints Edward K. Aldag, Jr. and R. Steven Hamner and each of them as his attorney-in-fact to sign in his or her name and behalf, in any and all capacities stated below and to file with the Securities and Exchange Commission, any and all amendments, including post-effective amendments to this registration statement, making such changes in the registration statement as appropriate, file a 462(b) registration statement and generally to do all such things in their behalf in their capacities as officers to enable Medical Properties Trust, Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities Exchange Commission.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates listed.

SIGNATURE

TITLE

DATE ---

- April

, 2005 -

Director

Virginia

A.

Clarke

April ,

2005 - -

Director

Bryan L.

Goolsby

April ,

2005 - -

Director

L. Glenn

Orr, Jr.

EXHIBIT
NUMBER
EXHIBIT
TITLE - ---

1.1* Form
of
Underwriting
Agreement
3.1**
Registrant's
Second
Articles of
Amendment
and
Restatement
3.2**
Registrant's
Amended and
Restated
Bylaws 4.1*
Form of
Common
Stock
Certificate
5.1*
Opinion of
Baker,
Donelson,
Bearman,
Caldwell &
Berkowitz,
P.C. with
respect to
the
legality of
the shares
being
registered
8.1*
Opinion of
Baker,
Donelson,
Bearman,
Caldwell &
Berkowitz,
P.C. with
respect to
certain tax
matters
10.1* First
Amended and
Restated
Agreement
of Limited
Partnership
of MPT
Operating
Partnership,
L.P. 10.2*
Amended and
Restated
2004 Equity
Incentive
Plan 10.3**
Employment
Agreement
between the
Registrant
and Edward
K. Aldag,
Jr., dated
September
10, 2003
10.4**
First

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

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

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

Amended and
Restated
Employment
Agreement
between the
Registrant
and William
G.
McKenzie,
dated
September
10, 2003
10.8**

Lease
Agreement
between MPT
West
Houston
MOB, L.P.
and Stealth
L.P., dated
June 17,
2004.
10.9**

Lease
Agreement
between MPT
West
Houston
Hospital,
L.P. and
Stealth
L.P., dated
June 17,
2004.
10.10**

Third
Amended and
Restated
Lease
Agreement
between
1300
Campbell
Lane, LLC
and 1300
Campbell
Lane
Operating

Company,
LLC, dated
December
20, 2004.
10.11**
First
Amendment
to Third
Amended and
Restated
Lease
Agreement
between
1300
Campbell
Lane, LLC
and 1300
Campbell
Lane
Operating
Company,
LLC, dated
December
31, 2004.
10.12**
Second
Amended and
Restated
Lease
Agreement
between 92
Brick Road,
LLC and 92
Brick Road,
Operating
Company,
LLC, dated
December
20, 2004.
10.13**
First
Amendment
to Second
Amended and
Restated
Lease
Agreement
between 92
Brick Road,
LLC and 92
Brick Road,
Operating
Company,
LLC, dated
December
31, 2004.
10.14**
Third
Amended and
Restated
Lease
Agreement
between San
Joaquin
Health Care
Associates
Limited
Partnership
and 7173
North
Sharon
Avenue
Operating
Company,
LLC, dated
December
20, 2004.
10.15**
First
Amendment
to Third

Amended and Restated Lease Agreement between San Joaquin Health Care Associates Limited Partnership and 7173 North Sharon Avenue Operating Company, LLC, dated December 31, 2004.
10.16**

Second Amended and Restated Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 20, 2004.
10.17**

First Amendment to Second Amended and Restated Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 31, 2004.
10.18**

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

First Amendment to Second Amended and Restated Lease Agreement

between
4499
Acushnet
Avenue, LLC
and 4499
Acushnet
Avenue
Operating
Company,
LLC, dated
December
31, 2004.
10.20**
Third
Amended and
Restated
Lease
Agreement
between
Kentfield
THCI
Holding
Company,
LLC and
1125 Sir
Francis
Drake
Boulevard
Operating
Company,
LLC, dated
December
20, 2004.

EXHIBIT
NUMBER
EXHIBIT TITLE
- - - - -
- - - - -

10.21** First
Amendment to
Third Amended
and Restated
Lease
Agreement
between
Kentfield
THCI Holding
Company, LLC
and 1125 Sir
Francis Drake
Boulevard
Operating
Company, LLC,
dated
December 31,
2004. 10.22**
Loan
Agreement
between
Colonial
Bank, N.A.,
and MPT West
Houston MOB,
L.P., dated
December 17,
2004. 10.23**
Loan
Agreement
between
Colonial
Bank, N.A.,
and MPT West
Houston
Hospital,
L.P., dated
December 17,
2004. 10.24
Loan
Agreement
between
Merrill Lynch
Capital and
4499 Acushnet
Avenue, LLC,
8451 Pearl
Street, LLC,
92 Brick
Road, LLC,
1300 Campbell
Lane, LLC,
Kentfield
THCI Holding
Company, LLC
and San
Joaquin
Health Care
Associates,
LP, dated
December 31,
2004. 10.25
Payment
Guaranty made
by the
Registrant
and MPT
Operating
Partnership,
L.P. in favor
of Merrill
Lynch

Capital,
dated
December 31,
2004. 10.26
Purchase
Agreement
among THCI
Company, LLC,
THCI of
California,
LLC, THCI of
Massachusetts,
LLC, THCI
Mortgage
Holding
Company, LLC
and MPT
Operating
Partnership,
L.P., dated
May 20, 2004.
10.27
Purchase and
Sale
Agreement
among MPT
Partnership,
L.P., MPT of
Victorville,
LLC, Prime A
Investments,
L.L.C.,
Desert Valley
Health
System, Inc.,
Desert Valley
Hospital,
Inc. and
Desert Valley
Medical
Group, Inc.,
dated
February 28,
2005. 10.28
Lease
Agreement
between MPT
of
Victorville,
LLC and
Desert Valley
Hospital,
Inc., dated
February 28,
2005. 10.29
Purchase and
Sale
Agreement
among MPT
Operating
Partnership,
L.P., MPT of
Bucks County
Hospital,
L.P., Bucks
County
Oncoplastic
Institute,
LLC, Jerome
S.
Tannenbaum,
M.D., M.
Stephen
Harrison and
DSI Facility
Development,
LLC, dated
March 3,
2005. 10.30
Employment
Agreement

between the
Registrant
and Michael
G. Stewart,
dated October
25, 2004.

10.31 Letter
of Commitment
between MPT
Operating
Partnership,
L.P. and
Monroe
Hospital
Operating
Hospital,
dated

February 28,
2005. 10.32

Letter of
Commitment
between MPT
Operating
Partnership,
L.P.,
Covington
Healthcare
Properties,
LLC and
Denham
Springs
Healthcare
Properties,
LLC, dated

March 14,
2005. 10.33

Letter of
Commitment
between MPT
Operating
Partnership,
L.P. and
North Cypress
Medical
Center
Operating
Partnership,
Ltd., dated

March 16,
2005. 10.34

Letter of
Commitment
between MPT
Operating
Partnership,
L.P., Hammond
Healthcare
Properties,
LLC and
Hammond
Rehabilitation
Hospital,
LLC, dated

April 1,
2005. 10.35

Letter of
Commitment
between MPT
Operating
Partnership,
L.P. and
Diversified
Specialty
Institutes,
Inc., dated

March 3,
2005. 10.36

Amendment to
Letter of
Commitment
between MPT

Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 31, 2005. 10.37 Letter of Commitment between MPT Operating Partnership, L.P., MPT of Victorville, LLC and Desert Valley Hospital, Inc. dated February 28, 2005. 21.1* Subsidiaries of the Registrant 23.1 Consent of KPMG LLP 23.2 Consent of Parente Randolph, LLC 23.3* Consent of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. (included in Exhibits 5.1 and 8.1) 24.1 Power of Attorney, included on signature page of the Registrant's Form S-11 filed with the Commission on October 26, 2004. 24.2* Power of Attorney (included on signature page of this registration statement)

- - - - -
* To be filed by amendment.

** Previously filed.

(MERRILL LYNCH LOGO)

LOAN AGREEMENT

FOR A LOAN IN THE AMOUNT OF

\$75,000,000.00

MADE BY AND AMONG

4499 ACUSHNET AVENUE, LLC, 8451 PEARL STREET, LLC,
92 BRICK ROAD, LLC, AND 1300 CAMPBELL LANE, LLC,
KENTFIELD THCI HOLDING COMPANY LLC, EACH A DELAWARE LIMITED LIABILITY
COMPANY, AND SAN JOAQUIN HEALTH CARE ASSOCIATES, LP, A DELAWARE LIMITED
PARTNERSHIP

AS "BORROWERS"

AND

MERRILL LYNCH CAPITAL,
A DIVISION OF MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.,
A DELAWARE CORPORATION
222 NORTH LASALLE STREET - 18TH FLOOR
CHICAGO, ILLINOIS 60601

AS "LENDER"

PROJECT LOCATIONS:

NEW BEDFORD REHABILITATION HOSPITAL, 4499 ACUSHNET AVENUE, NEW BEDFORD, MA;
NORTH VALLEY REHABILITATION HOSPITAL, 8451 PEARL STREET, THORNTON, CO;
MARLTON REHABILITATION HOSPITAL, 92 BRICK ROAD, MARLTON, NJ;
SOUTHERN KENTUCKY REHABILITATION HOSPITAL, 1300 CAMPBELL LANE,
BOWLING GREEN, KY;
KENTFIELD REHABILITATION HOSPITAL, KENTFIELD, CA
SAN JOAQUIN VALLEY REHABILITATION HOSPITAL, FRESNO, CA

DATED AS OF DECEMBER 31, 2004

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Appendix A

- - - - -

Exhibits A 1-4	The Projects
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Exhibit C	INTENTIONALLY OMITTED
Exhibit D	Litigation
Exhibit E	Insurance Requirements
Exhibit F	Environmental Documents
Exhibit G	INTENTIONALLY OMITTED
Exhibit H	Intellectual Property
Exhibit I	Permitted Exceptions
Schedule I	Definitions
Schedule II	List of Project Lessees
Schedule 5.1(c)	Ownership Structure
Schedule 5.1(m)	Project Leases
Schedule 12.1	Release Prices

LOAN AGREEMENT

THIS LOAN AGREEMENT ("AGREEMENT") is made as of December 31, 2004, by and among 4499 ACUSHNET AVENUE, LLC, 8451 PEARL STREET, LLC, 92 BRICK ROAD, LLC, 1300 CAMPBELL LANE, LLC, and KENTFIELD THCI HOLDING COMPANY LLC, each a Delaware limited liability company, and SAN JOAQUIN HEALTH CARE ASSOCIATES, LP, a Delaware limited partnership (each a "BORROWER" and collectively, the "BORROWERS"), and MERRILL LYNCH CAPITAL, a Division of Merrill Lynch Business Financial Services Inc., a Delaware corporation (collectively, with its successors and assigns, "LENDER").

RECITALS

A. Each Borrower is the owner in fee simple (or in the case of Exhibit A-3 the ground lessee) of its land described on Exhibit A-1 through A-6, respectively (the "LAND"). Each described parcel of Land contains improvements generally consisting of (i) a rehabilitation hospital or an acute care facility containing the number of licensed beds and units described on Exhibits A-1 through A-6 and (ii) approximately the number of parking spaces described on Exhibit A-1 through A-6 (collectively, the "IMPROVEMENTS").

B. Borrowers have applied to Lender for certain loans (collectively, the "LOAN") in the aggregate principal amount of Seventy-Five Million and No/100ths Dollars (\$75,000,000.00) (the "LOAN AMOUNT") to refinance certain indebtedness of Borrowers and to pay certain other costs relating to the Projects, and Lender is willing to make the Loan on the terms and conditions hereinafter set forth. The Loan is evidenced by (i) that certain promissory note of even date herewith made by Borrowers to the order of Lender in the original principal amount of \$15,974,000.00 and (ii) that certain promissory note of even date herewith made by Borrowers to the order of Lender in the original principal amount of \$59,026,000.00 (said promissory notes and all amendments thereto and substitutions therefor are hereinafter collectively referred to as the "NOTE"). The terms and provisions of the Note are hereby incorporated by reference in this Agreement. A portion of the indebtedness evidenced by the Note is also evidenced by a certain Colorado Deed of Trust Note, dated as of the date hereof (the "COLORADO NOTE"), in the principal amount of \$6,364,100.00, the terms and conditions of which are hereby incorporated by reference, it being expressly understood that, notwithstanding the execution and delivery of the Colorado Note, the aggregate indebtedness of Borrower to Lender is in the principal amount of the Note.

C. Borrowers' obligations under the Loan will be secured by, among other items, a first priority mortgage, assignment of leases and rents, security agreement and fixture filing of even date herewith or a first priority deed of trust, assignment of leases and rents, security agreement and fixture filing of even date herewith and, except for the property in Thornton, Colorado described in Exhibit A-2 attached hereto, a second priority mortgage, assignment of leases and rents, security agreement and fixture filing of even date herewith or a second priority deed of trust, assignment of leases and rents, security agreement and fixture filing of even date herewith (each, a "MORTGAGE" and collectively, the "MORTGAGES") each encumbering a Project. This Agreement, the Note, the Mortgages, and any other documents

evidencing or securing the Loan or executed in connection therewith, and any modifications, renewals and extensions thereof, are referred to herein collectively as the "LOAN DOCUMENTS."

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1
INCORPORATION OF RECITALS, EXHIBITS AND SCHEDULES

1.1 Incorporation of Recitals. The foregoing preambles and all other recitals set forth herein are made a part hereof by this reference.

1.2 Incorporation of Exhibits and Schedule. Exhibits A through I, Schedule I, Schedule II, Schedule 5.1(c), Schedule 5.1(m), Schedule 12.1, and Appendix A to this Agreement, attached hereto are incorporated in this Agreement and expressly made a part hereof by this reference.

1.3 Definitional Provisions. All terms defined in Schedule I of this Agreement or otherwise in this Agreement shall, unless otherwise defined therein, have the same meanings when used in the Note, Mortgages, Security Agreements, any other Loan Documents, or any certificate or other document made or delivered pursuant hereto. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement. The word "include(s)" when used in this Agreement and the other Loan Documents means "include(s), without limitation," and the word "including" means "including, but not limited to."

ARTICLE 2
LOAN AND LOAN DOCUMENTS

2.1 [INTENTIONALLY OMITTED.]

2.2 Loan Documents. Each Borrower agrees that it will, on or before the Closing Date, execute and deliver or cause to be executed and delivered to Lender this Agreement and the other Loan Documents in form and substance acceptable to Lender. In addition, each Borrower shall deliver such other documents, instruments or certificates as Lender and its counsel may reasonably require, including such documents as are necessary or appropriate to effectuate the terms and conditions of this Agreement and the other Loan Documents, and to materially comply with the laws of the State of Illinois and the laws of the state where the Project that such Borrower owns is located. Furthermore, Borrowers acknowledge that they are obligated to cause their counsel and counsel for each Guarantor, Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC and local counsel as requested by Lender, to issue a legal opinion (in form and substance reasonably satisfactory to Lender) for the benefit of Lender; provided, however, Borrower shall be permitted to cause opinions of local counsel to be issued within thirty (30) days after the Closing Date.

2.3 Disbursements. Subject to the terms, provisions and conditions of this Agreement and the other Loan Documents, on the Closing Date, Borrowers agree to borrow from Lender and Lender shall disburse to Borrowers the entire Loan Amount.

2.4 Term of the Loan. Unless due and payable sooner pursuant to Section 2.7 or Article 8, all principal, interest and other sums due under the Loan Documents shall be due and payable in full on December 31, 2007 (the "MATURITY DATE").

2.5 Prepayments. Borrowers shall have the right to make prepayments of the Loan, in whole or in part, at any time provided Borrowers (a) give Lender at least seven (7) days' prior written notice, (b) pay all accrued and unpaid interest, (c) pay the Exit Fee, if any, due under Section 2.8 hereof and (d) pay all other reasonable fees and costs then due from Borrower to Lender including any reasonable attorneys' fees and disbursements incurred by Lender as a result of the prepayment. In the event Lender declares the Loan immediately due and payable following the occurrence of an Event of Default and at a time when an Exit Fee would be due, such Exit Fee shall be paid upon any tender of payment at any time or upon foreclosure of the Mortgage.

2.6 Interest. Provided that no Event of Default has occurred and is continuing, the principal amount of the Loan outstanding from time to time shall bear interest until paid at a rate equal to a floating rate per annum equal to three percent (3.00%) per annum plus the Base Rate (the aggregate rate referred to as the "INTEREST RATE"). Interest shall be calculated based on a three hundred sixty (360) day year and charged for the actual number of days elapsed.

2.7 Monthly Payments.

(a) Commencing on February 1, 2005, and on the first (1st) day of each calendar month thereafter, Borrower shall pay (i) interest computed on the outstanding principal balance of the Loan at the Interest Rate, monthly in arrears plus (ii) a fixed monthly principal amortization payment of Three Hundred Twelve Thousand Five Hundred Dollars (\$312,500).

(b) Monthly payments of interest and amortization due to Lender as described in this Section 2.7 shall be paid to Lender by Automated Clearing House debit of immediately available funds from the financial institution account designated by Borrowers in the Automated Clearing House debit authorization executed by Borrowers in connection with this Agreement; and shall be effective upon receipt. Borrowers shall execute any and all forms and documentation reasonably necessary from time to time to effectuate such automatic debiting.

2.8 Exit Fee. In the event that, at any time prior to the date that is eighteen (18) months after the Closing Date, (i) the principal amount outstanding under of the Loan for any reason shall be less than \$40,000,000, (ii) the Loan shall have been accelerated following the occurrence of an Event of Default, or (iii) an Event of Default shall exist under Section 8.1(g) of this Agreement, Borrowers will pay to Lender on the date that any such event occurs, an exit fee equal to one percent (1%) of the Loan Amount (i.e. \$750,000) (the "EXIT FEE"). The Exit Fee shall be deemed to be earned in its entirety upon the execution of this Agreement.

2.9 Default Interest and Late Charge.

(a) So long as an Event of Default is continuing, interest shall accrue at a rate per annum equal to three percentage points (300 basis points) in excess of the Interest

Rate otherwise applicable on the outstanding Loan Amount, but shall not at any time exceed the highest rate permitted by law (the "DEFAULT RATE").

(b) If payments of principal, interest due on the Loan, or any other amounts due hereunder, under the Note or under the other Loan Documents are not timely made and remain overdue for a period of ten (10) days (subject to any other applicable notice, grace, or cure periods), Borrowers, without notice or demand by Lender, promptly shall pay an amount (the "LATE CHARGE") equal to the lesser of (i) two percent (2%) of each delinquent payment or (ii) Twelve Thousand Five Hundred Dollars (\$12,500) as liquidated damages to compensate Lender for the costs that Lender will be required to incur by reason of Borrowers' permitting such payment to become past due.

2.10 Collections, Cash Management and Clearing Accounts. Borrowers shall instruct all Project Lessees to pay all rents and other payments due to Borrowers under any Project Lease directly to Lender's Concentration Account. Borrowers shall not accept from any Project Lessee any payment of rent or other sums due under an Project Lease, and any payments so received by any Borrower shall be held in trust for the benefit of Lender, shall be paid over to Lender promptly upon receipt and shall not be commingled with any other monies of any Borrower. Lender shall apply amounts deposited into the Concentration Account by any Project Lessee to payment of the monthly payments of principal, interest, escrows and reserves and other sums then due under this Agreement or the other Loan Documents or to become due within the following thirty (30) day period (based on twelve 30-day months). Any balance remaining in the Concentration Account after payment of such portion of the Obligations then due under this Agreement or the other Loan Documents shall be applied as follows:

(a) provided no Default or Event of Default exists, any such balance shall be deposited in the account of Borrowers designated by the Authorized Representative by written notice to Lender; and

(b) during the continuation of an Event of Default, Lender shall be permitted to retain such balance as additional collateral security for the Obligations or apply such balance to the Obligations in such order and manner as Lender shall elect.

If, pursuant to the preceding sentence, a balance is to be remitted to Borrowers, then, provided all payments of monthly sums due under this Agreement and the other Loan Documents are received in the Concentration Account in good and sufficient funds by no later than the tenth (10th) day of each calendar month, Lender shall remit such balance as directed by the Authorized Representative within two Business Days following Lender's application of the funds to the Obligations.

2.11 Marlton, New Jersey Property. On the Closing Date, Lender shall advance the principal sum of \$56,000,000, and the Mortgages encumbering the Marlton, New Jersey property shall not be recorded. The remaining \$19,000,000 of the principal amount of the Loan shall not be advanced until such time as the following conditions have been satisfied:

(i) Lender shall have either (A) received a ground lessor estoppel certificate, in the form previously requested by Lender, which provides that Lender, and its

successors and assigns, shall have the right to receive a new lease if the ground lease is terminated for any reason or (B) accepted a ground lessor estoppel certificate in a different form together with such additional assurances from Borrowers and Guarantors as shall have been approved by Borrowers, Guarantors and Lender;

- (ii) Lender shall have received an opinion of local New Jersey counsel, in form and substance reasonably satisfactory to Lender;
- (iii) Lender, the Marlton, the New Jersey Borrower and the Marlton, New Jersey Project Lessee shall have executed and delivered a Subordination and Attornment Agreement, in form and substance substantially identical to those executed by the other Borrowers and other Project Lessees on the Closing Date; and
- (iv) the Mortgages on the Marlton, New Jersey property shall have been executed, delivered and recorded and mortgagee title insurance, in form and substance reasonably satisfactory to Lender shall have been issued;
- (v) Borrower shall have paid to Lender all of Lender's Expenses in connection with the supplemental transaction and otherwise then owed under the Loan Documents.

In the event that the conditions described above shall not have been satisfied by January 31, 2005, Lender shall have no further obligation to advance the balance of the Loan, and at the request and expense of Borrowers, Lender and Borrowers shall execute such documents as are necessary to eliminate 92 Brick Road, LLC as a Borrower and the Marlton, New Jersey property as part of the collateral for the Loan. If such property is so eliminated, the monthly principal payment required under Section 2.7(a) hereof shall be reduced to Two Hundred Thirty-Three Thousand Three Hundred Thirty-Three Dollars (\$233,333) from and after the first day of the first calendar month after such elimination.

ARTICLE 3 FINANCIAL REPORTING COVENANTS

3.1 Financial Information Reporting.

(a) Monthly Information. Within thirty (30) days following the end of each month, each Borrower shall deliver to Lender the following:

(i) monthly unaudited operating cash flow statements for such Borrower's Project, certified as complete and correct in all material respects by such Borrower and showing actual sources and uses of cash during the preceding month and such Borrower's fiscal year-to-date, in comparison to the same month and year-to-date for the prior fiscal year of such Borrower.

(ii) a current rent roll/census report (including monthly delinquency reports and a monthly schedule of delinquency receipts and payments) and a summary of all leasing/admissions activity then taking place with respect to each Project; and

(iii) internally prepared monthly financial statements (including income statements and balance sheets) for each Project.

(b) Quarterly Information. Borrower shall cause the REIT to deliver to Lender within forty-five (45) days after the end of each calendar quarter unaudited consolidated and consolidating quarterly financial statements (including a balance sheet, an income statement and a statement of cash flows) of the REIT and its subsidiaries (including the Borrowers), in comparison to the same quarter and year-to-date for the prior fiscal year, and certified by an authorized signatory of the REIT.

(c) Annual Information.

(i) Not later than thirty (30) days before the end of each fiscal year of each Borrower, each Borrower shall deliver to Lender its Project's updated annual operating budget for the following fiscal year;

(ii) Not later than ninety (90) days after the end of each fiscal year of the REIT, the REIT shall deliver to Lender audited annual financial statements (including, balance sheet, an income statement and a statement of cash flows) of the REIT and its subsidiaries on a consolidated basis.

(iii) Within fifteen (15) days after timely filing thereof, the REIT and each Borrower shall deliver to Lender a copy of its annual federal income tax returns with all schedules and exhibits thereto.

(d) Defined Period Reports. For purposes of the financial covenants listed in APPENDIX A attached hereto, within thirty (30) days after the end of each Defined Period, each Borrower shall deliver to Lender such financial reports and information as Lender shall reasonably require evidencing compliance with the applicable financial covenants, and, if reasonably requested by Lender, back-up documentation (including, without limitation, invoices, receipts and other evidence of costs incurred during such quarter as Lender shall reasonably require) evidencing the propriety of the deductions from revenues in determining such compliance.

(e) Other Documents:

(i) Each Borrower shall deliver to Lender, promptly upon receipt thereof, copies of any material reports by the independent accountants in connection with any interim audit and copies of each management control letter provided by independent accountants;

(ii) Each Borrower shall deliver to Lender, promptly upon receipt thereof, copies of all material reports and financial information received from Project Lessees. Borrower shall, at all times, enforce the material obligations of the Project Lessees to deliver financial and other information required to be delivered under the terms of the applicable Project Lease.

3.2 Financial Information Form and Examination. All financial statements to be provided to Lender as described herein shall be in a format approved in writing by Lender in Lender's reasonable discretion, in accordance with GAAP (and with respect to annual financial statements, such statements shall be audited by KPMG or such other independent certified public accountant reasonably acceptable to Lender), which fairly present the financial condition(s) as of the date(s) indicated, except for the absence of footnotes and subject to normal year-end adjustments which, in the aggregate, are not material. Each financial statement shall be certified as complete and correct, in all material respects, by its preparer and by a Borrower or, in the case of the REIT's financial statements, by an authorized signatory of the REIT. Borrowers and Guarantor shall provide such additional financial information as Lender reasonably requires. Borrowers shall, during regular business hours following reasonable written notice from Lender, permit (subject to the terms of the Project Leases) Lender or any of Lender's representatives (including an independent firm of certified public accountants) to have reasonable access to and examine all of the books and records regarding Borrowers and the development and operation of any Project in possession of Borrower. The reasonable costs and expenses of the examination shall be paid by Borrowers if (i) the examination discloses, with respect to any individual Project, a monetary variance in any financial information or computation submitted by Borrower equal to or greater than the greater of: (A) five percent (5%) or (B) \$100,000.00 or (ii) such inspection is done as the result of a failure to provide Lender with the financial statements and reporting required herein within thirty (30) days of Lender's written request therefor. Each Borrower shall within ten (10) days after Lender's reasonable request, furnish Lender with a written statement, duly acknowledged, setting forth the sums owing under the Loan Documents according to such Borrower's books and records and any right of set-off, counterclaim or other defense that exists against such sums and such Borrower's obligations under the Loan Documents.

ARTICLE 4
OPERATIONAL AND OTHER LEASE COVENANTS

4.1 Leasing and Operational Covenants.

(a) Project Leases; Other Leases. Each Borrower covenants that it shall not execute any lease, license, occupancy agreement or similar document for possession or occupancy of any portion of such Borrower's Project, except for the execution of applicable Project Lease and as otherwise permitted under the applicable Project Lease other than Material Matters (defined below), which shall require Lender consent, in Lender's sole discretion, and shall at all times promptly and faithfully perform, or cause to be performed in all material respects, all of the covenants, conditions and agreements contained in the Project Lease on the part of the landlord thereunder to be kept and performed. Prior to Closing, Borrower shall have delivered to Lender a true, correct and complete copy of each Project Lease. Borrowers shall not do or suffer to be done any act that would reasonably be expected to result in a default by the landlord under the Project Leases or allow the Project Lessees thereunder to withhold payment of rent and, shall not further assign any Project Lease (except upon substitution of a new Project Lessee with Lender's consent following a default under a Project Lease by the existing Project Lessee) or accept any advance payment of any rents or payments due under any Project Lease without the prior written consent of Lender in each instance. Each Borrower, at no cost or expense to Lender, shall enforce, short of termination, the performance and observance of each

and every material condition and covenant of each of the parties under such Borrower's Project Lease. Each Borrower agrees that it shall not, (i) without the prior written consent of Lender in each instance, which consent may be granted or withheld by Lender, in Lender's sole discretion, enter into any modification of such Borrower's Project Lease which (A) reduces the rent, (B) reduces the term, (C) modifies or affects any Project Lessee's obligations regarding the payment of taxes, insurance premiums or reserves for capital expenditures, (D) affects the certificate of need or any license or consent under the Healthcare Laws or Borrower's reversionary rights, if any, with respect thereto, (E) affects the Primary Intended Use or otherwise adversely affects the ability of the Premises to be used as a healthcare facility, or (F) materially decreases the rights of the landlord or the obligations of the tenant (collectively, "Material Matters"), or (ii) without the prior written consent of Lender, which consent shall not be unreasonably withheld, conditioned, or delayed, enter into any other material modification of the provisions of such Borrower's Project Lease. Each Borrower further agrees that it will not terminate or accept the surrender of such Borrower's Project Lease, or waive or release any other party from the performance or observance of any material obligation or condition under such Project Lease. Each Borrower agrees that it shall not permit the prepayment of any rents under such Borrower's Project Lease for more than one (1) month prior to the due date thereof. Borrower shall diligently enforce all obligations of each Project Lessee under any Project Lease. Each Borrower shall instruct each Project Lessee to pay all base or "Base Rent" and all "Percentage Rent" (as such terms are defined in such Borrower's Project Lease) directly to Lender and, in the event any such Base Rent or Percentage Rent is paid to such Borrower, such Borrower shall hold such rent in trust for Lender and remit such rent to Lender as promptly as possible, but not later than two (2) Business Days after receipt thereof. As a condition to the Closing of the Loan, Lender shall have received a Subordination, Nondisturbance and Attornment Agreement from each Project Lessee. In the event there shall be any successor lessee of a Project, the applicable Borrower shall instruct such successor lessee to execute a Subordination and Attornment Agreement in form and substance reasonably acceptable to Lender. Without limiting the foregoing, each Borrower agrees that it shall not, without the prior written consent of Lender in each instance (which consent shall not be unreasonably withheld, conditioned, or delayed): (i) accept any offer by any Person to purchase such Borrower's Project, except that a Borrower may accept an offer by a Project Lessee pursuant to its purchase option under the applicable Project Lease so long as Borrower or the Project Lessee complies or causes compliance with Article 12 of this Agreement with respect to the release of the applicable Project from the lien of the Mortgages; (ii) accept any offer to substitute properties as provided in the Project Lease or otherwise; (iii) agree to finance any "Capital Additions" (as defined in the Project Leases) pursuant to Article X of the Project Leases or otherwise; or (iv) consent to any pledge or assignment of any rights of Project Lessee under or in respect of a Project Lease except to the extent that Borrower is required to consent to a pledge or assignment under the terms of the applicable Project Lease (it being expressly understood that Borrowers may not grant any discretionary consent to a pledge or assignment under a Project Lease unless Lender shall have consented thereto in writing).

(b) Defaults Under Leases. No Borrower will suffer or permit any material breach or default to occur in any of such Borrower's obligations under any Project Lease or suffer or permit the same to terminate by reason of any failure of such Borrower to meet any requirement of any Project Lease. Each Borrower shall notify Lender promptly in writing in the event the Project Lessee commits a material default under such Borrower's Project Lease and

shall deliver to Lender a copy of each notice of default sent or received under any Project Lease, within five (5) Business Days after the sending or receipt thereof, as the case may be.

(c) Management Contracts. No Borrower shall change or permit any Project Lessee to change the manager of its Project or enter into, modify, amend, terminate or cancel any management contracts for its Project except (i) in accordance with the applicable Project Lease, or (ii) for non-material modifications that do not increase the fees or other amounts payable to the manager or reduce the applicable Borrower's rights or the manager's obligations under such management contract.

(d) Furnishing Notices. Borrowers shall provide Lender with copies of all material notices pertaining to any Borrower or a Project received by any Borrower from any Borrower, Project Lessee, Tenant, Guarantor, any Governmental Authority or insurance company promptly after such notice is received, including any survey results or inspection reports from any Governmental Authority. In addition, each Borrower shall promptly provide Lender with written notice of any material litigation, arbitration, or other material proceeding or governmental investigation pending or, to any Borrower's Knowledge, threatened against or relating to any Borrower, or any Guarantor, any Project Lessee, or any Project. Furthermore, each Borrower shall promptly provide Lender with prior written notice of any capital or other equity contributions to such Borrower.

(e) Alterations. Without the prior written consent of Lender in each instance (which consent shall not be unreasonably withheld, conditioned, or delayed), no Borrower shall make or permit any Project Lessee (other than as may be permitted under the applicable Project Lease without Borrower's consent) or any other Person to make, any material alterations to its Project.

(f) Intentionally omitted.

(g) Replacement Reserve. At the time of and in addition to the monthly installments of interest, and if applicable, principal due under the Note and this Agreement, Borrowers shall pay to Lender an amount equal to the product of (i) One Hundred Twenty-Five Dollars (\$125.00) and (ii) the aggregate number of beds in the Projects (the "REPLACEMENT RESERVE"). Funds in the Replacement Reserve will be held by a depository institution insured by the Federal Deposit Insurance Corporation (which institution may be an Affiliate of Lender) in an interest-bearing account, may be commingled with the general funds of Lender, and these sums shall not be deemed to be held in trust for the benefit of Borrowers. Interest shall accrue on the Replacement Reserve at the rate paid by such depository institution for such deposits. Any interest accruing and paid on such funds shall be deemed to be part of the Replacement Reserve and shall be applied in accordance with this Section 4.2(g). On the Maturity Date, the monies then remaining on deposit with Lender shall, at Lender's option, be applied against the Indebtedness or if no Event of Default is continuing, returned to Borrowers. So long as there is no continuing Event of Default, Borrowers may request Lender to disburse funds from the Replacement Reserve (which request will include (i) a reasonably detailed description of the capital expenditures at a Project which a Borrower intends to pay for with such funds and (ii) the written consent of the applicable Project Lessee, which request shall not be unreasonably denied by Lender. If requested by Lender, each disbursement request will be

accompanied by copies of invoices, lien waivers and other evidence reasonably required by Lender. Borrowers hereby grant Lender a first priority security interest in such funds, including all interest accruing thereon, and all such funds are pledged as additional collateral for the Loan and Borrowers shall execute any other documents and take any other actions necessary to provide Lender with such a perfected security interest in such funds; provided, however, that if such funds are deposited by one or more Project Lessees, Borrowers hereby assign to Lender Borrowers' security interest in such funds, including all interest accruing thereon, as additional collateral for the Loan and Borrowers shall execute any other documents and take any other actions necessary to provide Lender with an assignment of Borrower's security interest in such funds. Upon the Maturity Date or at any time following an Event of Default, the moneys then remaining on deposit with Lender or its agent shall, at Lender's option, be applied against the Indebtedness. The provisions of this Section 4.1(g) shall be deemed satisfied to the extent that the Project Lessees deposit with Lender, for application in the manner specified in this Section 4.1(g), the replacement reserve deposits required to be made under the Project Leases.

(h) Compliance With Laws. Borrowers and the Projects shall comply with all applicable requirements (including applicable Laws) of any Governmental Authority having jurisdiction over any Borrower or any Project including all building, zoning, density, land use, covenants, conditions and restrictions, subdivision requirements (including parcel maps and environmental impact and other environmental requirements), whether now existing or later to be enacted or promulgated and whether foreseen or unforeseen; provided, however, that other than prompt and diligent enforcement of the terms of the Project Leases and the obligations of the Project Lessees thereunder, Borrowers shall not be obligated to cause the Projects to comply with healthcare-related laws to the extent that the obligation to so comply is the obligation of a Project Lessee under a Project Lease.

(i) Use of Projects. Unless required by applicable Law, Borrowers shall not permit material changes in the use of any Project from that of the time this Agreement was executed. Borrowers shall neither initiate nor acquiesce in a material change in the plat of subdivision, or zoning classification or use of any Project without Lender's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed) nor shall it grant any encumbrances or easements burdening any Project without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed.

(j) Separate Accounts. Each Borrower shall maintain separate accounts, which may be book entry accounts, with regard to its Project, and such accounts shall separate its funds from those relating to any other Project.

(k) Maintenance and Preservation of the Projects. Borrowers shall enforce their rights under the Project Leases with respect to the Project Lessees' obligations to keep the Projects in good condition and repair (ordinary wear and tear excepted) and, if all or part of any Project becomes damaged or destroyed, Borrowers shall promptly exercise their rights under the Project Leases with respect to such repair and/or restoration of such Project promptly following Lender's disbursement of the Insurance Proceeds or other sums to pay costs of the work of repair or reconstruction pursuant to Article 7 hereof. Subject to Borrowers' rights under the Project Leases, Borrowers shall not commit or allow material waste or permit impairment or deterioration of any Project. Subject to Borrowers' rights under the Project

Leases, Borrowers shall perform such acts as are necessary in the exercise of prudent business judgment to preserve the value of the Projects and no Borrower shall abandon its Project.

(1) Purchase Options; Substitution Rights. If any Project Lessee shall have or acquire any right or option of any nature whatsoever to purchase any Project or Projects or any portion of or any interest in the Premises or the Property, or to substitute any properties for any Project or any portion of the Premises, such substitution rights (but not any such purchase options) shall, at all times, be subordinated to the rights of Lender under the Loan Documents and Lender shall have no obligation to release the lien of the Mortgage against the Property or any portion thereof in connection with the exercise by any Project Lessee of any such right or option unless, in connection with the exercise of any such purchase option by a Project Lessee, Borrower shall comply with Article 12 of this Agreement with respect to the release of the applicable Project from the lien of the Mortgages.

4.2 Other Borrower Covenants. Borrowers further covenant and agree as follows:

(a) Loan Closing. All material conditions precedent to the closing of the Loan shall be complied with in all material respects on or prior to the Closing Date. If such conditions are not complied with as of the Closing Date, Lender may terminate Lender's obligation to fund the Loan by written notice to Borrowers.

(b) Prohibition of Assignments and Transfers by any Borrower.

(i) Generally. No Borrower shall assign or attempt to assign its rights under this Agreement and any purported assignment shall be void. Except as expressly permitted in Article 12 of this Agreement, without the prior written consent of Lender, which consent may be withheld in Lender's sole discretion, no Borrower shall suffer or permit (a) any change in the management of any Project, except as permitted under the applicable Project Lease or (b) any Transfer other than a Permitted Transfer. Notwithstanding the foregoing, so long as the REIT is a real estate investment trust, transfers of direct or indirect ownership interests in the REIT shall be permitted without notice to or consent by Lender. Lender agrees that it will not unreasonably withhold, delay or condition consent to a Transfer which is not a Permitted Transfer, so long as after giving effect to such Transfer, the REIT (A) owns, directly or indirectly not less than 51% of the beneficial ownership interests in each Borrower and (B) Controls all Borrowers.

(ii) Transfers Prohibited by ERISA. In addition to the prohibitions set forth in Section 4.2(b)(i), above, no Borrower shall engage in or permit a Transfer that would reasonably be expected to constitute or result in the occurrence of one or more non-exempt prohibited transactions under ERISA or the Internal Revenue Code. To the extent possible, each Borrower shall unwind any such Transfer within a reasonable period of time following its receipt of notice from Lender describing such Transfer and describing the prohibited transaction in reasonable detail. Alternatively, at Lender's option, each Borrower shall assist Lender in obtaining such prohibited transaction exemption(s) from the United States Pension and Welfare Benefits Administration with respect to such Transfer as are necessary to remedy such prohibited transactions. In addition to its general obligation to indemnify Lender

under Section 4.2(k), Borrowers shall reimburse Lender for any Expenses incurred by Lender to obtain any such prohibited transaction exemptions. Each Borrower's obligations under this Section 4.2(b)(ii) shall survive the expiration of this Agreement and the other Loan Documents.

(c) Mechanics' Liens and Contest Thereof. Borrowers will not suffer or permit any mechanics' lien claims to be filed or otherwise asserted against any Project (other than such liens that automatically attach prior to payment being due to the lienholder so long as such liens do not remain in effect after payment is due to the lienholder) and will promptly discharge the same in case of the filing of any claims for lien or proceedings for the enforcement thereof, provided, however, that Borrowers shall have the right to contest, or permit a Project Lessee to contest, in accordance with the Project Lease and in good faith and with reasonable diligence, the validity of any such lien or claim, provided that the applicable Borrower or Project Lessee notifies Lender of its desire to do so in writing, and posts a statutory lien bond that removes such lien from title to the applicable Project, or provides other security reasonably satisfactory of payment or bonding of such lien, to Lender, within twenty (20) days after the earlier of (i) the date any Borrower obtains Knowledge of the existence of such lien or (ii) written notice by Lender to Borrowers of the existence of the lien. In the event Borrowers shall fail to discharge any such lien or fails to prosecute such contest as set forth above, Lender may, at its election in its sole discretion, cause such lien to be satisfied and released or otherwise provide security to the Title Insurer to indemnify over such lien, and any reasonable amounts so expended by Lender, including premiums paid or security furnished in connection with the issuance of any surety company bonds, shall be reimbursed by Borrowers within three (3) days after deemed by Lender, together with interest at the Default Rate. In settling, compromising or discharging any claims for lien, Lender shall not be required to inquire into the validity or amount of any such claim.

(d) Renewal of Insurance. Borrowers shall (i) maintain in full force, until full payment of the Loan, such insurance coverages on the Projects as are described on the attached Exhibit E, (ii) maintain such coverages through the applicable insurance carriers (or such other reasonably acceptable substitute carriers selected by Borrowers) for the respective coverages (or substantially equivalent replacement coverages) listed on the attached Exhibit E, and (iii) name Lender as an additional insured thereunder and provide at least thirty (30) days prior written notice to Lender of cancellation, non-renewal or material change of the insurance policies maintained by the Borrower pursuant hereto. Borrowers shall not bring or keep any article on any Project or cause or allow any condition to exist on it, if that would reasonably be expected to invalidate or would be prohibited by any insurance coverage required to be maintained by Borrowers on the Projects. Unless Borrowers provide Lender with appropriate evidence of the insurance coverage required by this Agreement, Lender may, following ten (10) days written notice to Borrower of Borrowers' failure to provide the same (or upon lesser notice or without notice if any required insurance has lapsed or is at risk of lapsing), purchase insurance at Borrowers' expense to protect Lender's interests in the Projects and to maintain the insurance required by this Agreement. Borrowers may later cancel any insurance purchased by Lender, but only after providing Lender with appropriate evidence that Borrowers have obtained insurance as required by this Agreement. If, in accordance with this Section, Lender purchases insurance for any Project or insurance otherwise required by this Agreement, Borrowers will be responsible for the costs of that insurance and other charges imposed by Lender in connection with the placement of the insurance until the effective date of the cancellation or expiration of the

insurance. The costs of the insurance may be added to the Indebtedness effective as of the date Lender purchases such insurance and such costs may be more than the cost of insurance Borrowers are able to obtain on their own. The effective date of coverage may be the date the prior coverage lapsed or the date on which Borrowers failed to provide Lender proof of coverage.

(e) Payment of Taxes. Borrowers shall, subject to the terms of Section 4.2(f) below, pay or enforce their rights under the Project Leases with respect to the timely payment by the Project Lessees of, all real estate taxes and assessments and charges of every kind upon the Projects before the same become delinquent, provided, however, that Borrowers and the Project Lessees shall have the right to pay such tax under protest or to otherwise contest any such tax or assessment in accordance with the Project Leases. If Borrower or a Project Lessee fails to commence such contest or, having commenced to contest the same, shall thereafter fail to prosecute such contest in accordance with the applicable Project Leases, or, upon adverse conclusion of any such contest, Project Lessee or Borrower shall fail to pay such tax, assessment or charge, Lender may, at its election (but shall not be required to), pay and discharge any such tax, assessment or charge, and any interest or penalty thereon, and any amounts so expended by Lender shall be deemed to constitute disbursements of the Loan proceeds hereunder (even if the total amount of disbursements would exceed the face amount of the Note). Borrowers shall, unless Lender has paid such taxes directly on a Project Lessee's behalf, furnish to Lender evidence that taxes are paid at least five business (5) days prior to the last date for payment of such taxes and before imposition of any penalty or accrual of interest.

(f) Funds for Insurance and Taxes. Borrowers shall pay to Lender, at the time of and in addition to the monthly installments of principal and/or interest due under the Note, a sum equal to 1/12 of the amount estimated by Lender to be sufficient to enable Lender to pay at least sixty (60) days before they become due and payable, all taxes, assessments and other similar charges levied against the Projects and all insurance premiums relating to Borrowers and the Projects as determined by Lender (the "PROPERTY TAX AND INSURANCE DEPOSIT"). So long as no Event of Default exists hereunder and provided that Borrowers shall have delivered to Lender a copy of the tax bill or insurance premium bill, as the case may be, and sufficient funds on deposit from Borrowers for the purpose of paying such tax bill and/or insurance premium bill, Lender shall apply the sums to pay such real estate tax items and/or insurance premiums, as the case may be. These sums will be held by a depository institution insured by the Federal Deposit Insurance Corporation (which institution may be an Affiliate of Lender) in an interest-bearing account, may be commingled with the general funds of Lender at such institution, and shall not be deemed to be held in trust for the benefit of Borrowers. Interest shall accrue on the Property Tax and Insurance Deposit at the rate paid by such depository institution for such deposits. Any interest accruing and paid on such funds shall be deemed to be part of the Property Tax and Insurance Deposit and shall be applied in accordance with this Section 4.2(f). If such amount on deposit with Lender is insufficient to fully pay such tax items and/or insurance premiums, as the case may be, Borrowers shall, within ten (10) days following notice at any time from Lender, deposit such additional sum as may be required for the full payment of such tax items and/or insurance premiums, as the case may be. Borrowers hereby grant Lender a first priority security interest in such funds, including all interest accruing thereon, and all such funds are pledged as additional collateral for the Loan and Borrowers shall execute any other documents and take any other actions necessary to provide Lender with such a perfected security interest in such funds.

Upon the Maturity Date or at any time following an Event of Default, the moneys then remaining on deposit with Lender or its agent shall, at Lender's option, be applied against the Indebtedness. The obligation of Borrowers to pay such tax items and/or insurance premiums is not affected or modified by the provisions of this paragraph. The provisions of this Section 4.2(f) shall be deemed satisfied to the extent that the Project Lessees deposit with Lender, for application in the manner specified in this Section 4.2(f), the property tax and insurance reserve deposits required to be made under the Project Leases.

(g) Personal Property. All of each Borrower's personal property, fixtures, attachments and equipment delivered upon, attached to, used or required to be used in connection with the operation of the Project (collectively, the "PERSONAL PROPERTY") shall always be located at such Borrower's Project and shall be kept free and clear of all liens, encumbrances and security interests. Except as expressly permitted in Article 12 of this Agreement, no Borrower shall (nor, except to the extent required to do so under the Project Leases, shall it permit any Project Lessee to), without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed), sell, assign, transfer, encumber, remove or permit to be removed from its Project any of the Personal Property other than as provided in the Project Leases. So long as no Event of Default exists and is continuing, a Borrower may sell or otherwise dispose of its Personal Property when obsolete, worn out, inadequate, unserviceable or unnecessary for use in the operation of its Project, but only upon replacing the same with other Personal Property at least equal in value and utility to the Personal Property that is disposed.

(h) Appraisals. Lender shall have the right to obtain a new or updated Appraisal of a Project from time to time upon the occurrence of any event which materially affects the value of such Project or if required by any rules or regulations of any Governmental Authority applicable to Lender. Borrowers shall cooperate with Lender in this regard. If the Appraisal is obtained to comply with this Agreement or any applicable law or regulatory requirement, or if an Event of Default shall exist at the time any Appraisal is ordered, Borrowers shall pay for any such Appraisal upon Lender's request.

(i) Loss of Note or other Loan Documents. Upon notice from Lender of the loss, theft, or destruction of the Note and upon receipt of an affidavit of lost note and an indemnity reasonably satisfactory to Borrowers from Lender, or in the case of mutilation of the Note, upon surrender of the mutilated Note, Borrowers shall make and deliver a new note of like tenor in lieu of the then to be superseded Note. If any of the other Loan Documents were lost or mutilated, Borrowers agree to execute and deliver replacement Loan Documents in the same form of such Loan Document(s) that were lost or mutilated.

(j) Publicity. Lender reserves the right to publicize the making of the Loan and, in such publicity, may include a brief description of the Projects and the Loan, subject to Borrowers' prior written approval of the same, which approval shall not be unreasonably withheld, delayed or conditioned.

(k) Indemnification. Each Borrower shall indemnify Lender, including each party owning an interest in the Loan and their respective successors, assigns, officers, directors, employees and consultants (each, an "INDEMNIFIED PARTY") and defend and hold each Indemnified Party harmless from and against all claims, injury, damage, liability,

criminal and civil penalties, excise taxes and Expenses of any and every kind to any persons or property by reason of (i) the operation or maintenance of the Projects; (ii) any breach of representation or warranty by Borrower, Guarantor or any Affiliate of Borrower or Guarantor, or the occurrence of any Event of Default hereunder or under any of the other Loan Documents; (iii) any claims or suits brought by any Project Lessee or other tenant; or (iv) any other matter arising in connection with any Borrower, any Guarantor, any Project Lease or any Project Lessee, or any Project, provided, however, that no Indemnified Party shall be entitled to be indemnified with regard to any Indemnified Party's gross negligence or willful misconduct. Upon written request by an Indemnified Party, each Borrower will undertake, at its own costs and expense, on behalf of such Indemnified Party, using counsel reasonably satisfactory to the Indemnified Party, the defense of any legal action or proceeding whether or not such Indemnified Party shall be a party and for which such Indemnified Party is entitled to be indemnified pursuant to this section. At Lender's option, Lender may, at Borrowers' expense, prosecute or defend any action involving the priority, validity or enforceability of any of the Loan Documents.

(l) No Additional Debt. Except for the Loan, no Borrower shall (i) incur any indebtedness (whether personal or nonrecourse, secured or unsecured) for borrowed money, liabilities under guaranties, or reimbursement obligations of lessee under capital or operating leases, and (ii) permit there to be any encumbrances against any Project except the Permitted Exceptions. No Borrower shall default on the payment of any indebtedness that is not cured within the time, if any, specified therefor in any agreement governing the same.

(m) Organizational Documents. No Borrower shall, without the prior written consent of Lender, permit or suffer (i) a material amendment or modification of its Organizational Documents, (ii) any change of ownership (other than Permitted Transfers and as otherwise expressly permitted and subject to Section 4.2(b)) or Control of such Borrower (except that there shall be no restriction on any transfer of ownership interests in the REIT), (iii) any dissolution or termination of its existence, or (iv) change in its state of formation or incorporation.

(n) Single Purpose Entity. Each Borrower at all times shall remain a Single Purpose Entity until after the Indebtedness has been repaid in full.

(o) Furnishing Reports. Upon Lender's request, each Borrower shall promptly provide Lender with copies of all inspections, reports, test results and other information received by such Borrower, which in any way relate to a Project or any part thereof. Without limiting the preceding sentence, all Borrowers shall promptly provide Lender with copies of all of the foregoing received from any Governmental Agency.

(p) Affiliate Transactions. Prior to entering into any agreement with an Affiliate pertaining to any Project, a Borrower shall deliver to Lender a copy of such agreement, which shall be satisfactory to Lender in its sole discretion. If requested by Lender, such agreement shall provide Lender the right to terminate it upon Lender's (or its designee's) taking possession of such Project or acquisition of such Project through foreclosure, a deed in lieu of foreclosure, UCC sale or otherwise. In any event, no agreement between Borrower and

any Affiliate which relates to any Project shall be on terms materially more favorable than would apply to an arms' length arrangement with an unaffiliated third party.

(q) Site Visits, Observation and Testing. Lender and its agents and representatives shall have the right (subject to the terms of the applicable Project Lease) at any reasonable time during normal business hours and following reasonable written notice to Borrower to enter and visit the Projects for the purpose of performing appraisals, observing the Projects, taking and removing soil or groundwater samples, and conducting tests on any part of the Projects as authorized hereunder. Lender has no duty, however, to visit or observe the Projects or to conduct tests, and no site visit, observation or testing by Lender, its agents or representatives shall impose any liability on any of Lender, its agents or representatives. Neither Borrowers nor any other party is entitled to rely on any site visit, observation or testing by any of Lender, its agents or representatives except to the extent due to the acts of Lender, its agents or representatives. Neither Lender nor its agents or representatives owe any duty of care to protect Borrowers or any other party against, or to inform Borrower or any other party of any other adverse condition affecting the Projects other than such conditions resulting from or arising out of the acts of the Lender, its agents or representatives. Lender shall give Borrowers reasonable written notice before entering a Project. Lender shall avoid interfering with a Borrower's use of its Project in exercising any rights provided in this Section 4.2(q). In addition to all other amounts payable by Borrowers hereunder or under the other Loan Documents, Borrowers shall pay to Lender all reasonable direct costs and expenses incurred by Lender in connection with any activities of Lender under this Section 4.2(q).

(r) Compliance With Anti-Terrorism Orders. Borrowers will not knowingly permit the transfer of any interest in a Borrower to any person or entity (or any beneficial owner of such entity) who is listed on the specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of Office of Foreign Asset Control, Department of the Treasury or pursuant to any other applicable Executive Orders (such lists are collectively referred to as the "OFAC LISTS"). Borrowers will not knowingly enter into a Project Lease or other agreement affecting any Project with any party who is listed on the OFAC Lists. Borrowers shall promptly notify Lender if a Borrower has knowledge that any Guarantor or any member or beneficial owner of a Borrower is listed on the OFAC Lists or (A) is indicted on or (B) arraigned and held over on charges involving money laundering or predicate crimes to money laundering. Borrowers shall promptly notify Lender if a Borrower knows that any Tenant is listed on the OFAC Lists or (A) is convicted on, (B) pleads nolo contendere to, (C) is indicted on or (D) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering.

(s) Notice of Change. Each Borrower shall give Lender prior written notice of any change in: (i) the location of its place of business or its chief executive office if it has more than one place of business; (ii) the location of any material portion of its Personal Property, including such Borrower's books and records; and (iii) such Borrower's name or business structure. Unless otherwise approved by Lender in writing, all material Personal Property will be located at the Projects or at a Borrower's place of business or chief executive office if such Borrower has more than one place of business.

(t) No Use of Merrill Lynch Name. Borrowers shall not directly or indirectly publish, disclose or otherwise use in any advertising or promotional material, or press release or interview, the name, logo or any trademark of Lender, Merrill Lynch & Co., Inc. or any of their affiliates. Nothing contained herein shall prohibit Borrowers or the REIT from making disclosures in filings with the Securities and Exchange Commission to the extent necessary to disclose the transactions evidenced by the Loan Documents.

(u) Bank Accounts; Notices to Account Debtors. Each Borrower will cause all revenue arising from its Project or belonging to Borrower (other than security deposits, to the extent addressed by Section 4.2(w) below) to be deposited into the Concentration Account. Each Borrower shall give notices to all current and future account debtors doing business with such Borrower or such Borrower's Project who pay such Borrower by direct deposit or wire transfer to make or wire payments to the Concentration Account.

(v) Vibra Promissory Note. Following an Event of Default, Borrowers shall cause Vibra Healthcare, LLC, f/k/a Highmark Healthcare, LLC ("Vibra") and the holders of the promissory notes dated July 1, 2004, as amended (the "Vibra Notes") made by Vibra and payable to the order of MPT Development Services, Inc. to remit all payments due and payable under such promissory notes directly to Lender until such time as such Event of Default has been cured. Borrowers represent and warrant that no property that is granted as security for the Vibra Notes is granted by any Project Lessee to any Borrower as security for the obligations of the Project Lessees under the Project Leases.

(w) Security Deposit Reserve. On the Closing Date, all security deposits of the Project Lessees under the Project Leases shall be transferred by Borrowers to Lender and deposited by Lender into a reserve to be held by Lender as additional collateral for the payment and performance of Borrowers' obligations under the Loan Documents (the "SECURITY DEPOSIT RESERVE"). Borrowers shall deposit into the Security Deposit Reserve all additional security deposits made by any Project Lessee under any Project Lease. Funds in the Security Deposit Reserve will be held by a depository institution insured by the Federal Deposit Insurance Corporation (which institution may be an Affiliate of Lender) in an interest-bearing account, may be commingled with the general funds of Lender at such institution, and shall not be deemed to be held in trust for the benefit of Borrowers. Interest shall accrue on amounts in the Security Deposit Reserve at the rate paid by such depository institution for such deposits. Any interest accruing and paid on such funds shall be deemed to be part of the Security Deposit Reserve and shall be applied in accordance with this Section 4.2(w). Borrowers hereby grant Lender a first priority security interest in such funds, including all interest accruing thereon, and all such funds are pledged as additional collateral for the Loan and Borrowers shall execute any other documents and take any other actions necessary to provide Lender with such a perfected security interest in such funds. So long as no default shall exist under any Project Lease, funds in the Security Deposit Reserve shall be released upon delivery by Borrowers to Lender of evidence reasonably satisfactory to Lender that the Project Lessee is entitled to a refund of its security deposit. Upon the occurrence and during the continuation of an Event of Default, amounts in the Security Deposit Reserve that may be retained or applied by the landlord under any Project Lease shall, at Lender's option, be applied against the Indebtedness.

4.3 Authorized Representative. Each Borrower hereby appoints each of Edward K. Aldag, Jr. and R. Steven Hamner as their "AUTHORIZED REPRESENTATIVE" for purposes of dealing with Lender on behalf of such Borrower in respect of any and all matters in connection with this Agreement, the other Loan Documents, and the Loan. Subject to the terms of Section 4.2(b) above (concerning transfers by any Borrower), each Authorized Representative shall have the power, in his discretion, to give and receive all notices, monies, approvals, and other documents and instruments, and to take any other action on behalf of such Borrower. All actions by an Authorized Representative shall be final and binding on such Borrower. Lender may rely on the authority given to each Authorized Representative until actual receipt by Lender of a duly authorized resolution of such Borrower substituting a different person as the Authorized Representative of such Borrower.

4.4 Health Care Matters. If required under applicable Healthcare Laws, each Borrower has and shall maintain in full force and effect a valid certificate of need ("CON") or similar certificate, license, or approval issued by the applicable Government Authority for the requisite number of beds and units in the Projects. If Borrower has authorized or permitted a Project Lessee to apply for or maintain the CON, Borrower shall enforce all rights, if any, under the Project Leases to seek to prevent the Project Lessee from taking any action that would reasonably be expected to cause or permit such CON to be pledged, transferred or hypothecated.

(a) The CON shall continue in full force and effect throughout the term of the Loan and shall be free from restrictions or known conflicts which would materially impair the use or operation of each Project for its current use, and shall not be provisional, probationary or restricted in any way.

(b) Subject to, and to the extent of, the Borrowers' rights under the Project Leases and the applicable licenses, no Borrower shall do (or suffer to be done by a Borrower or any Affiliate of a Borrower) any of the following without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed:

(i) Replace or transfer all or any part of any Project's units or beds to another site or location

(ii) Transfer any CON or other Governmental Approval or rights thereunder to any Person (other than Lender) or to any location other than the Project to which such CON or Governmental Approval pertains; or

(iii) Pledge or hypothecate any CON or other Governmental Approval as collateral security for any indebtedness other than indebtedness to Lender.

(c) Borrower hereby represents and warrants that no Borrower is a participant in any federal, state, or local program whereby any federal, state, or local government or quasi-governmental body, or any intermediary, agency, board, or other authority or entity may have the right to recover funds by reason of the advance of federal, state, or local funds, including, without limitation, those authorized under the Hill-Burton Act (42 U.S.C. Section 291, et seq.), other than the Medicare and Medicaid programs.

(d) Borrower shall use its reasonable good faith efforts to cause the Projects to be operated by licensed healthcare providers in accordance with applicable laws; provided, however, in the event a Project Lessee loses its license to operate a Project, Borrowers shall act in good faith to promptly replace such Project Lessee or assist such Project Lessee to reinstate such license in accordance with the terms of the applicable Project Lease. Borrower shall not become the licensed operator for any Project in contravention of any law, rules or regulations applicable to real estate investment trusts, nor shall Borrower or any Affiliate of Borrower render any regulated healthcare service at any Project in connection with or in the furtherance of the operation of the Project as a rehabilitation hospital or long-term acute care hospital, as applicable, in contravention of any law, rules or regulations applicable to real estate investment trusts.

4.5 Financial Covenants. Borrowers shall comply with and shall not breach any of the financial covenants set forth in APPENDIX A.

ARTICLE 5
BORROWERS' REPRESENTATIONS AND WARRANTIES

5.1 Borrowers' Representations and Warranties. To induce Lender to execute this Agreement and perform its obligations hereunder, Borrowers hereby represent and warrant to Lender as follows:

(a) Each Borrower lawfully possesses and holds fee simple title to its Project (except for 92 Brick Road, LLC, which holds leasehold title to its Project), free and clear of all liens, claims, encumbrances, covenants, conditions and restrictions, security interest and claims of others, except only the Permitted Exceptions. Each Borrower is a Single Purpose Entity.

(b) Except as set forth in Exhibit D, there is no litigation or proceedings pending, or to Borrower's Knowledge threatened, against any Project, Borrower, or Guarantor, which would reasonably be expected to, if adversely determined, cause a Material Adverse Change with respect to any Borrower, Guarantor or any Project. There are no Environmental Proceedings and no Borrower has Knowledge of any threatened Environmental Proceedings.

(c) Each Borrower is a duly formed and validly existing limited liability company and is in good standing under the laws of the State of Delaware, with its principal place of business at 1001 Urban Center Drive, Suite 501, Birmingham, Alabama 35242. Each Borrower has full power and authority to execute, deliver and perform all Loan Documents to which such Borrower is a party, and such execution, delivery and performance have been duly authorized by all requisite action on the part of such Borrower. The Loan Documents have each been duly executed and delivered and each constitutes the duly authorized, valid and legally binding obligation of Borrowers and the Guarantors, as the case may be, enforceable against Borrowers and the Guarantors, as the case may be, in accordance with their respective terms. Borrower does not use any trade names other than its actual names set forth herein. The direct and indirect ownership interests in each Borrower and Guarantor are shown on Schedule 5.1(c) attached hereto.

(d) The REIT is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland, with its principal place of business at 1001 Urban Center Drive, Suite 501, Birmingham, Alabama 35242. MPT Operating Partnership, L.P. is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware, with its principal place of business at 1001 Urban Center Drive, Suite 501, Birmingham, Alabama 35242. Each Guarantor has full right, power and authority to execute the Loan Documents on its own behalf.

(e) A true and complete copy the articles of incorporation and by-laws, articles of organization/certificate of formation and limited liability company operating agreement or certificate of limited partnership and partnership agreement, as the case may be, creating each Borrower and Guarantor, and all other documents creating and governing each Borrower and Guarantor and any and all amendments thereto (collectively, the "ORGANIZATIONAL DOCUMENTS") has been furnished to Lender. There are no other material agreements, oral or written, among any of the partners or members of any Borrower or any Guarantor relating to Borrower or Guarantor, as the case may be. The Organizational Documents were duly executed and delivered, are in full force and effect, and binding upon and enforceable against each Borrower and Guarantor, as applicable, in accordance with their terms. The Organizational Documents constitute the entire understanding among the shareholders, partners, members of each Borrower, and Guarantor. No breach exists under the Organizational Documents and no act has occurred and no condition exists which, with the giving of notice or the passage of time would reasonably be expected to constitute a breach under the Organizational Documents.

(f) No consent, approval or authorization of or declaration, registration or filing with any Governmental Authority or nongovernmental person or entity, including any creditor, partner, or member of any Borrower or Guarantor, is required in connection with the execution, delivery and performance of this Agreement or any of the other Loan Documents by Borrower other than the recordation of the Mortgages and the filing of UCC Financing Statements, except for such consents, approvals or authorizations of or declarations or filings with any Governmental Authority or non-governmental person or entity where the failure to so obtain would not have a material adverse effect on any Borrower or Guarantor or which have been obtained as of any date on which this representation is made or remade. None of the Borrowers or Guarantors is insolvent and there has been no: (i) assignment made for the benefit of the creditors of any of them; (ii) appointment of a receiver for any of them or for the property of any of them; or (iii) bankruptcy, reorganization, or liquidation proceeding instituted by or against any of them.

(g) There is no Default under this Agreement or the other Loan Documents, nor any condition, which, after notice or the passage of time or both, would reasonably be expected to constitute a Default or an Event of Default under, said documents. In addition, no Borrower is in default under any material contract, agreement or commitment to which it is a party. The execution, delivery and compliance by each Borrower with the terms and provisions of this Agreement and the other Loan Documents will not (i) to such Borrower's Knowledge, violate any provisions of law or any applicable regulation, order or other decree of any court or governmental entity, or (ii) materially conflict or be materially inconsistent with, or result in any material default under, any contract, agreement or commitment to which such Borrower is bound. Borrowers have delivered to Lender copies of any material agreements

between any Borrower and any Affiliate of any Borrower or Guarantor related in any way to any Project.

(h) To each Borrowers' Knowledge, (1) no condemnation of any portion of any Project, (2) no condemnation or relocation of any roadways abutting any Project, and (3) no proceeding to deny access to any Project from any point or planned point of access to any Project, has commenced or is contemplated by any Governmental Authority.

(i) To Borrowers' Knowledge, the use of each Project for its Primary Intended Use (as defined in the applicable Project Lease), including the present and contemplated accessory uses do not materially violate (i) any Laws (including subdivision, zoning, building, environmental protection and wetland protection Laws), or (ii) any building permits, covenants, conditions and restrictions of record affecting any Project or any part thereof. Except as shown in the Title Policies and the surveys of the Projects, to Borrowers' Knowledge, no building or other improvement encroaches upon any property line, building line, set back line, side yard line or any recorded or visible easement (or other easement of which a Borrower is aware) with respect to any Project. Except as shown in the Title Policies and the surveys of the Projects, to Borrowers' Knowledge, no Project is situated in an area designated as having special flood hazards as defined by the Flood Disaster Protection Act of 1973, as amended, or as a wetland by any governmental entity having jurisdiction over a Project. To Borrowers' Knowledge, all Governmental Approvals required for the operation of the Projects have been obtained, except where the failure to so obtain would not reasonably be expected to have a material adverse effect on the Project. To Borrowers' Knowledge, all Laws relating to the operation of the Improvements have been materially complied with and all material permits and licenses required for the operation of the Projects have been obtained. To Borrowers' Knowledge, each Project is accessible through fully improved and dedicated roads, accepted for maintenance and public use by public authority having jurisdiction. To Borrowers' Knowledge, each Project has adequate water, gas and electrical supply, storm and sanitary sewerage facilities, other required public utilities, and means of access between the Project and public highways; none of the foregoing will be foreseeably delayed or impeded by virtue of any requirements. To each Borrower's Knowledge, there are no, nor are there any alleged or asserted, violations of Law, regulations, ordinances, codes, permits, licenses, declarations, covenants, conditions or restrictions of record, or other agreements relating to any Project, or any part thereof.

(j) No brokerage fees or commissions are payable by or to any person in connection with this Agreement or the Loan to be disbursed hereunder with whom any Borrower or Guarantor has dealt other than to L.J. Melody & Company.

(k) All financial statements previously furnished by any Borrower or Guarantor to Lender in connection with the Loan are complete and correct in all material respects and fairly present the financial conditions of the subjects thereof as of the respective dates thereof (except for the absence of footnotes and subject to normal year-end adjustments which, in the aggregate, are not material), and no Material Adverse Change with respect to any Borrower or Guarantor or any Project has occurred since the most-recent financial statement furnished to Lender with respect to such Borrower or Guarantor. None of the Borrowers nor any Guarantor has any material liability, contingent or otherwise, not disclosed in such financial statements if such disclosure would be required pursuant to GAAP.

(l) Each Project is taxed separately without regard to any other real property and for all purposes each Project may be mortgaged, conveyed and otherwise dealt with as an independent parcel. There are no unpaid or outstanding real estate or other taxes or assessments on or against the Projects or any part thereof, except general real estate taxes for the current tax year not yet due or payable. To any Borrower's Knowledge, there is no pending or contemplated action pursuant to which any special assessment may be levied against any portion of the Projects.

(m) Each of the Borrowers represents and warrants that (i) it is a party to a Project Lease, as listed on Schedule 5(m) attached hereto, (ii) a true, correct and complete copy of each Project Lease has been delivered to Lender, (iii) except for the subject Project Lease (and as permitted thereunder), there are no leases or subleases affecting such Borrower's Project or any portion of the Property, (iv) no Borrowers have issued or received any notice of default under any Project Lease, (v) no Borrowers and, to each Borrower's Knowledge, no Project Lessee is in material default under the terms of any Project Lease, (vi) each Project Lease materially complies with all applicable laws, (vii) no rent payment under any Project Lease has been paid more than thirty (30) days in advance, (viii) no rents or charges under any Project Lease have been waived, released or otherwise discharged or compromised and (ix) except as provided in the Project Leases, there are no outstanding options or rights of first offer or refusal to purchase all or any portion of the Projects or Borrowers' interest therein or any portion thereof.

(n) The proceeds of the Loan shall be used for proper business purposes. The Loan is not being made for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation T, U or X issued by the Board of Governors of the Federal Reserve System and no portion of the proceeds of the Loan shall be used in any matter that would violate such Regulations or otherwise violate the Securities Act of 1933 or the Securities Exchange Act of 1934, and Borrowers agree to execute all instruments necessary to comply with all the requirements of Regulation U of the Federal Reserve System.

(o) No Borrower is a party in interest to any plan defined or regulated under ERISA, and no assets of any Borrower are "plan assets" of any employee benefit plan covered by ERISA or Section 4975 of the Internal Revenue Code.

(p) No Borrower is or will be, and no legal or beneficial interest of a partner or member in Borrower is or will be held directly or (other than by reason of transfers of ownership interests in the REIT) indirectly by a "foreign corporation", "foreign partnership", "foreign trust", "foreign estate", "foreign person", "affiliate" of a "foreign person" or a "United States intermediary" of a "foreign person" within the meaning of the Internal Revenue Code Sections 897, 1445 or 7701, the Foreign Investments in Real Property Tax Act of 1980, the International Foreign Investment Survey Act of 1976, the Agricultural Foreign Investment Disclosure Act of 1978, or the regulations promulgated pursuant to such Acts or any amendments to such Acts.

(q) Borrowers and Guarantors have furnished Lender with a true and complete copy of all material documents relating to Projects.

(r) No Borrower nor Guarantor, nor any beneficial owner of any Borrower, is currently listed on the OFAC Lists.

(s) All statements set forth in the Recitals are true and correct in all material respects.

(t) To Borrowers' Knowledge, there has been no material damage or destruction of any part of any Project by fire or other casualty that has not been repaired. Except as part of routine maintenance, there are presently no existing material defects in the Projects and no repairs or alterations thereof are reasonably necessary or appropriate.

(u) To each Borrower's Knowledge, there are no strikes, boycotts, or labor disputes which would reasonably be anticipated to have a material adverse effect on the operation of any Project.

(v) No Borrower has any employees.

(w) Except as set forth on Exhibit H, no Borrower has any interest in any trademarks, copyrights, patents or other intellectual property with respect to the Projects.

Borrowers agree that all of the representations and warranties set forth above and elsewhere in this Agreement are true in all material respects as of the date hereof. It shall be a condition precedent to the Closing Date and each subsequent disbursement, if any, that each of said representations and warranties is true and correct in all material respects as of the date of such requested disbursement. Each disbursement from any escrows or reserves held by or on behalf of Lender shall be deemed to be a reaffirmation by Borrowers that each of the representations and warranties is true and correct in all material respects as of the date of such disbursement except as otherwise disclosed by Borrowers in writing and approved by Lender in connection with such disbursement. In addition, at Lender's request, Borrowers shall reaffirm such representations and warranties in writing prior to each such disbursement.

ARTICLE 6 ENVIRONMENTAL MATTERS

6.1 Environmental Representations and Warranties. Each Borrower hereby represents and warrants to Lender that, except as specifically disclosed in the documents listed in Exhibit F attached hereto (the "ENVIRONMENTAL DOCUMENTS") and in any Environmental Report, (a) to each Borrower's Knowledge, (i) each Project is in a clean, safe and healthful condition and, except for materials used in the ordinary course of maintenance and operation (and in material compliance with all Laws) of such Project, has been and is free of all Hazardous Material, and (ii) no release of any Hazardous Material has occurred on, onto or about the Projects; (b) no Borrower nor, to each Borrower's Knowledge, any other person or entity, has ever caused or permitted any Hazardous Material to be placed, held, located or disposed of on, under, at or in a manner to affect any Project, or any part thereof, and no Project has ever been used (whether by a Borrower or, to each Borrower's Knowledge, by any other person or entity) for any activities involving, directly or indirectly, the use, generation, treatment, storage, transportation, or disposal of any Hazardous Material, except as permitted under the Project

Leases and for materials used in the ordinary course of maintenance and operation (and in material compliance with all Laws) of the Projects; (c) to each Borrower's Knowledge, the Project currently complies, and will comply based on its anticipated use, with all Laws relating to Hazardous Material; (d) to each Borrower's Knowledge in connection with the ownership, operation, and use of the Project, all necessary notices have been filed and all required permits, licenses and other authorizations have been obtained relating to the generation, treatment, storage, disposal or use of Hazardous Material; (e) to each Borrower's Knowledge, there is no present, past or threatened investigation, inquiry or proceeding relating to the environmental condition of, or to events on or about, the Project; (f) to each Borrower's Knowledge, neither the Project nor any Borrower is subject to any remedial obligations under any Laws relating to Hazardous Material, health or the environment; (g) to each Borrower's Knowledge, there are no underground tanks, vessels, or similar facilities for the storage, containment or accumulation of Hazardous Materials of any sort on, under or affecting any Project; and (h) it has not, nor will it, release or waive the liability of any previous owner, lessee or operator of any Project or any party who may be potentially responsible for the presence of or removal of Hazardous Material from any Project, nor has it made promises of indemnification regarding Hazardous Material on any Project to any party, except as contained herein and in the Loan Documents.

6.2 Environmental Covenants. Environmental Indemnitors shall:

(a) materially comply, and enforce their rights under the Project Leases with respect to each Project Lessee's compliance, with all Laws relating to Hazardous Material;

(b) not install, use, generate, manufacture, store, treat, release or dispose of, nor permit the installation, use, generation, storage, treatment, release or disposal of, Hazardous Material on, under or about any Project, except for materials used in the ordinary course of maintenance and operation (and in material compliance with all Laws) of the Projects;

(c) following Borrowers' Knowledge thereof, promptly advise Lender in writing of: (i) any and all Environmental Proceedings; (ii) the presence of any Hazardous Material on, under or about any Project of which Lender has not previously been advised in writing (other than Hazardous Materials permitted by applicable law and (A) permitted under the Project Leases or (B) used in the ordinary course of maintenance and operation of the Projects); (iii) any remedial action taken by, or on behalf of, any Environmental Indemnitor in response to any Hazardous Material on, under or about any Project or to any Environmental Proceedings of which Lender has not previously been advised in writing and (iv) receipt of written notice by any Environmental Indemnitor of any occurrence or condition on any real property adjoining or in the vicinity of any Project that could cause any Project or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such Project under any Laws relating to Hazardous Materials;

(d) provide Lender with copies of all material reports, analyses, notices, licenses, approvals, orders, correspondences or other written materials in its possession or control relating to the environmental condition of each Project or real property or bodies of water adjoining or in the vicinity of each Project or Environmental Proceedings promptly upon receipt, completion or delivery of such materials;

(e) not install or allow to be installed any tanks on, at or under any Project for the purpose of storing Hazardous Materials (other than as permitted under the Project Leases or materials used in the ordinary course of maintenance and operation);

(f) not create or permit to continue in existence any lien (whether or not such lien has priority over the lien created by the Mortgage) upon any Project imposed pursuant to any Laws relating to Hazardous Material; and

(g) not materially change or alter the present use as a healthcare facility of any Project (except as permitted under the terms of a Project Lease) unless Borrowers shall have notified Lender thereof in writing and Lender shall have determined, in its reasonable discretion, that such change or modification will not result in the presence of Hazardous Material on the Project in question in such a level that would increase the potential liability for Environmental Proceedings.

6.3 Right of Entry and Disclosure of Environmental Reports. Subject to any applicable restrictions under the Project Leases, each Borrower hereby grants to Lender its agents, employees, consultants and contractors, an irrevocable license and authorization to enter upon and inspect such Borrower's Project at reasonable times and upon reasonable advance written notice and without disturbing the business of the Project Lessees, and conduct such reasonable environmental audits and tests, including, without limitation, subsurface testing, soils and groundwater testing, and other tests which may physically invade the Project. With respect to invasive testing, such as soil borings, Lender shall consult with Borrowers in advance of such tests. Lender agrees, however, that it shall not conduct any such audits or tests, unless an Event of Default exists and is continuing under the Loan Documents at the time in question or Lender has reason to believe that such audit or test may disclose the presence or release of Hazardous Material or unless an environmental audit deems further testing necessary. All reasonable out-of-pocket costs and expenses incurred by Lender in connection with any inspection, audit or testing conducted in accordance with this Section 6.3 shall be paid by Borrowers. The results of all investigations and reports prepared by Lender shall be and at all times remain the property of Lender and, if no Event of Default shall have occurred and be continuing, upon request by a Borrower, Lender shall provide to Borrowers a copy of the written report with respect to any inspection, audit or testing for which any Borrower has paid hereunder. Lender hereby reserves the right, and Borrowers hereby expressly authorize Lender to make available to any party in connection with a sale of any Project any and all environmental reports, whether prepared by Lender or prepared by any Borrower and provided to Lender (collectively, the "ENVIRONMENTAL REPORTS"), which Lender may have with respect to the Project. Borrower consents to Lender notifying any party under such circumstances of the availability of any or all of the Environmental Reports and the information contained therein. Each Environmental Indemnitor further agrees that Lender may disclose such Environmental Reports to any governmental agency or authority if they reasonably believe that they are required to disclose any matter contained therein to such agency or authority; provided that Lender shall give Borrowers at least ten (10) days' prior written notice (or such shorter time as shall be necessary to permit Lender to comply with the requirements of any applicable Governmental Authority) before so doing. Each Environmental Indemnitor acknowledges that Lender cannot control or otherwise assure the truthfulness or accuracy of the Environmental Reports, and that the release of the Environmental Reports, or any information contained therein, to prospective bidders at any foreclosure sale of

any Project may have a material and adverse effect upon the amount, which a party may bid at such sale. Each Environmental Indemnitor agrees that Lender shall not have any liability whatsoever as a result of delivering any or all of the Environmental Reports or any information contained therein to any third party, and each Environmental Indemnitor hereby releases and forever discharges Lender from any and all claims, damages, or causes of action arising out of connected with or incidental to the Environmental Reports or the delivery thereof.

6.4 Environmental Indemnitors' Remedial Work. Environmental Indemnitors shall promptly perform any and all necessary remedial work ("REMEDIAL WORK") in response to any Environmental Proceedings or the presence, storage, use, disposal, transportation, discharge or release of any Hazardous Material on, under or about any of the Projects; provided, however, that Environmental Indemnitors shall perform or cause to be performed such Remedial Work so as to minimize any impairment to Lender's security under the Loan Documents.

All Remedial Work shall be conducted: (a) in a diligent and timely fashion by licensed contractors acting under the supervision of a consulting environmental engineer; (b) pursuant to a detailed written plan for the Remedial Work approved by any public or private agencies or persons with a legal or contractual right to such approval; (c) with such insurance coverage pertaining to liabilities arising out of the Remedial Work as is then customarily maintained with respect to such activities; and (d) only following receipt of any required permits, licenses or approvals. The selection of the Remedial Work contractors and consulting environmental engineer, the contracts entered into with such parties, any disclosures to or agreements with any public or private agencies or parties relating to Remedial Work and the written plan for the Remedial Work (and any changes thereto) shall each be subject to Lender's prior written approval, which shall not be unreasonably withheld, conditioned, or delayed. In addition, Environmental Indemnitors shall submit to Lender, promptly upon receipt or preparation, copies of any and all material reports, studies, analyses, correspondence, governmental comments or approvals, proposed removal or other Remedial Work contracts and similar information prepared or received by Environmental Indemnitors in connection with any Remedial Work, or Hazardous Material relating to a Project. All costs and expenses of such Remedial Work shall be paid by Environmental Indemnitors, including, without limitation, the charges of the Remedial Work contractors and the consulting environmental engineer, any taxes or penalties assessed in connection with the Remedial Work and Lender's reasonable fees and out-of-pocket costs incurred in connection with monitoring or review of such Remedial Work. Lender shall have the right but not the obligation to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Environmental Proceedings.

6.5 Environmental Indemnity. Environmental Indemnitors shall protect, indemnify, defend and hold Lender and any successors to Lender's interest in the Projects, and any other party who acquires any portion of any Project at the first foreclosure sale or otherwise in the first transfer of ownership through the exercise of Lender's rights and remedies under the Loan Documents, and all directors, officers, employees and agents of all of the aforementioned indemnified parties, harmless from and against any and all claims, liabilities, damages, and Expenses which arise out of or relate in any way to any breach of any representation, warranty or covenant contained in this Article 6, or any Environmental Proceedings or any use, handling, production, transportation, disposal, release or storage of any Hazardous Material in, under or on

any Project, whether by any Environmental Indemnitor or any other person (except to the extent attributable to Lender's gross negligence or willful misconduct), including, without limitation:

(a) all foreseeable and unforeseeable Expenses (including any loss of principal and interest due and owing on the Loan) arising out of: (i) Environmental Proceedings or the use, generation, storage, discharge or disposal of Hazardous Material by Environmental Indemnitors, any prior owner or operator of any Project or any person on or about any Project; (ii) any residual contamination affecting any natural resource or the environment; or (iii) any exercise by Lender of any of its rights and remedies hereunder; and

(b) the reasonable costs of any required or necessary investigation, assessment, testing, remediation, repair, cleanup, or detoxification of any Project and the preparation of any closure or other required plans.

Environmental Indemnitors' liability to the aforementioned indemnified parties shall arise upon the earlier to occur of (1) discovery of any Hazardous Material on, under or about any Project, or (2) the institution of any Environmental Proceedings, and not upon the realization of loss or damage, and Environmental Indemnitors shall pay to Lender from time to time, promptly upon request, an amount equal to such Expenses, as reasonably determined by Lender. The foregoing indemnity shall not include Expenses arising solely from Hazardous Material which first exists on any Project following the date on which the Lender takes title to such Project, whether by foreclosure of the applicable Mortgage, deed-in-lieu thereof or otherwise.

6.6 Remedies Upon an Environmental Default. Upon the occurrence of an Event of Default under Section 8.1(j) of this Agreement or under any other Loan Documents relating to environmental compliance, Lender may exercise any and all remedies provided for herein or therein, and/or do or cause to be done whatever is reasonably necessary to cause the Projects to comply with all Laws relating to Hazardous Material and other applicable Laws, rules, regulations or orders and the cost thereof shall constitute an Expense hereunder and shall become immediately due and payable following written notice from Lender of the amount of such Expense and with interest thereon at the Default Rate until paid. Environmental Indemnitors shall give to Lender and its agents and employees access to the Projects for the purpose of effecting such compliance and hereby specifically grant to Lender a license, effective upon expiration of the applicable period as described above, if any, to do whatever is necessary to cause the Projects to so comply, including, without limitation, to enter the Projects and remove therefrom any Hazardous Material or otherwise comply with any Laws relating to Hazardous Material.

6.7 Unconditional Environmental Obligations. Notwithstanding any term or provision contained herein or in the other Loan Documents, the covenants and obligations of the Environmental Indemnitors under this Article 6 (the "ENVIRONMENTAL OBLIGATIONS") are unconditional. Environmental Indemnitors shall be fully, personally, jointly and severally liable for the Environmental Obligations, and such liability shall not be limited to the original principal amount of the Loan. The Environmental Obligations shall be enforceable by Lender, its Affiliates, and its successors and assigns. The Environmental Obligations shall survive the repayment of the Loan and any foreclosure, deed-in-lieu or transfer in lieu of foreclosure or

similar proceedings or any transfer of title to the Projects or any portion thereof. The Environmental Obligations are independent obligations that are not secured by the Project.

6.8 Assignment of Environmental Obligations Prohibited. The Environmental Obligations may not be assigned or transferred, in whole or in part, by Environmental Indemnitors and any purported assignment by Environmental Indemnitors of the Environmental Obligations shall be void ab initio and of no force or effect.

6.9 Indemnification Separate from the Loan.

(a) The Environmental Indemnitors agree that the Environmental Obligations are separate, independent of and in addition to the undertakings of the Environmental Indemnitors, as applicable, pursuant to the Loan, the Note, the other provisions of this Agreement and the other Loan Documents. With respect to the Projects located in the State of California, the provisions of this Article Six are intended to be supplemental, and not in derogation of, Lender's rights under California Civil Code Section 2929.5 and California Code of Civil Procedure Sections 564, 726.5 and 736 and any successor sections thereof. A separate action may be brought to enforce the provisions of this Article 6, which shall in no way be deemed to be an action on the Note, whether or not the Loan has been repaid and whether or not Lender would be entitled to a deficiency judgment following a judicial foreclosure, trustee's sale or UCC sale. The Environmental Obligations shall not be affected by any exculpatory provisions contained in the Note, this Agreement or any of the other Loan Documents. All rights and obligations of this Article 6 shall survive performance and repayment of the obligations evidenced by and arising under the Loan Documents, surrender of the Note, reconveyance of the Mortgages, release of other security provided in connection with the Loan, trustee's sale or foreclosure under the Mortgages and/or any of the other Loan Documents (whether by deed or other assignment in lieu of foreclosure, or otherwise, acquisition of any Project by Lender, any other transfer of any Project, and transfer of all of Lender's rights in the Loan, the Loan Documents, and the Projects.

(b) The Environmental Indemnitors may not assign or delegate their covenants, agreements and obligations hereunder without the prior written consent of Lender, in Lender's sole discretion. The covenants, agreements and obligations of the Environmental Indemnitors hereunder shall be binding upon the Environmental Indemnitors, their heirs, administrators, legal representatives, successors and assigns. The rights, remedies and benefits of Lender hereunder shall inure to the benefit of Lender, its legal representatives and the successors and assigns of its interest under any or all of the Loan Documents and its Affiliates, it being the intention hereof that the covenants and indemnities of the Environmental Indemnitors shall, without limitation, further extend to any person or entity who holds an interest in the Note without in any way terminating, limiting or diminishing the benefits to any previous or existing beneficiary of this Article 6.

(c) Environmental Indemnitors waive all rights to require Lender to (i) proceed against or exhaust any security for the Loan or (ii) pursue any remedy in Lender's power whatsoever.

6.10 Further Security. As further security for the Environmental Obligations, Environmental Indemnitors do hereby assign to Lender, to the extent assignable, all of Environmental Indemnitors' rights and benefits under any right of indemnification or right to contribution to which Environmental Indemnitors may be entitled (whether under Hazardous Materials law, by contract or otherwise) with respect to any Hazardous Materials or environmental condition (collectively, the "Indemnification Rights") and Environmental Indemnitors hereby covenant to take such further actions and to execute such further instruments as are necessary to transfer to Lender all rights and benefits accruing in favor of Environmental Indemnitors under any of the Indemnification Rights. Notwithstanding the foregoing, Environmental Indemnitors shall continue to fully perform all of their respective covenants and obligations under such Indemnification Rights and shall continue to enforce the terms of the Indemnification Rights, and Lender shall have no liabilities or obligations under the Indemnification Rights or for enforcement of the Indemnification Rights by reason of the foregoing assignment. The assignment and covenants in this Section 6.10 shall survive in perpetuity.

ARTICLE 7
CASUALTIES AND CONDEMNATION

7.1 Lender's Election to Apply Insurance Proceeds on Indebtedness.

(a) Subject to the provisions of Section 7.1(b) below and the Project Leases, Lender may elect to collect, retain and apply upon the Indebtedness of Borrower under this Agreement or any of the other Loan Documents all proceeds of insurance resulting from any loss at any Project or condemnation or other taking of any Project or a portion thereof (individually and collectively referred to as "INSURANCE PROCEEDS") after deduction of all reasonable expenses of collection and settlement, including reasonable attorneys' and adjusters' fees and charges. Any proceeds remaining after repayment of the Indebtedness shall be paid by Lender to the Borrower which owns such Project.

(b) Notwithstanding anything in Section 7.1(a) to the contrary, except as otherwise expressly agreed by Lender, a Borrower and a Project Lessee in a Subordination and Attornment Agreement, in the event of any casualty to any Improvements or any condemnation of part of any Project, Lender agrees to make available the Insurance Proceeds to restoration of such Improvements if (i) no Event of Default exists and is continuing, (ii) all Insurance Proceeds are deposited with Lender, (iii) in Lender's reasonable judgment, the amount of Insurance Proceeds available for restoration of the Improvements is sufficient to pay the full and complete costs of such restoration or that Borrowers have adequate reserves therefor, (iv) the applicable Project Lease will not be terminated as a result of such casualty or condemnation, (v) the applicable Borrower shall have provided Lender with reasonable evidence that the census of the applicable Project and the Project Lessee's income will be restored to the levels that existed as of the Closing Date prior to the earlier to occur of (i) one year after the date of the casualty or condemnation or (ii) the date that any applicable rental loss/business interruption insurance will expire, (vi) the cost of restoration does not exceed twenty-five percent (25%) of the Loan Amount, (vii) in Lender's reasonable determination after completion of restoration, the Loan Amount allocated to the affected Project will not exceed sixty percent (60%) of the fair market value of affected Project, (viii) in Lender's reasonable determination, such Project can be

restored to an architecturally and economically viable project in compliance with applicable Laws, (ix) Guarantor reaffirms its guaranty, in writing, and (x) in Lender's reasonable determination, such restoration is likely to be completed not later than six (6) months prior to the Maturity Date.

7.2 Borrowers' Obligation to Rebuild and Use of Insurance Proceeds Therefor. In case Lender does not elect to apply or does not have the right to apply the Insurance Proceeds to the Indebtedness, as provided in Section 7.1 above, Borrowers shall:

(a) Proceed with diligence to make settlement with insurers or the appropriate governmental authorities and cause the Insurance Proceeds to be deposited with Lender;

(b) In the event the Insurance Proceeds and the available proceeds of the Loan are insufficient to assure Lender that the all contemplated repairs or construction will be completed and Borrowers promptly deposit with Lender any amount necessary to assure that such contemplated repairs or construction will be completed or provide Lender evidence, satisfactory to Lender in Lender's sole discretion, of Borrowers' adequate reserves to pay the costs of such repairs or construction; and

(c) Promptly proceed with the assumption of construction of the Improvements, including the repair of all damage resulting from such fire, condemnation or other cause and restoration to its former condition.

Except as otherwise expressly agreed by Lender, a Borrower and a Project Lessee in a Subordination and Attornment Agreement, any disbursement by Lender of Insurance Proceeds and funds deposited by a Borrower shall be conditioned upon Borrowers' compliance with and satisfaction of the Loan as are determined by Lender and as are customarily imposed by institutional Lenders for construction or restoration of similar properties.

ARTICLE 8 EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following shall constitute an "EVENT OF DEFAULT" as said term is used herein:

(a) Failure of Borrowers to pay the outstanding principal amount, all interest thereon and all other amounts owing hereunder or under any the other Loan Documents (the "INDEBTEDNESS") on the Maturity Date or the failure to pay, within five (5) days of the due date, any other scheduled payment obligations of Borrowers to Lender, including any payments of interest, principal amortization or Exit Fee due pursuant to this Agreement;

(b) Failure of Borrowers to pay any amounts due and owing to Lender under the Loan Documents (other than as described in Section 8.1(a) above), including, without limitation, insurance premiums payable under Section 4.2(d), as the same become due in accordance with the terms of the Loan Documents and the continuation of such failure for a period of ten (10) days following written notice thereof from Lender to Borrower;

(c) Failure of Borrowers to strictly comply with the provisions of Section 4.2(b) (transfers), Section 4.2(l) (no additional debt), Section 4.2(m) (organizational documents), or Section 4.2(n) (single purpose entity);

(d) Failure of Borrowers for a period of thirty (30) days after written notice from Lender, to observe or perform any non-monetary covenant or condition contained in this Agreement or any other Loan Documents not set forth in the subsections above; provided, however, that if any such failure concerning a non-monetary covenant or condition is susceptible to cure and cannot reasonably be cured within said thirty (30) day period, then Borrowers shall have an additional sixty (60) day period to cure such failure and no Event of Default shall be deemed to exist hereunder so long as (Y) Borrowers commences such cure within the initial thirty (30) day period and diligently and in good faith pursues such cure to completion within such resulting ninety (90) day period from the date of Lender's notice, and (Z) the existence of such default will not result in any Project Lessee having the right to terminate its Project Lease due to such default; and provided further that if a different notice or grace period is specified under any other subsection of this Section 8.1 with respect to a particular breach, or if another subsection of this Section 8.1 applies to a particular breach and does not expressly provide for a notice or grace period, the specific provision shall control;

(e) Any material default by a Borrower, as lessor, under the terms of any Project Lease following the expiration of any applicable notice, grace, and cure period, provided that if the Project Lease does not provide a notice, grace, and cure period, then the notice, grace, and cure periods provided in subsections (a) and (b) above, as applicable, will apply to any such monetary default, and the notice and cure period provided in subsection (d) above will apply to any such non-monetary default (which respective periods shall commence upon written notice of default from Lender or the applicable Project Lessee, whichever occurs first);

(f) If any warranty or representation made now or hereafter by any Borrower or Guarantor under any Loan Document is untrue or incorrect in any material respect at the time made or delivered, provided that if such breach is reasonably susceptible of cure, then no Event of Default shall exist so long as the applicable party cures said breach (i) by the due date provided in subsection (a) or (b) above, as applicable, for a breach that can be cured by the payment of money, or (ii) within the notice and cure period provided in subsection (d) above for any other breach;

(g) A petition under any Chapter of Title 11 of the United States Code or any similar law or regulation is filed by or against any Borrower or Guarantor (and in the case of an involuntary petition in bankruptcy, such petition is not discharged within sixty (60) days of its filing), or a custodian, receiver or trustee for any Project or any portion thereof is appointed, or any Borrower or Guarantor makes an assignment for the benefit of creditors, or any of them are adjudged insolvent by any state or federal court of competent jurisdiction, or any of them admit their insolvency or inability to pay their debts as they become due or an attachment or execution is levied against any Project or any portion thereof;

(h) if at any time the REIT shall cease to (i) except as specifically consented to by Lender (pursuant to Section 4.2(b) or otherwise) own directly or indirectly, 65%

of the ownership interest in each Borrower and (ii) Control (A) the day to day management and operation of each Borrower's business and (B) all material business decisions (including a sale or refinance) for each Borrower during the term of the Loan;

(i) Borrowers shall fail to cause any of the financial covenants set forth in Appendix A to be complied with;

(j) if Environmental Indemnitors fail to comply with the provisions of Article 6 within the earlier to occur of (i) thirty (30) days after written notice from Lender referring to Article 6 and specifying the default thereunder or (B) the cure period, if any, permitted under any applicable law, rule, regulation or order; or

(k) The occurrence of any other event or circumstance specified to be an Event of Default herein or under any of the other Loan Documents and the expiration of any applicable notice, grace or cure periods, if any, specified for such Event of Default herein or therein, as the case may be.

8.2 Remedies Conferred Upon Lender. Lender's rights, remedies and powers, as provided herein and the other Loan Documents, are cumulative and concurrent, and may be pursued singly, successively or together against any Borrower, any guarantor of the Loan, the security described in the Loan Documents, and any other security given at any time to secure the payment hereof, all at the sole discretion of Lender. Additionally, Lender may resort to every other right or remedy available at law or in equity without first exhausting the rights and remedies contained herein, all in Lender's sole discretion. Failure of Lender, for any period of time or on more than one occasion, to exercise its option to accelerate the Maturity Date shall not constitute a waiver of the right to exercise the same at any time during the continued existence of any Event of Default or any subsequent Event of Default. Upon the occurrence of any Event of Default, Lender may pursue any one or more of the following remedies concurrently or successively, it being the intent hereof that none of such remedies shall be to the exclusion of any other:

(a) Take possession of any Project and do anything that is necessary or appropriate in its sole judgment to fulfill the obligations of Borrowers under this Agreement and the other Loan Documents. Without restricting the generality of the foregoing and for the purposes aforesaid, each Borrower hereby appoints and constitutes Lender its lawful attorney-in-fact with full power of substitution in the Projects to use unadvanced funds remaining under the Note or which may be reserved, escrowed or set aside for any purposes hereunder at any time, or to advance funds in excess of the face amount of the Note, to pay, settle or compromise all existing bills and claims, which may be liens or security interests, or to avoid such bills and claims becoming liens against any Project; to execute all applications and certificates in the name of a Borrower prosecute and defend all actions or proceedings in connection with any of the Improvements or Projects; and to do any and every act which a Borrower might do in its own behalf; it being understood and agreed that this power of attorney shall be a power coupled with an interest and cannot be revoked;

(b) Declare the Note or the Indebtedness to be immediately due and payable;

(c) Use and apply any monies or letters of credit deposited by Borrowers with Lender, including all escrows and reserves, regardless of the purposes for which the same was deposited, to cure any such default or to apply on account of any Indebtedness under this Agreement which is due and owing to Lender;

(d) Exercise or pursue any other remedy or cause of action permitted under this Agreement or any other Loan Documents, or conferred upon Lender by operation of Law.

Notwithstanding the foregoing, upon the occurrence of any Event of Default under Section 8.1(f) all amounts evidenced by the Note shall automatically become due and payable, without any presentment, demand, protest or notice of any kind to Borrowers.

ARTICLE 9
LOAN EXPENSE, COSTS AND ADVANCES

9.1 Loan and Administration Expenses. Whether or not the Loan is made (unless the Loan is not made due to a default by the Lender), each Borrower unconditionally agrees to pay all Expenses of the Loan, including all amounts payable pursuant to Sections 2.7, 2.8 and 9.2 and any and all other fees owing to Lender pursuant to the Loan Documents, and also including all reasonable documentation, modification, or workout costs relating to the Loan, recording, filing and registration fees and charges, mortgage or documentary taxes, UCC searches, title and survey charges, all reasonable fees and disbursements of Lender's consultants, any costs involved in the disbursement, syndication and administration of the Loan, any reasonable repair or maintenance costs or payments made to remove or protect against liens, all reasonable costs and expenses incurred by Lender in connection with the determination of whether or not Borrowers have performed the obligations undertaken by Borrowers hereunder or has satisfied any conditions precedent to the obligations of Lender hereunder and, if any Event of Default occurs hereunder or under any of the Loan Documents or if the Loan or Note or any portion thereof is not paid in full when and as due (subject to any applicable notice, grace, or cure periods, if any), all reasonable costs and expenses of Lender incurred in attempting to enforce or collect payment of the Loan or enforce any rights of Lender or any Borrower's obligations hereunder and reasonable expenses of Lender incurred (including reasonable expenses relating to documentary and expert evidence, publication costs) in attempting to realize, after an Event of Default has occurred, on any security or incurred in connection with the sale, disposition (or preparation for sale or disposition) or liquidation of any security for the Loan (including any foreclosure sale, deed in lieu transaction or reasonable costs incurred in connection with any litigation or bankruptcy or administrative hearing and any appeals therefrom and any post-judgment enforcement action including, without limitation, supplementary proceedings in connection with the enforcement of this Agreement). All such Expenses incurred or advances or payments made by Lender shall also include court costs, reasonable legal fees and disbursements relating thereto and shall be included as additional Indebtedness evidenced by the Note and secured by the Mortgages and the other Loan Documents bearing interest at the Default Rate set forth in the Note until paid. Borrowers agree to pay all brokerage, finder or similar fees or commissions payable in connection with the transactions contemplated hereby and shall indemnify, defend and hold Lender harmless against all claims, liabilities, and Expenses arising in relation to any claim by broker, finder or similar person. Lender may require the payment of

Lender's reasonable outstanding fees and expenses as a condition to any disbursement of the Loan. Lender is hereby authorized to make disbursements from time to time in payment of or to reimburse Lender for all reasonable Loan expenses and fees pursuant to this Section 9.1.

9.2 Right of Lender to Make Advances to Cure Borrowers' Defaults. In the event that Borrowers fail to perform any of Borrowers' covenants, agreements or obligations contained in this Agreement or any of the other Loan Documents (after the expiration of applicable notice, grace or cure periods, if any, except in the event of an emergency), Lender may (but shall not be required to) perform any of such covenants, agreements and obligations, and any amounts expended by Lender in so doing shall constitute additional Indebtedness evidenced by the Note and secured by the Mortgages and the other Loan Documents and shall bear interest at a rate per annum equal to the Interest Rate (or Default Rate following an Event of Default).

9.3 Increased Costs. Borrowers agree to pay Lender additional amounts to compensate Lender for any increase in its actual costs incurred in maintaining the Loan or any portion thereof outstanding or for the reduction of any amounts received or receivable from any Borrower as a result of any change after the date hereof in any applicable Law, regulation or treaty, or in the interpretation or administration thereof, or by any domestic or foreign court, changing the basis of taxation of payments under this Agreement to Lender (other than taxes imposed on or measured by the net income or receipts of Lender or any franchise tax imposed on Lender). Any amount payable by Borrowers under this Article 9 shall be paid within five (5) days of receipt by Borrowers of a notice by Lender setting forth the amount due and the basis for the determination of such amount, which statement shall be conclusive and binding upon Borrowers, absent manifest error. Failure on the part of Lender to demand payment from Borrowers for any such amount attributable to any particular period shall not constitute a waiver of Lender's right to demand payment of such amount for any subsequent or prior period.

9.4 Borrower Withholding. If by reason of a change in any applicable Laws occurring after the date hereof, any Borrower is required by Law to make any deduction or withholding in respect of any taxes (other than taxes imposed on or measured by the net income of or receipts of Lender or any franchise tax imposed on Lender), duties or other charges from any payment due under the Note, the sum due from Borrowers in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, Lender receives and retains a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made.

9.5 Document and Recording Tax Indemnification. Borrowers agree to indemnify, defend and hold harmless Lender from and against any claim that any documentary or mortgage tax is due and payable in connection with the Loan or the execution, delivery or recording of the Loan Documents to pay such taxes and Expenses incurred by Lender in connection therewith. Borrowers may contest any determination that any such taxes are due, but shall pay any such taxes (including penalties and interest) when legally required. This paragraph shall survive repayment of the Loan.

ARTICLE 10
ASSIGNMENTS BY LENDER AND DISCLOSURE

10.1 Assignments and Participations. Lender may from time to time, without the consent of Borrowers, sell, transfer, pledge, assign and convey the Loan and the Loan Documents (or any interest therein) and may grant participations in the Loan. Borrowers agree to cooperate with Lender's efforts to do any of the foregoing and to execute all documents reasonably required by Lender in connection therewith which do not adversely affect Borrowers' rights or unreasonably expand Borrower's obligations under the Loan Documents.

10.2 Disclosure of Information. To the extent not prohibited from doing so by applicable law, Lender shall have the right (but shall be under no obligation) to make available to any party for the purpose of granting participations in or selling, transferring, assigning or conveying all or any part of the Loan (including any governmental agency or authority and any prospective bidder at any foreclosure sale of any Project) any and all information that Lender may have with respect to the Projects and Borrowers, whether provided by Borrowers, Guarantors, or any third party or obtained as a result of any environmental assessments. Borrowers and Guarantors agree that Lender shall have no liability whatsoever as a result of delivering any such information to any third party, and Borrowers and Guarantors, on behalf of themselves and their successors and assigns, hereby release and discharge Lender from any and all liability, claims, damages, or causes of action, arising out of, connected with or incidental to the delivery of any such information to any third party.

ARTICLE 11
GENERAL PROVISIONS

11.1 Captions. The captions and headings of various Articles, Sections and subsections of this Agreement and the other Loan Documents and the Exhibits and Schedules pertaining thereto are for convenience only and are not to be considered as defining or limiting in any way the scope or intent of the provisions hereof or thereof.

11.2 Waiver of Jury Trial. BORROWERS AND LENDER EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY CLAIM, CONTROVERSY DISPUTE, ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (INCLUDING WITHOUT LIMITATION ANY ACTIONS OR PROCEEDINGS FOR ENFORCEMENT OF THE LOAN DOCUMENTS) AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. BORROWERS AND LENDER EACH ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH OF THEM HAS RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. BORROWERS AND LENDER EACH WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

11.3 Jurisdiction. TO THE GREATEST EXTENT PERMITTED BY LAW, EACH BORROWER AND EACH GUARANTOR HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), BORROWER AND EACH GUARANTOR IRREVOCABLY (A) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF CHICAGO, COUNTY OF COOK AND STATE OF ILLINOIS, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. EACH BORROWER AND EACH GUARANTOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY ILLINOIS STATE OR UNITED STATES COURT SITTING IN THE CITY OF CHICAGO AND COUNTY OF COOK MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO EACH BORROWER AND/OR EACH GUARANTOR, AS APPLICABLE, AT THE ADDRESS INDICATED BELOW OR AT THE ADDRESS SET FORTH IN THE GUARANTY, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF A BORROWER OR A GUARANTOR SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

11.4 Governing Law. Irrespective of the place of execution and/or delivery, this Agreement and the other Loan Documents shall be governed by, and shall be construed in accordance with, the internal laws of the State of Illinois, without regard to conflicts of law principles except as provided in the Mortgages.

11.5 Lawful Rate of Interest. In no event whatsoever shall the amount of interest paid or agreed to be paid to Lender pursuant to this Loan Agreement, the Note or any of the Loan Documents exceed the highest lawful rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision of this Loan Agreement, the Note and the other Loan Documents shall involve exceeding the lawful rate of interest which a court of competent jurisdiction may deem applicable hereto ("EXCESS INTEREST"), then ipso facto, the obligation to be fulfilled shall be reduced to the highest lawful rate of interest permissible under such law and if, for any reason whatsoever, Lender shall receive, as interest, an amount which would be deemed unlawful under such applicable law, such interest shall be applied to the Loan (whether or not due and payable), and not to the payment of interest, or refunded to Borrowers if such Loan has been paid in full. No Borrower, guarantor, endorser or surety nor

their heirs, legal representatives, successors or assigns shall have any action against Lender for any damages whatsoever arising out of the payment or collection of any such Excess Interest.

11.6 Modification; Consent. No modification, waiver, amendment or discharge of this Agreement or any other Loan Document shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment or discharge is sought. Consent by Lender to any act or omission by Borrowers shall not be construed as a consent to any other or subsequent act or omission or to waive the requirement for Lender's consent to be obtained in any future or other instance.

11.7 Waivers; Acquiescence or Forbearance Not to Constitute Waiver of Lender's Requirements.

(a) Except for any notice, grace, or cure periods expressly set forth in the Loan Documents, each Borrower (i) waives presentment for payment, demand, notice of nonpayment or dishonor, protest of any dishonor, protest and notice of protest and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of the Loan; (ii) waives and renounces all rights to the benefits of any statute of limitations and any moratorium, reinstatement, marshalling, forbearance, valuation, stay, extension, redemption, appraisal, or exemption and homestead laws now provided, or which may hereafter be provided, by the laws of the United States and of any state thereof against the enforcement and collection of the obligations evidenced by the Note or this Loan Agreement or as a bar to the enforcement of the lien created by any of the Loan Documents.

(b) Each Borrower (i) consents to any indulgences and all extensions of time, renewals, waivers, or modifications that may be granted by Lender with respect to the payment or other provisions of this Loan Agreement, the Note, and to any substitution, exchange or release of the collateral, or any part thereof, with or without substitution, and agrees to the addition or release of any Borrowers, whether primarily or secondarily liable, without notice to Borrowers and without affecting its liability hereunder; (ii) agrees that its liability shall be unconditional and without regard to the liability of any other tax; and (iii) expressly waives the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing.

(c) Each and every covenant and condition for the benefit of Lender contained in this Agreement and the other Loan Documents may be waived by Lender, provided, however, that to the extent that Lender may have acquiesced in any noncompliance with any requirements or conditions precedent to the closing of the Loan or to any subsequent disbursement of Loan proceeds, such acquiescence shall not be deemed to constitute a waiver by Lender of such requirements with respect to any future disbursements of Loan proceeds and Lender may at any time after such acquiescence require Borrower to comply with all such requirements. Any forbearance by Lender in exercising any right or remedy under any of the Loan Documents, or otherwise afforded by applicable law, including any failure to accelerate the Maturity Date shall not be a waiver of or preclude the exercise of any right or remedy nor shall it serve as a novation of the Note or as a reinstatement of the Loan or a waiver of such right of acceleration or the right to insist upon strict compliance of the terms of the Loan Documents. Lender's acceptance of payment of any sum secured by any of the Loan Documents after the due

date of such payment shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the Loan, nor shall Lender's receipt of any awards, proceeds, or damages under Article 7 of this Agreement operate to cure or waive any Borrower's or Guarantor's default in payment of sums secured by any of the Loan Documents.

11.8 California Waiver Provision. EXCEPT AS OTHERWISE EXPRESSLY PERMITTED IN THE NOTE OR THIS AGREEMENT, EACH BORROWER HEREBY EXPRESSLY (A) WAIVES ANY RIGHTS IT MAY HAVE UNDER LAW, PURSUANT TO CALIFORNIA CIVIL CODE SECTION 2954.10 OR OTHERWISE, TO PREPAY THE NOTE, IN WHOLE OR IN PART, WITHOUT PENALTY, UPON ACCELERATION OF THE MATURITY DATE, AND (B) AGREES THAT IF, FOR ANY REASON, A PREPAYMENT OF ALL OR ANY PORTION OF THE PRINCIPAL AMOUNT OF THIS NOTE IS MADE INCLUDING, WITHOUT LIMITATION, UPON OR FOLLOWING ANY ACCELERATION OF THE MATURITY DATE BY LENDER ON ACCOUNT OF ANY DEFAULT BY BORROWERS, INCLUDING, WITHOUT LIMITATION, ANY TRANSFER, DISPOSITION OR FURTHER ENCUMBRANCE PROHIBITED OR RESTRICTED BY THE DEED OF TRUST OR OTHER LOAN DOCUMENTS, THEN BORROWERS SHALL BE OBLIGATED TO PAY CONCURRENTLY WITH SUCH PREPAYMENT THE EXIT FEE AND ANY OTHER PREPAYMENT CHARGE OR PREMIUM TO THE EXTENT REQUIRED UNDER THIS LOAN AGREEMENT, THE NOTE OR UNDER ANY OTHER LOAN DOCUMENT. BY INITIALING THIS PROVISION IN THE SPACE PROVIDED BELOW, EACH BORROWER HEREBY DECLARES THAT (1) EACH OF THE FACTUAL MATTERS SET FORTH IN THIS PARAGRAPH IS TRUE AND CORRECT IN ALL MATERIAL RESPECTS, (2) LENDER'S AGREEMENT TO MAKE THE LOAN EVIDENCED BY THIS NOTE AT THE INTEREST RATE AND FOR THE TERM SET FORTH HEREIN CONSTITUTES ADEQUATE CONSIDERATION FOR THIS WAIVER AND AGREEMENT, AND HAS BEEN GIVEN INDIVIDUAL WEIGHT BY BORROWERS AND LENDER, (3) EACH BORROWER IS A SOPHISTICATED AND KNOWLEDGEABLE REAL ESTATE INVESTOR WITH COMPETENT AND INDEPENDENT LEGAL COUNSEL, AND (4) EACH BORROWER FULLY UNDERSTANDS THE EFFECT OF THIS WAIVER.

4499 ACUSHNET AVENUE, LLC

8451 PEARL STREET, LLC

Initials

Initials

92 BRICK ROAD, LLC

1300 CAMPBELL LANE, LLC

Initials

Initials

KENTFIELD THCI HOLDING COMPANY LLC

MPT OPERATING PARTNERSHIP, L.P.

Initials

Initials

SAN JOAQUIN HEALTH CARE
ASSOCIATES, LP

Initials

11.9 Disclaimer by Lender. This Agreement and the other Loan Documents are made for the sole benefit of Borrowers and Lender, and no other person or persons shall have any benefits, rights or remedies under or by reason of this Agreement or the other Loan Documents, or by reason of any actions taken by Lender pursuant to this Agreement or the other Loan Documents. Lender shall not be liable to any contractors, subcontractors, supplier, architect, engineer, Tenant or other party for labor or services performed or materials supplied in connection with the Project. Lender shall not be liable for any debts or claims accruing in favor of any such parties against any Borrower or others or against the Project. Lender neither undertakes nor assumes any responsibility or duty to any Borrower to select, review, inspect, supervise, pass judgment upon or inform Borrowers of any matter in connection with the Projects. Borrowers shall rely entirely upon their own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information to Borrowers by Lender in connection with such matters is for the protection of Lender only, and no Borrower nor any third party is entitled to rely thereon.

11.10 Partial Invalidity; Severability. If any of the provisions of this Agreement or the other Loan Documents, or the application thereof to any person, party or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the other Loan Documents, or the application of such provision or provisions to persons, parties or

circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law and to this end, the provisions of this Agreement and all the other Loan Documents are declared to be severable. All covenants and agreements of Borrowers shall be joint and several.

11.11 Definitions Include Amendments. Definitions contained in this Agreement which identify documents, including, but not limited to, the Loan Documents, shall be deemed to include all amendments and supplements to such documents from the date hereof, and all future amendments, modifications, and supplements thereto entered into from time to time to satisfy the requirements of this Agreement or otherwise with the consent of Lender. Reference to this Agreement contained in any of the foregoing documents shall be deemed to include all amendments and supplements to this Agreement.

11.12 Execution in Counterparts. This Agreement and the other Loan Documents may be executed in any number of counterparts and by different parties hereto or thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

11.13 Entire Agreement. This Agreement, taken together with all of the other Loan Documents and all certificates and other documents delivered by Borrowers or Guarantors to Lender, embody the entire agreement and supersede all prior commitments, agreements, representations, and understandings, written or oral, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto.

11.14 Waiver of Damages. In no event shall Lender be liable to any other party for punitive, exemplary or consequential damages, including, without limitation, lost profits, whatever the nature of a breach by Lender of its obligations under this Agreement or any of the Loan Documents, and each Borrower, for itself and Guarantors, waives all claims for punitive, exemplary or consequential damages.

11.15 Claims Against Lender. Lender shall not be in default under this Agreement, or under any other Loan Documents, unless a written notice specifically setting forth the claim of Borrowers shall have been given to Lender within three (3) months after any Borrower first had knowledge of the occurrence of the event which Borrowers allege gave rise to such claim and Lender does not remedy or cure the default, if any there be, promptly thereafter. Each Borrower waives any claim, set-off or defense against Lender arising by reason of any alleged default by Lender as to which Borrowers do not give such notice timely as aforesaid. Borrowers acknowledge that such waiver is or may be essential to Lender's ability to enforce its remedies without delay and that such waiver therefore constitutes a substantial part of the bargain between Lender and Borrowers with regard to the Loan. No Guarantor or Tenant is intended to have any rights as a third-party beneficiary of the provisions of this Section 11.15

11.16 Set-Offs. During the continuance of an Event of Default, each Borrower hereby irrevocably authorizes and directs Lender from time to time to charge any Borrower's accounts and deposits with Lender (or its Affiliates), and to pay over to Lender an amount equal

to any amounts from time to time due and payable to Lender hereunder, under the Note or under any other Loan Document. Each Borrower hereby grants to Lender a security interest in and to all such accounts and deposits maintained by any Borrower with Lender (or its Affiliates).

11.17 Relationship. The relationship between Lender and Borrowers shall be that of creditor-debtor only. No term in this Agreement or in the other Loan Documents and no course of dealing between the parties shall be deemed to create any relationship of agency, partnership or joint venture or any fiduciary duty by Lender to Borrowers or any other party.

11.18 Agents. In exercising any rights under the Loan Documents or taking any actions provided for therein, Lender may act through its employees, agents or independent contractors as authorized by Lender.

11.19 Interpretation. With respect to all Loan Documents, whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The word "obligations" is used in its broadest and most comprehensive sense, and includes all primary, secondary, direct, indirect, fixed and contingent obligations. It further includes all principal, interest, prepayment charges, late charges, loan fees and any other fees and charges accruing or assessed at any time, as well as all obligations to perform acts or satisfy conditions. No listing of specific instances, items or matters in any way limits the scope or generality of any language in the Loan Documents. This Agreement and all of the other Loan Documents shall not be construed more strictly against one party than against the other, merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties.

11.20 Successors and Assigns. Subject to the restrictions in Section 4.2(b) on transfer and assignment contained in this Agreement, this Agreement and the other Loan Documents shall inure to the benefit of and shall be binding on Lender, Borrowers, and Guarantors and their respective heirs, successors and permitted assigns.

11.21 Time is of the Essence. Borrowers agrees that time is of the essence under this Agreement and the other Loan Documents and the performance of each of the covenants and agreement contained herein and therein.

11.22 Notices. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing and shall be deemed to have been properly given (a) if hand delivered, when delivered; (b) if mailed by United States Certified Mail (postage prepaid, return receipt requested), three (3) Business Days after mailing (c) if by Federal Express or other reliable overnight courier service, on the next Business Day after delivered to such courier service or (d) if by telecopier on the day of transmission if before 3:00 p.m. (Chicago time) on a Business Day so long as copy is sent on the same day by overnight courier as set forth below:

If to Borrowers:

1001 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attention: Michael Stewart, Esq.
Telephone: 205-969-3755
Facsimile: 205-969-3756

With a copy to:

Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC
1600 SouthTrust Tower
420 Twentieth Street North
Birmingham, Alabama 35203-5202
Attention: Thomas O. Kolb, Esq.
Telephone: 205-328-0480
Facsimile: 205-322-8007

If to Lender:

Merrill Lynch Capital, a Division of
Merrill Lynch Business Financial Services Inc.
222 North LaSalle Street - 18th Floor
Chicago, Illinois 60601
Attention: Vice President, Portfolio Project Lessee
Telephone: 312-499-3128
Facsimile: 312-499-3026

With a copy to:

Merrill Lynch Capital, a Division
of Merrill Lynch Business Financial
Services Inc.
222 North LaSalle Street - 18th Floor
Chicago, Illinois 60601
Attention: Healthcare Legal
Telephone: 312-499-3140
Facsimile: 312-499-3026

or at such other address as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice. Any notice or demand delivered to the person or entity named above to accept notices and demands for such party shall constitute notice or demand duly delivered to such party, even if delivery is refused.

11.23 Joint and Several Liability.

(a) The Indebtedness and all other obligations of Borrowers under the Loan Documents (collectively, the "OBLIGATIONS") shall be the joint and several obligations and liabilities of Borrowers. Hence, each Borrower shall be primarily and directly liable for repayment of the Indebtedness and all other Obligations.

(b) Notwithstanding any provisions of this Agreement to the contrary, it is intended that the joint and several nature of the liability of each Borrower for the Obligations and the liens and security interests granted by Borrowers to secure the Obligations, not constitute a "Fraudulent Conveyance" (as defined below). Consequently, Lender and each Borrower agree that if the liability of a Borrower for the Obligations, or any liens or security interests granted by such Borrower securing the Obligations would, but for the application of this sentence, constitute a Fraudulent Conveyance, the liability of such Borrower and the liens and security interests securing such liability shall be valid and enforceable only to the maximum extent that would not cause such liability or such lien or security interest to constitute a Fraudulent Conveyance, and the liability of such Borrower and this Agreement shall automatically be deemed to have been amended accordingly. For purposes hereof, "FRAUDULENT CONVEYANCE" means a fraudulent conveyance under Section 548 of Chapter 11 of Title II of the United States Code (11 U.S.C. Section 101, et seq.), as amended (the "BANKRUPTCY CODE") or a fraudulent conveyance or fraudulent transfer under the applicable provisions of any fraudulent conveyance or fraudulent transfer law or similar law of any state, nation or other governmental unit, as in effect from time to time.

(c) Lender is hereby authorized, without notice or demand and without affecting the liability of any Borrower hereunder, to, at any time and from time to time, (i) renew, extend or otherwise increase the time for payment of the Obligations; (ii) with the written agreement of any Borrower accelerate or otherwise change the terms relating to the Obligations or otherwise modify, amend or change the terms of any promissory note or other agreement, document or instrument now or hereafter executed by any Borrower and delivered to Lender; (iii) accept partial payments of the Obligations; (iv) take and hold security or collateral for the payment of the Obligations or for the payment of any guaranties of the Obligations and exchange, enforce, waive and release any such security or collateral; (v) apply such security or collateral and direct the order or manner of sale thereof Lender, in its sole discretion, may determine; and (vi) settle, release, compromise, collect or otherwise liquidate the Obligations and any security or collateral therefor in any manner, without affecting or impairing the obligations of any Borrower. Except as specifically provided in this Agreement or any of the other Loan Documents, Lender shall have the exclusive right to determine the time and manner of application of any payments or credits, whether received from any Borrower or any other source, and such determination shall be binding on all Borrowers. All such payments and credits may be applied, reversed and reapplied, in whole or in part, to any of the Obligations Lender shall determine in its sole discretion without affecting the validity or enforceability of the Obligations of any other Borrower.

(d) Each Borrower hereby agrees that, except as hereinafter provided, its obligations hereunder shall be unconditional, irrespective of (i) the absence of any attempt to collect the Obligations from any obligor or other action to enforce the same; (ii) the waiver or consent by Lender with respect to any provision of any instrument evidencing the Obligations, or

any part thereof, or any other agreement heretofore, now or hereafter executed by a Borrower and delivered to Lender; (iii) failure by Lender to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Obligations; (iv) the institution of any proceeding under the Bankruptcy Code, or any similar proceeding, by or against a Borrower or Lender's election in any such proceeding of the application of Section 1111(b)(2) of the Bankruptcy Code; (v) any borrowing or grant of a security interest by a Borrower as debtor-in-possession, under Section 364 of the Bankruptcy Code; (vi) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of Lender's claim(s) for repayment of any of the Obligations; or (vii) any other circumstance other than payment in full of the Obligations which might otherwise constitute a legal or equitable discharge or defense of a guarantor or surety.

(e) Until all Obligations have been paid and satisfied in full, no payment made by or for the account of a Borrower including, without limitation, (i) a payment made by such Borrower on behalf of the liabilities of any other Borrower or (ii) a payment made by any other person under any guaranty, shall entitle such Borrower, by subrogation or otherwise, to any payment from any other Borrower or from or out of any other Borrower's property and such Borrower shall not exercise any right or remedy against any other Borrower or any property of any other Borrower by reason of any performance of such Borrower of its joint and several obligations hereunder.

ARTICLE 12 PARTIAL RELEASE

12.1 Partial Release. The Loan is secured by, among other things, the Mortgages covering six (6) separate and distinct parcels of improved real property, which are identified on Exhibit A-1 through Exhibit A-6, annexed hereto and made a part hereof, and all Improvements thereon. Lender agrees to release from the lien of the Mortgages and the other security documents (each, a "Release") one or more of said parcels, subject to satisfaction of the following conditions precedents:

(i) Borrowers shall deliver to Lender a written request (a "RELEASE NOTICE"), not more than one hundred twenty (120) nor less than thirty (30) days before the date of any requested Release, containing among other things, the parcel that is the subject of the Release Notice (the "RELEASE PROPERTY") and the proposed date of the Release (the "RELEASE DATE");

(ii) Borrowers shall pay to Lender a release price (the "RELEASE PRICE") equal to the higher of (A) the applicable amount set forth on Schedule 12.1 with respect to the Release Property or (B) the amount required to satisfy the requirements of subsection (iii) below;

(iii) the principal amount of the Loan after application of the Release Price (the "REDUCED LOAN AMOUNT") shall be no more than sixty percent (60%) of Lender's then underwritten value of the Projects other than the Release Property (the "REMAINING PROJECTS") and the value of the Remaining Projects shall be not less than \$35,000,000, based on (I) Appraisals of the Remaining Projects reasonably acceptable to Lender

and dated within three (3) months of the projected release date and (II) the underwriting criteria and methodology applied by Lender generally to properties similar to the Real Property at the time of the Release Notice;

(iv) no Default shall have occurred and be continuing and no Event of Default shall have occurred on either or both of (A) the date on which the Release Notice is delivered to Lender or (B) the date on which the actual Release would occur;

(v) the representations and warranties made by Borrowers in this Agreement and in the other Loan Documents shall be true and correct in all material respects on and as of the Release Date with the same force and effect as if made on and as of such date;

(vi) Borrowers shall deliver to Lender an Officer's Certificate confirming the satisfaction of the conditions set forth in the foregoing clauses;

(vii) Borrowers shall have executed and delivered or caused to be executed and delivered to Lender (i) amendments and/or modifications of any of the Loan Documents as reasonably required by Lender, (ii) reaffirmations of any Guaranty and (iii) such other agreements as Lender may reasonably require to reflect the release of Property;

(viii) Borrowers shall pay all costs and expenses incurred by Lender in connection with the Release and the determination of the Release, including, without limitation, Lender's reasonable attorney's fees and expenses; and

(ix) Borrowers shall have paid to Lender on or before the Release Date, by wire transfer of immediately available funds, (A) the Release Price, as a principal prepayment under the Loan, (B) all accrued interest, costs, prepayment premiums or fees relating to the Release, and (C) the Exit Fee (if any), to the extent payable by reason of the Release and the principal repayment relating thereto.

In connection with Lender's review of the above conditions, Borrowers shall provide Lender with such information as Lender may reasonably require, including, but not limited to, the following: (i) operating statements for the Remaining Projects for the trailing twelve (12) months; (ii) a then-current rent roll/census report for the Real Property; (iii) evidence of no material adverse change in the condition of Borrowers, the Remaining Projects and any Guarantor from the Closing Date; and (iv) an updated or new Appraisal of the Remaining Projects. Upon release of the Release Property, Lender shall notify the applicable bank that Lender has also released its rights to any Clearing Account or Governmental Clearing Account into which income from the Release Property is deposited.

EXECUTED as of the date first set forth above.

4499 ACUSHNET AVENUE, LLC

By: MPT Operating Partnership, L.P.
Its Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and CFO

8451 PEARL STREET, LLC

By: MPT Operating Partnership, L.P.
Its Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and CFO

92 BRICK ROAD, LLC

By: MPT Operating Partnership, L.P.
Its Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and CFO

1300 CAMPBELL LANE, LLC

By: MPT Operating Partnership, L.P.
Its Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and CFO

KENTFIELD THCI HOLDING COMPANY LLC

By: MPT Operating Partnership, L.P.
Its Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and CFO

SAN JOAQUIN HEALTH CARE ASSOCIATES, LP

By: MPT of California, LLC
Its General Partner

By: MPT Operating Partnership, L.P.
Its Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and CFO

[Signatures continued on next page]

LENDER:

MERRILL LYNCH CAPITAL, a division of
Merrill Lynch Business Financial
Services Inc., a Delaware corporation

By: /s/ Garret W. Fletcher

Name: Garret W. Fletcher
Title: Vice President

APPENDIX A

FINANCIAL COVENANTS

1. INTEREST COVERAGE RATIO (EBITDA/INTEREST EXPENSE). The Interest Coverage Ratio shall be a minimum of 2 to1 for the first Defined Period after the Closing Date and for each subsequent Defined Period thereafter.

2. FIXED CHARGE COVERAGE RATIO (EBITDA/FIXED CHARGES). The Fixed Charge Coverage Ratio shall be greater than 1.65 to 1.0 for the first Defined Period after the Closing Date, and for each subsequent Defined Period thereafter.

3. MINIMUM TANGIBLE NET WORTH. The REIT will maintain a Tangible Net Worth at all times of not less than \$200,000,000.

4. NET DEBT TO TOTAL ASSET VALUATION RATIO. The Net Debt to Total Asset Valuation Ratio for the first Defined Period after the Closing Date and for each subsequent Defined Period thereafter shall be not greater than 70%.

5. BASE RENT COVERAGE RATIO (EBITDARM/BASE RENT). The Base Rent Coverage Ratio for each Project for the first Defined Period after the Closing Date and for each subsequent Defined Period thereafter shall be equal to or greater than 1:25:1.

For purposes of the covenants set forth in this APPENDIX A, the terms listed below shall have the following meanings:

"ASSUMED CAPITAL EXPENDITURES" means (i) \$300 per licensed bed at the Projects, minus, (ii) the amount per bed paid by the Project Lessees under the Project Leases for replacement reserves, determined in the case of (i) and (ii), on an annualized basis.

"BASE RENT COVERAGE RATIO" means, at any date of determination, the ratio of (i) EBITDARM to (ii) Base Rent under the Project Leases.

"DEFINED PERIOD" means a period ending on the last day of each calendar month and comprised of the three (3) most recent calendar months then ended (taken as one accounting period) unless some other period is specified in the Agreement or any Appendix thereto; PROVIDED, that the first (1st) Defined Period following the Closing Date shall consist of the first (1st) full calendar month following the Closing Date (on an annualized basis) and the second (2nd) Defined Period following the Closing Date shall consist of the first (1st) and second (2nd) full calendar months following the Closing Date (on an annualized basis).

"EBITDA" for the applicable Defined Period is defined as follows: Net Income (or loss) of the REIT and its consolidated subsidiaries, determined in accordance with GAAP, but excluding: (a) the income (or loss) of any Person in which the REIT or any of its subsidiaries has an ownership interest except to the extent received by the REIT or any subsidiary in a cash distribution; and (b) the income (or loss) of any Person accrued prior to the date it became a subsidiary of the REIT or is merged into or consolidated with the REIT, PLUS (without duplication): (i) any provision for (or less any benefit from) income and franchise taxes

included in the determination of Net Income for the Defined Period, (ii) interest expense, net of interest income, deducted in the determination of Net Income for the Defined Period, (iii) amortization and depreciation deducted in the determination of Net Income for the Defined Period, (iv) losses (or less gains) from asset dispositions included in the determination of Net Income for the Defined Period (excluding sales, expenses or losses related to current assets), (v) other non-cash losses (or less gains) included in the determination of Net Income for the Defined Period and for which no cash outlay (or cash receipt) is foreseeable, (vi) expenses and fees included in the determination of Net Income and incurred during the Defined Period to consummate the transactions contemplated by the Operative Documents, but solely to the extent disclosed to Lender prior to the Closing Date, (vii) extraordinary losses (or less gains) included in the determination of Net Income during the Defined Period, net of related tax effects.

"EBITDARM" for the applicable Defined Period is defined as follows: Net Income (or loss) of the applicable Project Lessee determined in accordance with GAAP, but excluding: (a) the income (or loss) of any Person in which any Project Lessee or any of its subsidiaries has an ownership interest except to the extent received by any Project Lessee or any subsidiary in a cash distribution; and (b) the income (or loss) of any Person accrued prior to the date it became a subsidiary of the Project Lessee or is merged into or consolidated with the Project Lessee, PLUS (without duplication): (i) any provision for (or less any benefit from) income and franchise taxes included in the determination of Net Income for the Defined Period, (ii) interest expense, net of interest income, deducted in the determination of Net Income for the Defined Period, (iii) amortization and depreciation deducted in the determination of Net Income for the Defined Period, (iv) losses (or less gains) from asset dispositions included in the determination of Net Income for the Defined Period (excluding sales, expenses or losses related to current assets), (v) other non-cash losses (or less gains) included in the determination of Net Income for the Defined Period and for which no cash outlay (or cash receipt) is foreseeable, (vi) [intentionally deleted], (vii) extraordinary losses (or less gains) included in the determination of Net Income during the Defined Period, net of related tax effects, (viii) "Base Rent" and "Percentage Rent" (as such terms are defined in the applicable Project Lease) payable under the applicable Project Lease during the Defined Period and (ix) management fees payable under the management agreement for the Project delivered to and approved by Lender at the Closing.

"GAAP" means generally accepted accounting principles in the United States of America in effect from time to time as applied by nationally recognized accounting firms.

"FIXED CHARGE COVERAGE RATIO" means, for the applicable Defined Period, the ratio of (a) EBITDA, to (b) Fixed Charges.

"FIXED CHARGES" means, for the applicable Defined Period, the sum of the following: (a) Total Debt Service, (b) Assumed Capital Expenditures, (c) income taxes paid in cash or accrued, and (d) preferred dividends distributed in cash by the REIT.

"INDEBTEDNESS" of any Person means (without duplication) (a) all items which, in accordance with GAAP, would be included in determining total liabilities as shown on the liability side of the balance sheet of such Person as of the date as of which Indebtedness, (b) all indebtedness secured by any mortgage, pledge, security, lien or conditional sale or other title retention agreement to which any property or asset owned or held by such Person is subject,

whether or not the indebtedness secured thereby shall have been assumed, (c) all indebtedness of others which such Person has directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), discounted or sold with recourse or agreed (contingently or otherwise) to purchase or repurchase or otherwise acquire, or in respect of which such Person has agreed to supply or advance funds (whether by way of loan, stock, equity or other ownership interest purchase, capital contribution or otherwise) or otherwise to become directly or indirectly liable.

"INTANGIBLE ASSETS" means all intangible assets (determined in conformity with GAAP) including, without limitation, goodwill, intellectual property, licenses, organizational costs, deferred amounts, covenants not to compete, unearned income and restricted funds.

"INTEREST COVERAGE RATIO" means, for any applicable Defined Period, the ratio of (a) EBITDA to (b) Interest Expense.

"INTEREST EXPENSE" means, for any Defined Period, total interest expense (including rent under capital leases in accordance with GAAP), fees with respect to all outstanding Indebtedness of the REIT, on a consolidated basis, including capitalized interest but excluding commissions, discounts and other fees owed with respect to letters of credit and bankers' acceptance financing and net costs under Interest Rate Agreements.

"INTEREST RATE AGREEMENT" means any interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to hedge the position with respect to interest rates.

"NET DEBT TO TOTAL ASSET VALUATION RATIO" means, for the applicable Defined Period, the ratio of (i) Total Net Debt to (ii) the product of (A) nine (9) and (B) NOI for the most recent Defined Period.

"NET INCOME" means net income (or loss) determined in conformity with GAAP, provided that there shall be excluded (i) the income (or loss) of any Person in which any other Person (other than any Borrower) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to a Borrower by such Person, (ii) the income (or loss) of any Person accrued prior to the date it becomes a Borrower or is merged into or consolidated with a Borrower or that Person's assets are acquired by a Borrower, (iii) the income of any subsidiary of Borrower to the extent that the declaration or payment of dividends or similar distributions of that income by that subsidiary is not at the time permitted by operation of the terms of the charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that subsidiary, (iv) compensation expense resulting from the issuance of capital stock, stock options or stock appreciation rights issued to former or current employees, including officers, of a Borrower, or the exercise of such options or rights, in each case to the extent the obligation (if any) associated therewith is not expected to be settled by the payment of cash by a Borrower or any affiliate thereof, and (v) compensation expense resulting from the repurchase of capital stock, options and rights described in clause (iv) of this definition.

"NOI" means, for the applicable Defined Period, for the REIT on a consolidated basis, Net Income plus (i) Interest Expense and (ii) depreciation and (iii) amortization, minus (A) management fees not to exceed one percent (1%) of aggregate net revenue and (B) \$300 per licensed bed per annum (as a capital expenditure reserve).

"PERSON" means an individual, a partnership, a corporation, a limited liability company, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture, a governmental authority or any other entity of whatever nature.

"REIT" means Medical Properties Trust, Inc., a Maryland corporation.

"TANGIBLE NET WORTH" means assets (excluding Intangible Assets) plus all depreciation and amortization related to any real estate, less liabilities, determined in accordance with GAAP.

"TOTAL NET DEBT" means, at the date of determination, total Indebtedness of the REIT on a consolidated basis, on such date, MINUS the amount of cash or cash equivalents held by the Borrowers, on a consolidated basis.

"TOTAL DEBT SERVICE" means for the applicable Defined Period, the sum of (i) scheduled or other required payments of principal on Indebtedness of the REIT, and (ii) Interest Expense.

EXHIBIT A-1

Borrower: 4499 Acushnet Avenue, LLC

Name of Facility: New Bedford Rehabilitation Hospital

Address of Land: 4499 Acushnet Avenue, New Bedford, MA

Number of Beds: 90 long term acute care beds

Number of Parking Spaces: 126 Regular
4 Handicap

Legal Description of Land: All that certain parcel of land with the buildings thereon situated on Acushnet Avenue, New Bedford, Bristol County, Massachusetts, all more particularly described as follows:

Beginning at a point, said point being the southeast corner of the premises to be described and being N 15 degrees 02' 51" E, 340 feet more or less by the westerly sideline of Acushnet Avenue from the northwest corner of the intersection of said Acushnet Avenue with Sassaquin Avenue;

Thence N 68 degrees 27' 39" W, 153.74 feet to a point;

Thence N 69 degrees 29' 39" W, 123.56 feet to a point;

Thence S 74 degrees 56' 21" W, 39.50 feet to a point;

Thence N 17 degrees 13' 09" W, 11.50 feet to a point;

Thence N 88 degrees 30' 09" W, 41.74 feet to a point;

Thence along a curve as it deflects to the right, having a radius of 142.96 feet, an arc length of 37.41 feet to a point;

Thence S 86 degrees 35' 13" W, 50.17 feet to a stake

and tack;

The last seven courses being by land now or formerly of Howard Winer;

Thence N 14 degrees 07' 13" W, 376.41 feet to a concrete bound;

Thence N 39 degrees 26' 23" W, 60.00 feet to a point;

Thence N 48 degrees 34' 41" E, 151.51 feet to a point;

Thence N 63 degrees 36' 55" E, 54.87 feet to a point;

Thence S 70 degrees 46' 13" E, 349.96 feet to a point;

Thence S 77 degrees 27' 09" E, 199.85 feet to a point on the westerly sideline of said Acushnet Avenue;

The last six courses being by land now or formerly of SLH Property Inc.;

Thence S 15 degrees 02' 51" W, 498.68 feet by the westerly sideline of said Acushnet Avenue to the point of beginning.

Said parcel contains 6.14 acres and is shown on a plan entitled "Plan of Land in New Bedford, Mass., Surveyed for SLH Property, Inc.", Scale 1" = 40' and dated March 2, 1992, by Tibbetts Engineering Corp. recorded in Bristol County Registry of Deeds (Southern District) in Plan Book 129, Page 6.

There is included in this conveyance a parcel of registered land described as follows:

A certain parcel of land situated in New Bedford, Bristol County, Massachusetts, and bounded and described as follows:

Easterly by the westerly line of Acushnet Avenue, two hundred thirty-six and 62/100 (236.62) feet;

Southerly by land now or formerly of Herbert N. Westgate, five hundred forty-nine and 41/100 (549.41) feet;

Westerly and Southwesterly by Lot 30 on a plan hereinafter mentioned, two hundred thirty and 77/100 (230.77) feet;

Northwesterly two hundred six and 38/100 (206.38) feet;

Northerly five hundred forty-nine and 81/100 (549.81) feet by Lot 33 on said plan.

Said land is shown as Lot 32 on subdivision plan 1652K, drawn by Tibbetts Engineering Corp., Surveyors, dated February 6, 1992, and filed with the Land Registration Office at Boston, a copy of which is filed in the Bristol County Southern District Registry of Deeds, in Registration Book 91, Page 79, with Certificate of Title No. 16763.

EXHIBIT A-2

Borrower: 8451 Pearl Street, LLC

Name of Facility: North Valley Rehabilitation Hospital

Address of Land: 8451 Pearl Street, Thornton, CO

Number of Beds: 70 rehab beds; 24 skilled nursing facility beds; 23 psychiatric beds

Number of Parking Spaces: 389 Regular
18 Handicap
1 Mediplex Van Space

Legal Description of Land: PARCEL A:

Lots 1, 2 and 3, Block 1, Mediplex Thornton Rehabilitation Center Subdivision recorded in Plat Book F16, at Page 761, County of Adams, State of Colorado.

Together with an access easement across Outlot "C", Mediplex Thornton Rehabilitation Center Subdivision, as set forth in Declaration recorded August 1, 1990, in Book 3697, Page 634, County of Adams, State of Colorado.

PARCEL B:

Lot 1, Block 1, Mediplex Group, Inc., Medical Office Building Subdivision, recorded in Plat Book F17, at Page 122, County of Adams, State of Colorado.

EXHIBIT A-3

Borrower: 92 Brick Road, LLC

Name of Facility: Marlton Rehabilitation Hospital

Address of Land: 92 Brick Road, Marlton, NJ

Number of Beds: 46 acute rehab beds

Number of Parking Spaces: 864 Regular
44 Handicap

Legal Description of Land: ALL that certain lot, parcel or tract of land, situated and lying in the Township of Evesham, County of Burlington, State of New Jersey, and being more particularly described as follows:

BEGINNING at a point in the Northeasterly right of way line of Horner Road (a/k/a Brick Road) (49.5 feet wide); said point being South 76 degrees 39 degrees 29 seconds East, a distance of 320.00 feet along said right of way line from its intersection with the Easterly line of the site corner of New Jersey State Highway Route 73; thence

(1) along the lands now or formerly belonging to Garden State Community Medical Center, North 13 degrees 20 minutes 31 seconds East, a distance of 840.77 feet to a point in the Southeasterly line of lands belonging to Evesham Township Board of Education; thence

(2) along said line of lands belonging to the Board of Education, North 54 degrees 39 minutes 01 seconds East, a distance of 767.24 feet to an angle point therein; thence

(3) continuing along said lands of the Board of Education, South 64 degrees 35 minutes 38 seconds East, a distance of 329.32 feet to a point in the Northwesterly line of lands now or formerly belonging to C & V Realty Co.; thence

(4) along said line of lands of C & V Realty Co., South 48 degrees 44 minutes 20 seconds West, a

distance of 187.32 feet to an angle point therein; thence

(5) continuing along said lands of C & V Realty Co., South 13 degrees 20 minutes 31 seconds West, a distance of 1195.54 feet to a point in the aforesaid Northeasterly right of way line of Horner Road; thence

(6) along said Northeasterly right of way line of Horner Road, North 76 degrees 39 minutes 29 seconds West, a distance of 720.00 feet to the point of beginning.

Less and except: a strip of land 19.25 feet in width dedicated to the Township of Evesham for road widening purposes and more particularly bounded and described as follows:

BEGINNING at a point in the Northeasterly right of way line of Horner Road; said point being the point of beginning of the whole tract as described above; thence

(1) Along the first course of the whole tract, North 13 degrees 20 minutes 31 seconds East, a distance of 19.25 feet to a point therein; thence

(2) South 76 degrees 39 minutes 29 seconds East, a distance of 720.00 feet to a point; thence

(3) South 13 degrees 20 minutes 31 seconds West, a distance of 19.25 feet to a point; thence

(4) North 76 degrees 39 minutes 29 seconds East, a distance of 720.00 feet to the point of beginning.

FOR INFORMATIONAL PURPOSES ONLY: Also known as Lot 5.01 in Block 26 on the Township of Evesham Tax Map.

EXHIBIT A-4

Borrower: 1300 Campbell Lane, LLC

Name of Facility: Southern Kentucky Rehabilitation Hospital

Address of Land: 1300 Campbell Lane, Bowling Green, KY

Number of Beds: 60 acute rehab beds

Number of Parking Spaces: 137 Regular
14 Handicap

Legal Description of Land: A part of Lot #2 of major plat recorded at Plat Book 24, Page 27, located in Bowling Green, Warren County, Kentucky, described as follows:

Beginning at a 5/8" rebar set at the intersection of the Southeast right-of-way line of McIntosh and the Northeast right-of-way line of Campbell Lane THE POINT OF BEGINNING,

Thence North 44 deg. 53' 36" East, a distance of 26.94 feet along the Southeast right-of-way line of McIntosh Street to a point being N 85 deg. 26' 21" W 1.01 feet of a 1/2" rebar found,

Thence along a curve to the left having a radius of 368.96 feet, an arc length of 208.78 feet, a chord bearing of North 28 deg. 30' 25" East, and a chord distance of 206.01 feet along said right-of-way line to a point being N 54 deg. 25' 32" W 0.65' of a 1/2" rebar found,

Thence North 12 deg. 28' 09" East, a distance of 243.98 feet along said right-of-way line to a point being N 58 deg. 29' 33" W 0.69' of a 1/2" rebar found,

Thence along a curve to the right having a radius of 927.96 feet, an arc length of 566.49 feet a chord bearing of North 30 deg. 02' 08" East, and a chord distance of 557.73 feet along said right-of-way line to a 5/8" rebar found,

Thence South 44 deg. 11' 09" East, a distance of 834.96 feet to a 5/8" rebar found;

Thence South 45 deg. 48' 59" West, a distance of

978.76 feet to a 1/2" rebar found on the Northeast right-of-way line of Campbell Lane passing a 5/8" rebar found at 678.75 feet;

Thence North 45 deg. 06' 35" West, a distance of 190.90 feet along said right-of-way line to a 5/8" rebar set,

Thence North 41 deg. 23' 32" West, a distance of 74.10 feet along said right-of-way line to a concrete right-of-way marker found,

Thence North 45 deg. 12' 26" West, a distance of 172.80 feet along said right-of-way line to a concrete right-of-way marker found,

Thence North 24 deg. 42' 28" West, a distance of 53.20 feet along said right-of-way line to the POINT OF BEGINNING.

Being the real estate conveyed to Meditrust of Kentucky, Inc., by deed dated June 23, 1994, and of record in Deed Book 690, Page 258, less and except so much as was conveyed to the Commonwealth of Kentucky for the use and benefit of the Transportation Cabinet, by deed dated October 17, 1994, and recorded in Deed Book 698, Page 212, in the Office of the Clerk of Warren County, Kentucky. Being the same real estate conveyed to the 1300 Campbell Lane LLC, a Delaware limited liability company, by deed dated April 1, 2003, and recorded in Deed Book 871, Page 691, in the office aforesaid

EXHIBIT A-5

Borrower: Kentfield THCI Holding Company
Name of Facility: Kentfield Rehabilitation Hospital
Address of Land: 1125 Sir Francis Drake Boulevard, Kentfield, CA
Number of Beds: 60 long term acute care beds
Number of Parking Spaces: 79 Regular
7 Handicap

Legal Description of Land: All that certain real property situate partly in the Town of Ross, and partly in the County of Marin, State of California, described as follows:

PARCEL ONE:

BEGINNING at a point on the Southwest line of Sir Francis Drake Boulevard at the most Easterly corner of Lot B, as shown upon that certain map entitled, "Amended Map of Bosqui Tract, Ross Valley, Marin Co., Cal.", filed March 13, 1905 in Volume 2 of Maps, at Page 18, Marin County Records; running thence from said point of beginning along the Southwest line of said road, North 46 degrees 39' West 137 feet to the most Easterly corner of the lands conveyed by Philipe Lenoir, et ux to Henry W. Turner, by Deed recorded in Book 154 of Deeds, at Page 32; thence Southwesterly on and along the Southeast line of the lands so described South 71 degrees 04' West to the center of San Anselmo Creek, at a point 13 feet Southerly measured at right angles from the Northerly line of Lot C of Map above referred to; thence Southerly at right angles to said line of Lot C, 1 foot; thence continuing Westerly along said Turner's Line to the Easterly line of the right of way of the North Shore Railroad at a point 25 feet Southerly from the Northwest corner of Lot C; thence Southeasterly along said right of way line 125 feet to the Southwest corner of Lot B; thence North 69 degrees 20' East on and along the Southeasterly line of said Lot B, 472.6 feet to the Ross Landing and Red Hill Road and the point of beginning.

EXCEPTING from the above, the following

described parcel of land:

BEGINNING at a point on the Southwest line of Sir Francis Drake Boulevard at the most Easterly corner of Lot B, as shown upon that certain map entitled, "Amended Map of Bosqui Tract, Ross Valley, Marin Co., Cal.", filed March 13, 1905 in Book 2 of Maps at Page 18; running thence from said point of beginning along the Southwest line of said road, North 46 degrees 39' West 137 feet to the most Easterly corner of lands conveyed by Philippe Lenoir, et ux, to Henry W. Turner by Deed recorded in Book 154 of Deeds, at Page 32, Marin County Records; running thence along the Southeast line of the lands so conveyed to Turner, South 71 degrees 04' West 212 feet; thence leaving said line South 23 degrees 25' East 129.57 feet to a point on the Southeast line of the aforesaid Lot B; thence along said lot line, North 69 degrees 20' East 266 feet to the point of beginning.

EXCEPTING THEREFROM the portion conveyed to Marin County Flood Control and Water Conservation District, a political subdivision of the State of California, recorded March 7, 1972 in Book 2547 of Official Records, at Page 298, Marin County Records.

PARCEL TWO:

BEGINNING at a point on the Northwesterly line of Lot A of the Bosqui Tract, on file in the office of the County Recorder of Marin County, said point being distant thereon South 69 degrees 20' West 323.84 feet from the most Northerly corner of said Lot A; thence from said point of beginning, along the Northwesterly boundary line of said lot, South 69 degrees 20' West 144.25 feet, more or less, to the most Westerly corner of said Lot A; thence along the Southwesterly line of said lot, which line is also the Northeasterly line of the North Shore Railroad in a Southeasterly direction for a distance of 123 feet to the most Southerly corner of said Lot A; thence leaving said line of the North Shore Railroad and running North 86 degrees 50' East 52.53 feet, more or less, to the Westerly bank of the Arroyo San Anselmo; thence along said Westerly bank North 26 degrees 15' East

49.63 feet to a point; thence leaving said bank of the Arroyo San Anselmo and continuing along the same course, North 26 degrees 15' East 24.52 feet to a point; thence North 63 degrees 05' West 31.13 feet; thence North 27 degrees 34' West 6.78 feet; thence North 29 degrees 34' 44" East 27.68 feet; thence North 22 degrees 38' 30" West 30.14 feet; thence North 61 degrees 23' 20" East 36.29 feet; thence South 85 degrees 46' 20" East 6.86 feet; thence North 20 degrees 40' West 11.22 feet to the point of beginning.

EXCEPTING THEREFROM the portion conveyed to Marin County Flood Control and Water Conservation District, a political subdivision of the State of California, recorded March 7, 1972 in Book 2547 of Official Records, at Page 298, Marin County Records.

PARCEL THREE:

THAT PORTION of the former right of way of the Northwestern Pacific Railroad Company, as described in Deed to Malcolm Ross Perry, et al, recorded in Book 538 of Official Records, at Page 447, which lies between the extension Easterly of the Southerly boundary line of Lot 3, as shown on the map entitled, "Bosqui Tract", filed in Volume 2 of Maps, at Page 12 and a line drawn South 70 degrees 11' West from the most Westerly corner of the land conveyed to Andrea Minutoli, et ux, in Deed recorded April 11, 1944 in Book 463 of Official Records, at Page 160, Marin County Records.

EXCEPTING THEREFROM the following described land:

BEGINNING at the most Easterly corner of Lot 4, as shown on the map of "Bosqui Tract", filed in Volume 2 of Maps, at Page 12; thence North 76 degrees 49' East 5 feet; thence North 22 degrees 11' West 100 feet; thence South 76 degrees 49' West 5 feet to the Northeasterly corner of Lot 5, as shown on the map above referred to; thence South 22 degrees 11' East along the Easterly line of Lots 5 and 4 to the point of beginning.

AND FURTHER EXCEPTING the following:

BEGINNING at the most Easterly corner of said Lot 3; thence from said point of beginning along the Easterly boundary line of said Lot 3, North 22 degrees 11' West 50 feet to the most Easterly corner of Lot 4 of said map; thence North 76 degrees 49' East 5 feet; thence South 22 degrees 11' East 50 feet, more or less, to a point which is North 67 degrees 42' East 5 feet from the point of beginning; thence South 67 degrees 42' West 5 feet to the point of beginning.

PARCEL FOUR:

THOSE PORTIONS of the former right of way of the Northwestern Pacific Railroad Company, as described in the Deed recorded in Book 538 of Official Records, at page 447, which is described as follows:

BEGINNING at a point on the Northeasterly line of said former right of way line, said point being distant 60 feet Northeasterly from the most Northerly corner of Lot 2, as shown upon that certain map entitled, "Amended Map of the Bosqui Tract, Marin Co., Cal.", filed March 13, 1905 in Volume 2 of Maps, at Page 18, Records of Marin County; running thence from said point of beginning, Southwesterly 19.5 feet along a line which is the extension Easterly of the Northerly line of said Lot 2; thence leaving said line and running Southeasterly, parallel with the Northeasterly line of said former right of way line 50 feet to a line which is the extension Easterly of the Southerly line of said Lot 2; thence along said last mentioned line Northeasterly 19.5 feet to the Northeasterly line of said right of way line; thence along said line Northwesterly 50 feet to the point of beginning.

PARCEL FIVE:

BEGINNING at the most Westerly corner of Parcel Four, described above, and running thence Southwesterly 10 feet along a line which is the extension Easterly of the Northerly line of said Lot 2, to a point; thence leaving said line and running

Southeasterly in a straight line to a point in the Southwesterly boundary line of Parcel Five described herein, which point is distant thereon Southeasterly 10 feet from the point of beginning; running thence along said Southwesterly boundary line in a Northwesterly direction 10 feet to the point of beginning.

PARCEL SIX:

BEGINNING at a point on a line which is the Easterly extension of the Southerly line of Lot 2, said lot is shown on that certain map entitled, "Bosqui Tract, Ross Valley, Marin County, Calif", filed in Volume 2 of Maps, at Page 12, Marin County Records, which point is distant thereon 40.5 feet Easterly from the most Easterly corner of said Lot 2, running thence from said point of beginning, along the Easterly extension of Lot 2, Westerly 10.5 feet; thence leaving said Easterly extension of Lot 2 and running Northwesterly parallel with the Easterly boundary line of said Lot 2, 50 feet to a point in a line which is the Easterly extension of the Northerly line of said Lot 2, which point is distant thereon Easterly 30.00 feet from the Northeast corner of said Lot 2; thence Easterly along said Easterly extension 0.5 feet thence leaving said Easterly extension and running South 67 degrees 18' East 14.14 feet; thence Southeasterly in a straight line parallel with the Easterly boundary line of said Lot 2, 40 feet to the point of beginning.

BEING a portion of the former railroad right of way lying Northeasterly of Lot 2, Map hereinabove referred to.

PARCEL SEVEN:

BEGINNING at a point on the Northwesterly line of the parcel of land conveyed to Alwyn K. Safholm, et ux, by Deed recorded September 23, 1960 in Book 1401 of Official Records, at Page 155, distant thereon Northeasterly 180 feet from the Northeasterly line of Poplar Avenue; thence continuing along said Northwesterly line Northeasterly 24 feet; thence Southeasterly 6 feet to

a point on the Northeasterly line of said Safholm Parcel, distant thereon Southeasterly 6 feet from the most Northerly corner thereof; thence along said Northeasterly line Southeasterly 61 feet to the Southeasterly corner of said Safholm Parcel; thence Southwesterly along the Southeasterly line of said parcel, 30 feet; thence leaving said line Northwesterly 67 feet to the point of beginning.

PARCEL EIGHT:

AN EASEMENT for parking purposes 10 feet in width lying Westerly of, adjacent to and parallel with the following described line:

BEGINNING at a point on the Northwesterly line of the parcel of land conveyed to Alwyn K. Safholm, et ux, by Deed recorded September 23, 1960 in Book 1401 of Official Records, at Page 155, distant thereon 180 feet from the Northeasterly line of Poplar Avenue; thence Southeasterly 67 feet to a point on the Southeasterly line of said Safholm Parcel which bears Northeasterly 180 feet from said Northeasterly line of Poplar Avenue.

PARCEL NINE:

AN EASEMENT for parking purposes 10 feet in width lying Westerly of, adjacent to and parallel with the following described line:

BEGINNING at a point on a line which is the Easterly extension of the Southerly line of Lot 2, as said lot is shown on that certain map entitled, "Bosqui Tract, Ross Valley, Marin County, Calif.", filed in Volume 2 of Maps, at Page 12, Marin County Records, which point is distant 30.00 feet Easterly thereon; thence from said point of beginning Northwesterly in a straight line parallel with the Easterly boundary line of said Lot 2, 50.00 feet.

PARCEL TEN:

AN EASEMENT five feet in width for sewer purposes lying Southerly of, adjacent to and parallel

with the Northerly line of Lot 2, and its extension Easterly 30.5 feet, as said lot is shown on that certain map entitled, "Bosqui Tract, Ross Valley, Marin County, California", filed in Volume 2 of Maps, at Page 12, Marin County Records.

PARCEL ELEVEN:

BEGINNING at the Northeasterly corner of the land conveyed to Alwyn K. Safholm, et ux, in Deed recorded September 23, 1960 in Book 1401 of Official Records, at Page 155, Marin County Records; thence along the Northwesterly line of said land conveyed to Alwyn K. Safholm, et ux, above referred to South 67 degrees 42' West 6 feet; thence Easterly to a point on the Easterly line of the land of Alwyn K. Safholm, et ux, above referred to distant thereon Southeasterly 6 feet from the point of beginning; thence along said Easterly line Northwesterly 6 feet to the point of beginning.

PARCEL TWELVE:

BEGINNING at a point on the intersection lines of the land of the North Shore Railroad Company and the Southwesterly corner of Lot A of the Bosqui Tract, as shown on the Record Map of said Tract; thence running Southerly along the Easterly boundary line of the land of the North Shore Railroad Company, 105 feet, more or less to the middle of the creek; thence running Northerly along the center of said creek to a certain point, said point being the Southeasterly corner of Lot A of the Bosqui Tract; thence running Westerly along the Southerly boundary line of said Lot A, 67 feet, more or less, to the point of beginning.

SAID premises are shown as Lot 63 on the "Map of Granton Park", filed in Volume 2 of Maps, at Page 77, Marin County Records.

EXCEPTING THEREFROM the portion conveyed to Marin County Flood Control and Water Conservation District, a political subdivision of the State of California, recorded March 7, 1972 in Book 2547 of Official Records, at Page 298, Marin

County Records.

PARCEL THIRTEEN:

BEGINNING at a point on the Easterly right of way line formerly of the Northwestern Pacific Railway Company, said point also being the southwesterly corner of the land described in the Deed to Robert R. Busse, et ux, in Book 1266 of Official Records, at Page 121; thence South 68 degrees 08' West along the Southeasterly line of said parcel if extended 60.00 feet to a point, said point being on the Westerly right of way line formerly of the Northwestern Pacific Railway Company; thence along said Westerly right of way line North 22 degrees 11' West 124.67 feet to an iron pipe monument; thence North 67 degrees 49' East 180.00 feet to an iron pipe monument; thence South 22 degrees 11' East 50.39 feet to an iron pipe monument; thence North 73 degrees 58' East 34.06 feet; thence South 26 degrees 15' East 72.02 feet to a point on the Southerly line of the lands now or formerly of Busse, as above described; thence along said Southerly line South 68 degrees 08' West 158.97 feet to the point of beginning.

NOTE: Iron Pipe Monuments are marked with Engineers Tag No. RCE 10734.

EXCEPTING THEREFROM the portion conveyed to Marin County Flood Control and Water Conservation District, a political subdivision of the State of California, recorded March 7, 1972 in Book 2547 of Official Records, at Page 298, Marin County Records.

PARCEL FOURTEEN:

BEING a portion of the lands conveyed to the Marin County Flood Control and Water Conservation District by a Deed recorded June 30, 1971 in Book 2478 of Official Records, at Page 22, Marin County Records.

BEGINNING at the most Southerly corner of Parcel Two of said lands of the Marin County Flood Control and Water Conservation District; said point of beginning is marked by a found iron pipe and tag

PE 10734; thence North 20 degrees 47' 59" West 55.00 feet along the Southwesterly line of the former right of way of the Northwestern Pacific Railroad Company; thence leaving said Southwesterly right of way line North 69 degrees 20' 16" East 161.09 feet; thence South 36 degrees 39' 32" East 57.22 feet to a point in the Northwesterly line of the lands conveyed to Reese by Deed recorded February 19, 1965 in Book 1912 of Official Records, at Page 364, Marin County Records; thence along said Northwesterly line of the lands of Reese South 69 degrees 20' 16" West 177.33 feet to the point of beginning.

PARCEL FIFTEEN:

A PERMANENT NON-EXCLUSIVE access easement for ingress and egress and travel over the following described real property in the County of Marin, State of California:

BEING a portion of the lands of Ralph E. Ellis and Catherine A. Ellis, his wife, as Joint Tenants, described by Joint Tenancy Deed recorded July 9, 1969 in Book 2310 of Official Records, at Page 647, Marin County Records.

BEGINNING at a point in the Southerly line of said lands of Ellis distant thereon South 73 degrees 50' 20" West (recorded South 72 degrees 45' West) 180.57 feet from a found nail and tag LS 2738 marking the most Easterly corner of said lands; thence from said point of beginning North 36 degrees 39' 32" West 4.75 feet; thence South 84 degrees 40' West 43.42 feet; thence North 41 degrees 15' 24" West 39.17 feet to a found hub and tag LS 2738 marking an angle point in the Westerly line of said lands of Ellis; thence South 28 degrees 16' 50" East (recorded South 29 degrees 24' East) 49.15 feet to a found nail and tag LS 2738 marking the most Southerly corner of said lands of Ellis; thence North 73 degrees 50' 20" East 50.51 feet to the point of beginning.

PARCEL SIXTEEN:

THAT PORTION of Lots C, D, E, F and the former right of way of the Northwestern Pacific Railroad Company, as shown upon that certain map entitled,

"Amended Map of the Bosqui Tract", filed March 13, 1905 in Map Book 2, at Page 18, Marin County Records, described as follows:

BEGINNING at a point on the Southwestern line of Sir Francis Drake Boulevard, formerly known as Red Hill and Ross Landing Road, distant thereon South 47 degrees 47' East 13 feet from the Northern corner of said Lot D, thence continuing along the Southwestern line South 47 degrees 47' East 75 feet to the Eastern corner of the parcel of land described in the Deed from Philipe Lenoir, et ux, to Henry W. Turner, recorded June 27, 1913 in Book 154 of Deeds, at Page 32, Marin County Records, thence along the Southeasterly line thereof South 70 degrees 11' West 233 feet to a point in the center line of San Anselmo Creek, distant at a right angle 13 feet Southeasterly from the Northwestern line of said Lot C, running thence Southeasterly at a right angle to said Northwestern line of Lot C, 1 foot and South 68 degrees 08' West 21.00 feet to the intersection thereof with the Northeastern line of the parcel of land described in the Deed from Eugene P. Aureguy, et al, to Russell Reese, et al, recorded February 19, 1965 in Book 1912 of Official Records, at Page 354, Marin County Records, running thence along said Northeastern line North 26 degrees 15' West 72.02 feet to an angle point therein, thence leaving said Reese parcel (1912/354) and running thence South 73 degrees 59' West 34.06 feet, North 22 degrees 11' West 50.39 feet and South 67 degrees 49' West 180.00 feet to a point on the Westerly line of the former right of way of the Northwestern Pacific Railroad Company as described in the Deed to Malcolm Ross Perry, et al, recorded in Book 538 of Official Records, at Page 447, Marin County Records, running thence along said Westerly line of the former right of way North 22 degrees 11' West to its intersection with the most Easterly corner of Lot 13, as shown on the map entitled, "Bosqui Tract", filed in Volume 2 of Maps, at Page 12; thence leaving said line of the former right of way and running Easterly to the Northwesterly corner of Lot F, as shown on said map of Bosqui Tract; thence Easterly along the Northerly line of said Lot F to the Westerly bank of

San Anselmo Creek; thence Southeasterly along the Westerly bank of said creek and following the meanderings thereof to the Northerly line of Lot D; thence North 72 degrees 45' East along said Northerly line to the Southwesterly line of Ross Landing and Red Hill Road, thence Southeasterly along said line, 13 feet to the point of beginning.

EXCEPTING THEREFROM that portion conveyed by Cal-West Capital Corporation to the Marin County Flood Control and Water Conservation District, a political subdivision of the State of California, by Deed recorded June 30, 1971 in Book 2478 of Official Records, at Page 22, Marin County Records.

FURTHER EXCEPTING THEREFROM that portion conveyed to the County of Marin by Deed recorded October 6, 1965 in Book 1987 of Official Records, at Page 216, Marin County Records, and being described as follows:

BEGINNING at a point on the Westerly line of Red Hill and Ross Landing Road, distant thereon South 47 degrees 47' East 13 feet from the most Northerly corner of Lot "D" of the Bosqui Tract, as shown on the map filed December 3, 1904 in Volume 2 of Maps, at Page 12, Marin County Records; said point also being the Northeasterly corner of that certain parcel of land described in the Deed from R.E. Valentine, et ux, to Harry G. Henderson, et ux, recorded January 15, 1936 in Book 308 of Official Records, at Page 241, Marin County Records; thence leaving said road line and running along the Northerly boundary line of said Henderson Parcel, South 71 degrees 45' West 34.48 feet to a point; thence leaving said line and running North 47 degrees 47' West 13.00 feet, more or less to a point on the Northerly line of Said Lot "D"; thence Northeasterly along said Northerly line of Lot "D", 34.83 feet, more or less, to the Northerly corner of said Lot "D"; thence South 47 degrees 47' East 13 feet to the point of beginning.

PARCEL SEVENTEEN:

SUITES A through P inclusive, and 100% interest in

the "common area" as shown upon that certain map entitled, "Map of Vertical Subdivision of Redwood Medical Center, being a portion of Lots B & C, Amended Map of Bosqui Tract, recorded by Marin County Recorder in Bk. 2, Page 18, in the County of Marin, California", filed for record March 13, 1963 in Volume 11 of Maps, at Page 68, Marin County Records.

PARCEL EIGHTEEN:

AN EASEMENT for ingress, egress and travel, twenty feet in width a vertical clearance of eight feet, more particularly described as follows:

COMMENCING at a point which bears South 46 degrees 39' East 23.00 feet, South 60 degrees 50' West 38.66 feet, South 87 degrees 54' West 52.30 feet, South 68 degrees 44' 30" West 169.5 feet and South 23 degrees 17' East 10.006 feet from the most Easterly corner of Lot B, as shown upon that certain map entitled, "Amended Map of Bosqui Tract, Ross Valley, Marin Co., Cal.", filed from record March 13, 1905 in Volume 2 of Maps, at Page 18, Marin County Records; running thence from said true point of beginning, South 68 degrees 44' 30" West 74.8 feet, North 22 degrees 08' West 57.5 feet, North 67 degrees 52' East 19.3 feet, North 22 degrees 08' West 52.0 feet, North 67 degrees 42' East 14.2 feet, South 22 degrees 08' East 90.05 feet, North 68 degrees 44' 30" East 40.89 feet and South 23 degrees 17' East 20.012 feet to the point of beginning.

EXHIBIT A-6

Borrower: San Joaquin Health Care Associates, LP

Name of Facility: San Joaquin Valley Rehabilitation Hospital

Address of Land: 7173 North Sharon Avenue, Fresno, CA

Number of Beds: 62 acute rehab beds

Number of Parking Spaces: 196 Regular
12 Handicap

Legal Description of Land: Real property in the City of FRESNO, County of FRESNO, State of California, described as follows:

Lots 5, 6 and 7 of Tract No. 3960, in the City of Fresno, County of Fresno, State of California, according to the map thereof recorded September 23, 1988 in Book 47, Pages 62, 63 and 64 of Plats, Fresno County Records and according to a Certificate of Correction recorded September 7, 1989, as Document No. 89095980, Official Records.

EXHIBIT D

LITIGATION

None

EXHIBIT E

MINIMUM INSURANCE REQUIREMENTS

Borrowers shall at all times maintain in full force and effect insurance policies and evidence of insurance meeting the following minimum requirements. Borrowers, Guarantor or the Project Lessees shall be the owners of all insurance policies required. If Borrowers are not the owners of the applicable policies, Borrower shall cause the owner of the policies to at all times permit Borrowers to be named as additional insureds (in the case of liability coverages) and named insureds (in the case of property coverages) on all policies.

If any policy provides coverage for multiple locations or entities, then the following additional requirements shall apply:

A. Borrower must provide to Lender, prior to policy renewal (or within ten days of closing in the case of evidence of insurance issued to Lender at closing), a breakdown of coverages per location (if applicable) and a breakdown of premium allocations per location.

B. All premiums shall be allocated based upon then prevailing standards in the industry.

If the terms of this Minimum Insurance Requirements exhibit are more restrictive than the terms of the Loan Agreement to which it is attached, the terms of this exhibit shall govern and control.

Property Insurance:

1. Shall be evidenced by Acord 27 form (Evidence of Insurance), signed by authorized agent.
2. Carrier must be rated A- VII or better (by A.M. Best)
3. Policy must be an all risk/special perils coverage form
4. Must provide replacement cost coverage with waiver of coinsurance or agreed amount endorsement
5. Must provide for no terrorism exclusion
6. Deductible shall be no greater than \$25,000
 - If the deductible is subject to an overall aggregate deductible, this must be disclosed with a copy of the specific aggregate deductible agreement provided.
7. Must reflect building coverage greater than or equal to replacement cost valued by Merrill Lynch Capital or its representatives (if blanket limit or loss limit is indicated on the policy, declared building value must be shown on the evidence of insurance). Renewal amount shall be adjusted by Borrower, subject to Lender's approval, to maintain proper insurable values.
8. Must provide loss of rents coverage greater than or equal to 12 months rental income valued by Merrill Lynch Capital or its representatives
9. Must provide boiler & machinery coverage
10. Must provide building Law and Ordinance coverage for a limit of \$1,000,000 each location.
11. Must provide windstorm coverage, if applicable (For Florida/Coastal properties only).
12. Must provide flood coverage, if applicable (For properties in FEMA flood zones A, B, V, and X-Shaded). For this coverage, the policy may have a deductible of up to \$50,000 and shall be written for a blanket limit of no less than \$1,000,000.
13. Must provide earthquake coverage, if applicable (For properties located in Seismic Zones 3 and 4). For this coverage, the policy may have a deductible of 5% of total insured value and may be subject to a minimum of \$100,000 and shall be written for a per occurrence and aggregate limit of no less than \$1,500,000. Excess coverage must be provided for \$3,500,000 per occurrence, for a combined \$5,000,000 per occurrence and aggregate limit.

14. Merrill Lynch Capital shall be included as Mortgagee and Loss Payee (as applicable) and Certificate Holder (see below)
15. Acord 27 must provide 30 days (10 days for non-payment) notice of cancellation or any material change in the policy to Merrill Lynch Capital. If the carrier will so permit, Acord 27 must delete "endeavor to" and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives" language.
16. Must provide Waiver of Subrogation endorsement in favor of Merrill Lynch Capital
17. Higher limits and special coverages in addition to those indicated above may be required depending upon the property size and nature of operations (if a joint venture)

GENERAL/PROFESSIONAL LIABILITY INSURANCE:

1. Shall be evidenced by Acord 25 form (Certificate of Insurance), signed by authorized agent
2. Carrier must be rated A- VII or better (by A.M. Best)
3. Policy must include coverage for Contractual Liability
4. Must provide for no terrorism exclusion
5. Policy may have a self insured retention of up to \$100,000
6. Coverage is required in a minimum \$1,000,000 per claim and \$10,000,000 in the aggregate; primary and umbrella/excess can be combined to achieve minimum limits
7. Excess/umbrella coverage is required in the amount of \$5,000,000 per claim and \$5,000,000 in the aggregate
8. Acord 25 must provide 30 days (10 days for non-payment) notice of cancellation or any material change in the policy to Merrill Lynch Capital. If the carrier will so permit, Acord 25 must delete "endeavor to" and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives" language
9. Merrill Lynch Capital must be included as Additional Insured
10. Must include Separation of Insureds/Cross Liability
11. Acord 27 must note that insurance is primary without right of contribution of any other insurance carried by or on behalf of borrower

AUTOMOBILE LIABILITY INSURANCE:

1. Shall be evidenced by Acord 25 form (Certificate of Insurance), signed by authorized agent
2. Carrier must be rated A- VII or better (by A.M. Best)
3. Must provide Coverage for Owned, Non-Owned, and Hired autos
4. No exclusion for terrorism shall be permitted
5. Must provide for liability deductible not greater than \$5,000
 - If the deductible is subject to an overall aggregate deductible, this must be disclosed with a copy of the specific aggregate deductible agreement provided.
6. Must provide minimum of \$1,000,000 per occurrence limit (primary and umbrella/excess can be combined to achieve minimum limit)
7. Acord 25 must provide 30 days (10 days for non-payment) notice of cancellation or any material change in the policy to Merrill Lynch Capital, and if the carrier will permit, will delete "endeavor to" and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives" language
8. Merrill Lynch Capital must be included as Additional Insured (see below)
9. Must include Separation of Insureds/Cross Liability

10. Acord 25 shall note insurance as being primary without right of contribution of any other insurance carried by or on behalf of borrower
11. Higher limits and special coverages in addition to those indicated above may be required depending upon the property size and nature of operations (if a joint venture)

Certificate Holder and Entity to be Shown on Required Endorsements:

Merrill Lynch Capital,
a Division of Merrill Lynch Business
Financial Services Inc.,
and its successors and assigns
222 N. La Salle Street - 18th Floor
Chicago, IL 60601

INSURANCE CONSULTANT FOR MERRILL LYNCH CAPITAL:

Lockton Companies of Houston
5847 San Felipe, Suite 320
Houston, TX 77057

PRIMARY CONTACT:

- - - - -

Eileen M. Stulak, CPCU
Vice President, Risk Management Services
Account Manager

713.458.5200 (Main)

713.458.5281 (Direct)

713.724.1541 (Mobile)

713.458.5299 (Fax)

ESTULAK@LOCKTON.COM (E-MAIL)

SECONDARY CONTACT:

- - - - -

Debra Golafshan
Assistant Vice President,

713.458.5200 (Main)

713.458.5454 (Direct)

832.656.5641 (Mobile)

713.458.5299 (Fax)

DGOLAFSHAN@LOCKTON.COM (E-MAIL)

EXHIBIT F

ENVIRONMENTAL DOCUMENTS

PRE-EXISTING ENVIRONMENTAL REPORTS

LOCATION -----	EMG PROJECT NO. -----	DATE OF REPORT -----	ON-SITE DATE -----
New Bedford, MA	117246	June 30, 2004	May 24, 2004
Kentfield, CA	117211	June 29, 2004	March 27, 2004
Thornton, CO	117219	July 2, 2004	May 25, 2004
Marlton, NJ	117248	June 30, 2004	May 26, 2004
Bowling Green, KY	117244	June 29, 2004	May 26, 2004
Fresno, CA	117204	June 29, 2004	March 26, 2004

EMG reports prepared by:

EMG
11011 McCormick Road
Hunt Valley, Maryland 21031
Tel.: (800) 733-0660
Fax: (410) 785-6220
Website: www.emgcorp.com

EMG reports reviewed by:

Jennifer Upchurch
Technical Relationship Manager
Tel.: (800) 733-0660 ext. 7626
Email: jlupchurch@emgcorp.com

[Continued on Next Page]

SCHEDULE OF CURRENT PHASE I ENVIRONMENTAL SITE ASSESSMENT REPORTS

Location -----	Blake Project No. -----	Date of Report -----
New Bedford, MA	04-17-17-505-807B	November 30, 2004
Kentfield, CA	04-17-17-505-803B	November 29, 2004
Thornton, CO	04-17-17-505-805B	November 29, 2004
Marlton, NJ	04-17-17-505-808B	November 30, 2004
Bowling Green, KY	04-17-17-505-806B	December 29, 2004
Fresno, CA	04-17-17-505-804B	November 29, 2004

Blake reports prepared for:
Mr. Richard Panches
Merrill Lynch Capital
7700 Wisconsin Avenue, 4th Floor
Bethesda, Maryland 20814

Blake reports reviewed by:
JJ Blake Technical Services LLC
Engineering & Environmental Due Diligence Services
298 Fifth Avenue / 7th Floor
New York, New York 10001

EXHIBIT H
INTELLECTUAL PROPERTY
NONE

EXHIBIT I

PERMITTED EXCEPTIONS

Filing Number	Filing Office	Secured Party	Debtor/Co-Debtor
200432289530 (to be assigned to Merrill Lynch)	Secretary of State of Massachusetts	4499 Acushnet Avenue Operating Company, LLC	4499 Acushnet Avenue, LLC
200432289350	Secretary of State of Massachusetts	MPT Development Services, Inc.	Vibra Healthcare, LLC 4499 Acushnet Avenue, LLC (co-debtor)

SCHEDULE I

DEFINITIONS

DEFINED TERMS.

The following terms as used herein shall have the following meanings:

AFFILIATE: With respect to a specified person or entity, any individual, partnership, corporation, limited liability company, trust, unincorporated organization, association or other entity which, directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common Control with such person or entity, including, without limitation, any general or limited partnership in which such person or entity is a partner.

AGREEMENT: This Loan Agreement, as modified from time to time.

APPRAISAL: An appraisal of each of the Projects performed in accordance with FIRREA and Lender's appraisal requirements by an independent appraiser licensed in the state in which each Project is located and selected and retained by Lender. Borrowers may provide to Lender a copy of any FIRREA appraisal prepared for another lender within the past six (6) months. Lender may, in its sole discretion: (a) accept such appraisal; (b) request an update of such appraisal; and (c) retain a state licensed appraiser to perform a new appraisal.

AUTHORIZED REPRESENTATIVE: As defined in Section 4.3.

BASE RATE: The London Interbank Offered Rate (LIBOR) rate of interest per annum (rounded upwards, if necessary, to the nearest 1/16 of 1%) equal to the rate of interest which is identified and normally published by Bloomberg Professional service Page BBAM 1 (the "PAGE") as the offered rate for loans in U.S. Dollars under the caption British Bankers Association LIBOR Rates at 11:00 A.M. London time. Throughout the term of the Loan, the Base Rate will float daily and be determined two (2) Business Days prior to each day of such calendar month utilizing the one (1) month LIBOR rate set forth on the Page. If Bloomberg Professional service no longer reports the Base Rate or Lender determines in good faith that the rate so reported no longer accurately reflects the rate available to Lender in the London Interbank Market or if such index no longer exists or if Page BBAM 1 no longer exists or accurately reflects the rate available to Lender in the London Interbank Market, Lender may select a replacement index or replacement page, as the case may be.

BORROWER AND BORROWERS: As such terms are defined in the opening paragraph of this Agreement, and including any successor obligor on the Loan from time to time.

BUSINESS DAY: A day of the year on which banks are not required or authorized to close in Chicago, Illinois.

CLOSING DATE: The date of the disbursement of the proceeds of the Loan.

CONCENTRATION ACCOUNT. An account or accounts owned and controlled by Lender as from time to time designated by Lender.

CONTROL: As such term is used with respect to any person or entity, including the correlative meanings of the terms "controlled by," "controlling" and "under common control with", shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise.

DEFAULT: Any event, circumstance or condition, which, if it were to continue uncured, would, with notice or lapse of time or both, constitute an Event of Default hereunder.

DEFAULT RATE: As such term is defined in Section 2.9(a).

ENVIRONMENTAL DOCUMENTS: As such term is defined in Section 6.1.

ENVIRONMENTAL INDEMNITOR: Individually, each Borrower and each Guarantor, and collectively sometimes referred to as Environmental Indemnitors.

ENVIRONMENTAL OBLIGATIONS: As such term is defined in Section 6.7.

ENVIRONMENTAL PROCEEDINGS: Any environmental proceedings, whether civil (including actions by private parties), criminal, or administrative proceedings, relating to any Project.

ENVIRONMENTAL REPORTS: As such term is defined in Section 6.3.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder from time to time.

EVENT OF DEFAULT: As such term is defined in Section 8.1.

EXCESS INTEREST: As such term is defined in Section 11.5.

EXIT FEE: As such term is defined in Section 2.8.

EXPENSES: All losses, fines, penalties, judgments, awards, costs and expenses (including, without limitation, reasonable attorneys' fees and costs, and expenses of investigation).

FIRREA: The Financial Institutions Reform, Recovery And Enforcement Act of 1989, as amended from time to time.

GAAP: Generally accepted accounting principles applied in a consistent manner.

GOVERNMENTAL APPROVALS: Collectively, all consents, licenses, and permits and all other authorizations or approvals required from any Governmental Authority to operate the Project.

GOVERNMENTAL AUTHORITY: Any federal, state, county or municipal government, or political subdivision thereof, any governmental or quasi-governmental agency, authority,

board, bureau, commission, department, instrumentality, or public body, or any court, administrative tribunal, or public utility.

GUARANTOR: Collectively in the singular, Medical Properties Trust, Inc., a Maryland corporation, MPT Operating Partnership, L.P., a Delaware limited partnership, and any other Person who may from time to time guaranty, pledge assets as security for or otherwise become obligated, whether primarily, contingently or otherwise, in respect of the Obligations or any portion thereof individually or collectively, as the context shall imply.

HAZARDOUS MATERIAL: Means and includes gasoline, petroleum, asbestos containing materials, explosives, radioactive materials or any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any Law of any Governmental Authority having jurisdiction over any of the Projects or any portion thereof or its use, including: (i) any "hazardous substance" defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. Section 9601(14) as may be amended from time to time, or any so-called "superfund" or "superlien" Law, including the judicial interpretation thereof; (ii) any "pollutant or contaminant" as defined in 42 U.S.C.A. Section 9601(33); (iii) any material now defined as "hazardous waste" pursuant to 40 C.F.R. Part 260; (iv) any petroleum, including crude oil or any fraction thereof; (v) natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel; (vi) any "hazardous chemical" as defined pursuant to 29 C.F.R. Part 1910; and (vii) any other toxic substance or contaminant that is subject to any other Law or other past or present requirement of any Governmental Authority. Any reference above to a Law, includes the same as it may be amended from time to time, including the judicial interpretation thereof.

HEALTHCARE LAWS: All applicable laws relating to patient healthcare and/or patient healthcare information, as amended from time to time, and the rules and regulations promulgated thereunder.

IMPROVEMENTS: As such term is defined in Recital A.

INCLUDE OR INCLUDING: Including, but not limited to.

INDEBTEDNESS: As such term is defined in Section 8.1(a).

INDEMNIFIED PARTY: As such term is defined in Section 4.2(k).

INSURANCE PROCEEDS: As such term is defined in Section 7.1(a).

INTEREST RATE: As such term is defined in Section 2.6.

INTERNAL REVENUE CODE: The Internal Revenue Code of 1986, as amended from time to time.

KNOWLEDGE and KNOWINGLY: Such terms shall mean (a) with respect to the Borrowers or the Guarantors, the conscious awareness of any of Edward K. Aldag, Jr., Emmett E. McLean, R. Steven Hamner and any other principal officer of such applicable party,

and (b) with respect to any other person or entity, the conscious awareness of facts or other information by such person or the principal officers of such entity.

LAND: As such term is defined in Recital A.

LATE CHARGE: As such term is defined in Section 2.9(b).

LAW OR LAWS: Collectively, all federal, state and local laws, statutes, codes, ordinances, orders, rules and regulations, including judicial opinions or presidential authority in the applicable jurisdiction.

LEASES: The collective reference to all leases, subleases and occupancy agreements affecting any of the Projects or any part thereof now existing or hereafter executed (including all patient and resident care agreements and service agreements which include an occupancy agreement) and all amendments, modifications or supplements thereto.

LENDER: As defined in the opening paragraph of this Agreement, and including any successor holder of the Loan from time to time.

LOAN: As such term is defined in Recital B.

LOAN AMOUNT: The maximum amount of the Loan as initially set forth in Recital B.

LOAN DOCUMENTS: The collective reference to this Agreement, the documents and instruments described in Recital C, and all the other agreements entered into from time to time, evidencing or securing the Loan or any obligation of payment thereof or performance of each Borrower's or any Guarantor's obligations in connection with the transaction contemplated hereunder, each as amended.

MANAGER: Vibra Healthcare, LLC, or an affiliate thereof, as manager of one or more of Projects pursuant to the Management Agreement, and any subsequent manager approved by Lender in Lender's sole discretion.

MANAGEMENT AGREEMENT: One or more management agreements between Project Lessees and Manager, as the same have been provided to Lender.

MATERIAL ADVERSE CHANGE OR MATERIAL ADVERSE CHANGE: If in Lender's reasonable discretion, the business, operations or financial condition of a person, entity or property has changed in a manner which could materially impair the value of Lender's security for the Loan, prevent timely repayment of the Loan when due or otherwise prevent the applicable person or entity from timely performing any of its material obligations under the Loan Documents.

MATERIAL MATTERS: As defined in Section 4.1(a).

MATURITY DATE: As such term is defined in Section 2.4.

MORTGAGE AND MORTGAGES: As such terms are defined in Recital C.

NOTE: As such term is defined in Recital B.

OBLIGATIONS: Collectively (a) the principal of, and interest on, the Note and all other sums, fees, charges and expenses due or payable under this Agreement or the other Loan Documents, (b) all agreements and covenants with and obligations to Lender arising under, out of, or as a result of or in connection with the Loan Documents, (c) all amounts advanced by Lender to preserve, protect, defend, and enforce its rights under this Agreement and the other Loan Documents or in the collateral for the Loan, and all expenses incurred by Lender in connection therewith, and (d) any and all other present and future indebtedness, liabilities and obligations of every kind and nature whatsoever of Borrowers to Lender, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, joint or several, both now and hereafter existing, or due or to become due, whether as borrower, guarantor, surety, indemnitor, assignor, pledgor or otherwise.

OFAC LISTS: As such term is defined in Section 4.2(r).

ORGANIZATIONAL DOCUMENTS: As such term is defined in Section 5.1(e).

PERMITTED EXCEPTIONS: (a) Those matters listed on the Title Policy(ies) which title to the Projects may be subject at the closing and thereafter such other title exceptions as Lender may reasonably approve in writing; (b) those encumbrances, liens, assignments or security interests currently outstanding and described on the attached Exhibit I; (c) those encumbrances, liens, assignments or security interests pledged previously to the Lender or incurred pursuant to this Agreement; (d) tax liens for taxes not yet due or which are being contested in good faith; or (e) materialmen's lien for sums not yet due and payable, or which are being contested in good faith and for which security has been provided to assure bonding or payment thereof.

PERMITTED TRANSFER: Any transfer of any direct or indirect ownership interest in a Borrower as to which the following conditions have been satisfied: (i) such Borrower shall have given Lender a written notice of such Transfer on or before the date of such Transfer, (ii) after giving effect to such transfer the REIT (A) owns, directly or indirectly, not less than 65% of the beneficial ownership interests in such Borrower and (B) Controls Borrower.

PERSON: An individual, partnership, corporation, trust, joint venture, joint stock company, limited liability company, association, unincorporated organization, Governmental Authority, or any other entity.

PERSONAL PROPERTY: As such term is defined in Section 4.2(g).

PROCEEDING: As such term is defined in Section 11.3.

PROJECT AND PROJECTS: (i) Each Borrower's Land described on Exhibit A-1, A-2, A-3 A-4, A-5, or A-6, respectively, together with all buildings, structures and improvements now or hereafter located thereon, including the Improvements, (ii) all rights, privileges, easements and hereditaments relating or appertaining thereto, and (iii) the Personal Property located on such

Land or Improvements or used in connection with the facility thereat or which is owned by such Borrower, is referred to individually as a "Project"; and collectively as the "Projects".

PROJECT LEASE(S): Those certain lease or leases referred, if any, between Borrower and Project Lessee(s) pursuant to which the Projects are demised by Borrower to Project Lessee(s).

PROJECT LESSEE(S): The Person(s) set forth in SCHEDULE II as the lessee of the Project(s) set forth beside the name of such Person(s), if any, licensed under all applicable Laws as the operators of the Project..

PROPERTY TAX AND INSURANCE DEPOSIT: As such term is defined in Section 4.2(f).

REIT: Medical Properties Trust, Inc., a Maryland corporation.

REMEDIAL WORK: As such term is defined in Section 6.4.

SINGLE PURPOSE ENTITY: An entity which (i) exists solely for the purpose of owning and operating one Project, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership, management and operation of one Project, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest which it owns in such Project, (v) does not have any assets other than those related to its interest in such Project and does not have any debt other than as permitted by this Agreement and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, (vi) has its own separate books, records and accounts, (vii) holds itself out as being a company separate and apart from any other entity, (viii) observes limited liability company/partnership/corporate formalities, as the case may be, independent of any other entity.

TENANT: Any tenant, resident or occupant under any Lease, including any Project Lease.

TITLE INSURER: First American Title Insurance Company.

TITLE POLICY(IES): An ALTA Mortgagee's Loan Title Insurance Policy with extended coverage issued by the Title Insurer insuring the lien of the Mortgages as a valid first, prior and paramount lien upon the Projects and all appurtenant easements, and subject to no other exceptions other than the Permitted Exceptions approved by Lender at the closing and otherwise satisfying the requirements of Lender.

TRANSFER: Any sale, transfer, lease (other than a Lease approved by Lender), conveyance, alienation, pledge, assignment, mortgage, encumbrance hypothecation or other disposition of (a) all or any portion of any of the Projects or any portion of any other security for the Loan, (b) all or any portion of any Borrower's right, title and interest (legal or equitable) in and to a Project or any portion of any other security for the Loan, or (c) any interest in any Borrower or Guarantor.

SCHEDULE II

List of Project Lessees

Project -----	Lessee -----	Managers -----
New Bedford Rehabilitation Hospital, New Bedford, MA	4499 Acushnet Avenue Operating Company, LLC	Vibra Management, LLC
North Valley Rehabilitation Hospital, Thornton, CO	8431 Pearl Street Operating Company, LLC	Vibra Management, LLC
Marlton Rehabilitation Hospital, Marlton, NJ	92 Brick Road Operating Company, LLC	Vibra Management, LLC
Southern Kentucky Rehabilitation Hospital, Bowling Green, KY	1300 Campbell Lane Operating Company, LLC	Vibra Management, LLC
Kentfield Rehabilitation Hospital, Kentfield, CA	1125 Sir Frances Drake Boulevard Operating Company, LLC	Vibra Management, LLC
San Joaquin Valley Rehabilitation Hospital, Fresno, CA	7173 North Sharon Avenue Operating Company, LLC	Vibra Management, LLC

SCHEDULE 5.1(C)

OWNERSHIP STRUCTURE

This Schedule should describe the direct and indirect ownership interests in each Borrower and Guarantor.

1. Medical Properties Trust, Inc., a Maryland corporation, owns:
 - (a) 100% of the membership interest in Medical Properties Trust, LLC, a Delaware limited liability company; and
 - (b) 99% limited partnership interest in MPT Operating Partnership, L.P., a Delaware limited partnership.
2. Medical Properties Trust, LLC, a Delaware limited liability company, owns a 1% general partnership interest in MPT Operating Partnership, L.P., a Delaware limited partnership.
3. MPT Operating Partnership, L.P., a Delaware limited partnership, owns:
 - (a) 100% of the membership interest in 4499 ACUSHNET AVENUE, LLC, a Delaware limited liability company;
 - (b) 100% of the membership interest in 8451 PEARL STREET, LLC, a Delaware limited liability company;
 - (c) 100% of the membership interest in 92 BRICK ROAD, LLC, a Delaware limited liability company;
 - (d) 100% of the membership interest in 1300 CAMPBELL LANE, LLC, a Delaware limited liability company;
 - (e) 100% of the membership interest in KENTFIELD THCI HOLDING COMPANY LLC, a Delaware limited liability company, a Delaware limited liability company; and
 - (f) 89% limited partnership interest in SAN JOAQUIN HEALTH CARE ASSOCIATES, LP, a Delaware limited partnership.
4. MPT of California, LLC, a Delaware limited liability company, owns a 5% general partnership interest in SAN JOAQUIN HEALTH CARE ASSOCIATES, LP, a Delaware limited partnership.
5. 7173 North Sharon Avenue, LLC, a Delaware limited liability company, owns a 6% limited partnership interest in SAN JOAQUIN HEALTH CARE ASSOCIATES, LP, a Delaware limited partnership.

SCHEDULE 5.1(M)

PROJECT LEASES

1. The Lease Agreement, dated August 17, 2004, by and between 4499 ACUSHNET AVENUE, LLC, a Delaware limited liability company, and 4499 ACUSHNET AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company.
2. The Lease Agreement, dated August 17, 2004, by and between 8451 PEARL STREET, LLC, a Delaware limited liability company, and 8451 PEARL STREET OPERATING COMPANY, LLC, a Delaware limited liability company.
3. The Lease Agreement, dated August 2, 2004, by and between 92 BRICK ROAD, LLC, a Delaware limited liability company, and 92 BRICK ROAD OPERATING COMPANY, LLC, a Delaware limited liability company.
4. The Lease Agreement, dated August 2, 2004, by and between 1300 CAMPBELL LANE, LLC, a Delaware limited liability company, and 1300 CAMPBELL LANE OPERATING COMPANY, LLC, a Delaware limited liability company.
5. The Lease Agreement, dated August 2, 2004, by and between KENTFIELD THCI HOLDING COMPANY, a Delaware limited liability company, and 1125 SIR FRANCES DRAKE BOULEVARD OPERATING COMPANY, LLC, a Delaware limited liability company.
6. The Lease Agreement, dated August 2, 2004, by and between SAN JOAQUIN HEALTH CARE ASSOCIATES, LP, a Delaware limited partnership, and 7173 NORTH SHARON AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company.

SCHEDULE 12.1

PROPOSED RELEASE PRICES

	FACILITY -----	PRICE -----
1.	New Bedford Rehabilitation Hospital, 4499 Acushnet Avenue, New Bedford, MA;	\$16,140,000.00
2.	North Valley Rehabilitation Hospital, 8451 Pearl Street, Thornton, CO;	\$ 6,917,500.00
3.	Marlton Rehabilitation Hospital, 92 Brick Road, Marlton, NJ;	\$23,702,500.00
4.	Southern Kentucky Rehabilitation Hospital, 1300 Campbell Lane, Bowling Green, KY;	\$27,022,500.00
5.	Kentfield Rehabilitation Hospital, Kentfield, CA	\$ 6,225,000.00
6.	San Joachin Valley Rehabilitation Hospital, Fresno, CA	\$13,742,500.00

PAYMENT GUARANTY

THIS PAYMENT GUARANTY ("Guaranty") made as of December 31, 2004, by MEDICAL PROPERTIES TRUST, INC., a Maryland corporation (the "REIT") and MPT OPERATING PARTNERSHIP LP, a Delaware limited partnership ("MPT" and collectively and in the singular with the REIT, "Guarantor") to and for the benefit of MERRILL LYNCH CAPITAL, a Division of Merrill Lynch Business Financial Services Inc., a Delaware corporation, its successors and assigns ("Lender").

RECITALS

A. On or about the date hereof, 4499 Acushnet Avenue, LLC, 8451 Pearl Street, LLC, 92 Brick Road, LLC, 1300 Campbell Lane, LLC, Kentfield THCI Holding Company LLC, each a Delaware limited liability company, and San Joaquin Health Care Associates, LP, a Delaware limited partnership (collectively, and in the singular, the "Borrower"), and Lender entered into a certain Loan Agreement ("Loan Agreement") whereby Lender agreed to make a term loan (the "Loan") to Borrower in the maximum principal amount at any time outstanding not to exceed the sum of Seventy-Five Million Dollars (\$75,000,000.00), to finance the various healthcare facilities more particularly described in the Loan Agreement (collectively and in the singular, the "Project" or the "Projects"). Capitalized terms used and not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

B. In connection with the Loan, Borrower has executed and delivered certain Promissory Notes (collectively, in the singular the "Note") in favor of Lender of even date herewith in the aggregate maximum principal amount of the Loan, payment of which is secured by (i) one or more mortgages and deeds of trust made by one or more entities constituting Borrower in favor of Lender (the "Mortgage") against the Project, and (ii) the other Loan Documents.

C. Guarantor will derive material financial benefit from the Loan evidenced and secured by the Note, the Mortgage and the other Loan Documents.

D. Lender has relied on the statements and agreements contained herein in agreeing to make the Loan. The execution and delivery of this Guaranty by Guarantor is a condition precedent to the making of the Loan by Lender.

AGREEMENTS

NOW, THEREFORE, intending to be legally bound, Guarantor, in consideration of the matters described in the foregoing Recitals, which Recitals are incorporated herein and made a part hereof, and for other good and valuable consideration the receipt and sufficiency of which are acknowledged, hereby covenants and agrees for the benefit of Lender and its successors, indorsees, transferees, participants and assigns as follows:

1. Guarantor absolutely, unconditionally and irrevocably guarantees:

(a) the full and prompt payment of the principal of and interest on the Note when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, and the full and prompt payment of all sums which may now be or may hereafter become due and owing under the Note, the Loan Agreement and the other Loan Documents;

(b) the prompt, full and complete performance of all of Borrower's obligations under each and every covenant contained in the Loan Documents;
and

(c) the full and prompt payment of any Enforcement Costs (as hereinafter defined in Section 7 hereof).

All amounts due, debts, liabilities and payment obligations described in subsections (a), (b) and (c) of this Section 1 shall be hereinafter collectively referred to as the "Indebtedness." All payments under this Guaranty must be made in lawful money of the United States of America and in current funds. Any amount received by the Lender from any collateral or security for the Loan Documents may be applied by it towards any sums due under or in respect of the Loan Documents, in such order of application as is provided for under the applicable Loan Documents, or if not so provided for, then in such order as the Lender may from time to time elect in its reasonable discretion. Subject to the preceding sentence, the Lender shall have the right to determine how, when and what application of payments and credits, whether derived from the Borrower or any other source, shall be made on the amounts due Lender under the Loan Documents.

2. In the event of any default by Borrower in the payment of the Indebtedness, after the expiration of any applicable cure or grace period under the Loan Documents, Guarantor agrees, on demand by Lender or any holder of the Note (which demand may be made concurrently with notice to Borrower that Borrower is in default of its obligations), to pay the Indebtedness regardless of any defense, right of set-off or recoupment or claims which Borrower or Guarantor may have against Lender or the holder of the Note. All of the remedies set forth herein and/or provided for in any of the other Loan Documents or at law or equity shall be equally available to Lender, and the choice by Lender of one such alternative over another shall not be subject to question or challenge by Guarantor or any other person, nor shall any such choice be asserted as a defense, setoff, recoupment or failure to mitigate damages in any action, proceeding, or counteraction by Lender to recover or seeking any other remedy under this Guaranty, nor shall such choice preclude Lender from subsequently electing to exercise a different remedy. The parties have agreed to the alternative remedies provided herein in part because they recognize that the choice of remedies in the event of a default hereunder will necessarily be and should properly be a matter of good faith business judgment, which the passage of time and events may or may not prove to have been the best choice to maximize recovery by Lender at the lowest cost to Borrower and/or Guarantor. It is the intention of the parties that such good faith choice by Lender be given conclusive effect regardless of such subsequent developments.

3. To the fullest extent permitted by law, Guarantor does hereby (a) waive notice of acceptance of this Guaranty by Lender and any and all notices and demands of every kind which may be required to be given by any statute, rule or law, (b) agree to refrain from asserting, until after repayment in full of the Loan, any defense, right of set-off, right of recoupment or other claim which Guarantor may have against Borrower, (c) waive any defense, right of set-off, right of recoupment or other claim which Borrower may have against Lender or the holder of the Note, (d) waive any and all rights Guarantor may have under any anti-deficiency statute or other similar protections, (e) waive all rights at law or in equity to seek subrogation, contribution, indemnification or any other form of reimbursement or repayment from Borrower or any other person or entity now or hereafter primarily or secondarily liable for any of the Indebtedness until the Indebtedness has been paid in full, (f) waive presentment for payment, demand for payment, notice of nonpayment or dishonor, protest and notice of protest, diligence in collection and any and all formalities which otherwise might be legally required to charge Guarantor with liability, (g) waive the benefit of all appraisal, valuation, marshalling, forbearance, stay, extension, redemption, homestead, exemption and moratorium laws now or hereafter in effect, (h) waive any defense based on the incapacity, lack of authority, death or disability of any other person or entity or the failure of Lender to file or enforce a claim against the estate of any other person or entity in any administrative, bankruptcy or other proceeding, (i) waive any defense based on an election of remedies by Lender, whether or not such election may affect in any way the recourse, subrogation or other rights of Guarantor against the Borrower, any other guarantor or any other person in connection with the Indebtedness, (j) waive any defense based on the failure of the Lender to (i) provide notice to Guarantor of a sale or other disposition

of any of the security for any of the Indebtedness (including, but not limited to, any collateral sale pursuant to the Uniform Commercial Code or the foreclosure of any Mortgage), or (ii) conduct such a sale or disposition in a commercially reasonable manner, (k) waive any defense based on the negligence of the Lender in administering the Loan (including, but not limited to, the failure to perfect any security interest in any collateral for the Loan), or taking or failing to take any action in connection therewith, or based on the federal Equal Credit Opportunity Act and applicable regulations or the Equal Credit Opportunity Acts and applicable regulations of any state (provided that such waiver shall not apply to the gross negligence or willful misconduct of the Lender), (l) waive the defense of expiration of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof, (m) waive any right to file any "Claim" (as defined below) as part of, and any right to request consolidation of any action or proceeding relating to a Claim with, any action or proceeding filed or maintained by Lender to collect any indebtedness of Guarantor to Lender hereunder or to exercise any rights or remedies available to Lender under the Loan Documents, at law, in equity or otherwise, (n) agree that the Lender shall have no obligation to obtain, perfect or retain a security interest in any property to secure any of the Indebtedness or this Guaranty (including any mortgage or security interest contemplated by the Loan Documents), or to protect or insure any such property, (o) waive any obligation Lender may have to disclose to Guarantor any facts the Lender now or hereafter may know or have reasonably available to it regarding the Borrower or Borrower's financial condition, whether or not the Lender has a reasonable opportunity to communicate such facts or has reason to believe that any such facts are unknown to Guarantor or materially increase the risk to Guarantor beyond the risk Guarantor intends to assume hereunder, and (p) agree that the Lender shall not be liable in any way for any decrease in the value or marketability of any property securing any of the Indebtedness which may result from any action or omission of the Lender in enforcing any part of this Guaranty or any portion of the Loan except to the extent of any gross negligence or willful misconduct of the Lender. Credit may be granted or continued from time to time by Lender to Borrower without notice to or authorization from Guarantor, regardless of the financial or other condition of Borrower at the time of any such grant or continuation. Lender shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of Borrower. Guarantor acknowledges that no representations of any kind whatsoever have been made by Lender to induce Guarantor to execute and deliver this Guaranty. No modification or waiver of any of the provisions of this Guaranty shall be binding upon Lender or the Guarantor except as expressly set forth in a writing duly signed and delivered by the party against whom enforcement is sought. For purposes of this section, the term "Claim" shall mean any claim, action or cause of action, defense, counterclaim, set-off or right of recoupment of any kind or nature against the Lender, its officers, directors, employees, agents, members, actuaries, accountants, trustees or attorneys, or any affiliate of the Lender (collectively, the "Lender Parties") in connection with the making, closing, administration, collection or enforcement by the Lender of the indebtedness evidenced by the Note or the obligations evidenced by the Loan Documents (including this Guaranty), except any such claims arising out of, relating to, or in connection with the gross negligence or willful misconduct of the Lender or any other Lender Party.

4. Guarantor further agrees that Guarantor's liability as guarantor shall not be impaired or affected by any renewals or extensions which may be made from time to time, with or without the knowledge or consent of Guarantor of the time for payment of interest or principal under the Note or by any forbearance or delay in collecting interest or principal under the Note, or by any waiver by Lender under the Loan Agreement, any Mortgage or any other Loan Documents, or by Lender's failure or election not to pursue any other remedies it may have against Borrower or Guarantor, or by any change or modification in the Note, Loan Agreement, any Mortgage or any other Loan Document, or by the acceptance by Lender of any additional security or any increase, substitution or change therein, or by the release by Lender of any security or any withdrawal thereof or decrease therein, or by the application of payments received from any source to the payment of any obligation other than the Indebtedness even though Lender might lawfully have elected to apply such payments to any part or all of the Indebtedness, it being the intent hereof that, subject to Lender's compliance with the terms of this Guaranty and the other Loan Documents, Guarantor shall remain liable for the payment of the Indebtedness, until the

Indebtedness has been paid in full, notwithstanding any act or thing which might otherwise operate as a legal or equitable discharge of a surety. Guarantor further understands and agrees that Lender may at any time enter into agreements with Borrower to amend, modify and/or increase the principal amount of, interest rate applicable to or other economic and non-economic terms of the Note, Loan Agreement, Mortgages or other Loan Documents, and may waive or release any provision or provisions of the Note, Loan Agreement, Mortgages and other Loan Documents or any thereof, and, with reference to such instruments, may make and enter into any such agreement or agreements as Lender and Borrower may deem proper and desirable, without in any manner impairing this Guaranty or any of Lender's rights hereunder or Guarantor's obligations hereunder, and Guarantor's obligations hereunder shall apply to the Note, Loan Agreement, Mortgages and other Loan Documents as so amended, modified, extended, renewed or increased.

5. This is an absolute, present and continuing guaranty of payment and not merely of collection. Guarantor agrees that this Guaranty may be enforced by Lender without the necessity at any time of resorting to or exhausting any other security or collateral given in connection herewith or with the Note, Loan Agreement, Mortgages or any of the other Loan Documents through foreclosure or sale proceedings, as the case may be, under any Mortgage or otherwise, or resorting to any other guaranties, and Guarantor hereby waives any right to require Lender to join Borrower in any action brought hereunder or to commence any action against or obtain any judgment against Borrower or to pursue any other remedy or enforce any other right. Guarantor further agrees that nothing contained herein or otherwise shall prevent Lender from pursuing concurrently or successively all rights and remedies available to it at law and/or in equity or under the Note, Loan Agreement, Mortgages or any other Loan Documents, and the exercise of any of its rights or the completion of any of its remedies that do not result in full payment of the Indebtedness and complete satisfaction of Borrower's obligations under the Loan Documents shall not constitute a discharge of Guarantor's obligations hereunder, it being the purpose and intent of Guarantor that the obligations of Guarantor hereunder shall be absolute, independent and unconditional under any and all circumstances whatsoever. None of Guarantor's obligations under this Guaranty or any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Borrower under the Note, Loan Agreement, Mortgages or other Loan Documents or by reason of the bankruptcy of Borrower or by reason of any creditor or bankruptcy proceeding instituted by or against Borrower. This Guaranty shall continue to be effective or be reinstated (as the case may be) if at any time payment of all or any part of any sum payable pursuant to the Note, Loan Agreement, Mortgages or any other Loan Document is rescinded or otherwise required to be returned by Lender upon the insolvency, bankruptcy, dissolution, liquidation, or reorganization of Borrower, or upon or as a result of the appointment of a receiver, intervenor, custodian or conservator of or trustee or similar officer for, Borrower or any substantial part of its property, or otherwise, all as though such payment to Lender had not been made, regardless of whether Lender contested the order requiring the return of such payment. In the event of the foreclosure of the Mortgage and of a deficiency, Guarantor hereby promises and agrees forthwith to pay the amount of such deficiency notwithstanding the fact that recovery of said deficiency against Borrower would not be allowed by applicable law; however, the foregoing shall not be deemed to require that Lender institute foreclosure proceedings or otherwise resort to or exhaust any other collateral or security prior to or concurrently with enforcing this Guaranty.

6. In the event Lender or any holder of the Note shall assign the Note (the "Assignment") to any lender or other entity (the "Assignee") to secure a loan from Assignee to Lender or such holder for an amount not in excess of the amount which will be due, from time to time, from Borrower to Lender under the Note with interest not in excess of the rate of interest which is payable by Borrower to Lender under the Note, Guarantor will accord full recognition thereto and agree that all rights and remedies of Lender or such holder hereunder shall be enforceable against Guarantor by Assignee with the same force and effect and to the same extent as would have been enforceable by Lender or such holder but for the Assignment; provided, however, that unless Lender shall otherwise consent in writing, Lender shall have

an unimpaired right, prior and superior to that of Assignee, to enforce this Guaranty for Lender's benefit to the extent of any indemnities constituting a part of the Indebtedness which are not expressly assigned or transferred. Notwithstanding the foregoing, in no event shall any Assignment (i) obligate Guarantor to make any payment to, or to perform any obligation on behalf of, any party other than Lender following an Assignment unless Lender provides Guarantor written notice of the Assignment, in which case Guarantor shall be entitled to rely on such written notice and (ii) entitle Lender and Assignee to duplicative recoveries.

7. If: (a) this Guaranty is placed in the hands of an attorney for collection or is collected through any legal proceeding; (b) an attorney is retained to represent Lender in any bankruptcy, reorganization, receivership, or other proceedings affecting creditors' rights and involving a claim under this Guaranty; (c) an attorney is retained to provide necessary advice or other representation with respect to this Guaranty; or (d) an attorney is retained to represent Lender in any proceedings whatsoever in connection with this Guaranty and Lender prevails in any such proceedings, then Guarantor shall pay to Lender upon demand all reasonable attorney's fees, costs and expenses incurred in connection therewith (all of which are referred to herein as "Enforcement Costs"), in addition to all other amounts due hereunder, regardless of whether all or a portion of such Enforcement Costs are incurred in a single proceeding brought to enforce this Guaranty as well as the other Loan Documents.

8. The parties hereto intend and believe that each provision in this Guaranty comports with all applicable local, state and federal laws and judicial decisions. However, if any provision or provisions, or if any portion of any provision or provisions, in this Guaranty is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court should declare such portion, provision or provisions of this Guaranty to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Guaranty shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were not contained therein, and that the rights, obligations and interest of Lender or the holder of the Note under the remainder of this Guaranty shall continue in full force and effect.

9. TO THE GREATEST EXTENT PERMITTED BY LAW, GUARANTOR HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS GUARANTY (EACH, A "PROCEEDING"), LENDER (BY ITS ACCEPTANCE HEREOF) AND GUARANTOR IRREVOCABLY (A) SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF CHICAGO, COUNTY OF COOK AND STATE OF ILLINOIS, AND (B) WAIVE ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVE ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVE THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS GUARANTY SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION TO THE EXTENT THE FOREGOING IS PERMITTED UNDER APPLICABLE LAW. LENDER AND GUARANTOR FURTHER AGREE AND CONSENT THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY ILLINOIS STATE OR UNITED STATES COURT SITTING IN THE CITY OF CHICAGO AND COUNTY OF COOK MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT

REQUESTED, DIRECTED TO THE APPLICABLE PARTY AT THE ADDRESS INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF SUCH PARTY SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

10. (a) Any indebtedness of Borrower to Guarantor (including, but not limited to, any right of such Guarantor to a return of any capital contributed to a Borrower), whether now or hereafter existing, is hereby subordinated to the payment of the Indebtedness. Guarantor agrees that, following the occurrence and during the continuation of an Event of Default (defined below), Guarantor will not seek, accept, or retain for its own account, any payment from Borrower on account of such subordinated debt. Following the occurrence and during the continuation of an Event of Default, any payments to Guarantor on account of such subordinated debt shall be collected and received by Guarantor in trust for Lender and shall be paid over to Lender on account of the Indebtedness without impairing or releasing the obligations of Guarantor hereunder.

(b) Guarantor shall promptly file in any bankruptcy or other proceeding in which the filing of claims is required by law, all claims and proofs of claims that Guarantor may have against the Borrower or any other guarantor and does hereby assign to the Lender or its nominee (and will, upon request of Lender, reconfirm in writing the assignment to Lender or its nominee of) all rights of Guarantor under such claims. If Guarantor does not file any such claim, Lender, as attorney-in-fact for Guarantor, is hereby irrevocably authorized to do so in the name of Guarantor, or in Lender's discretion, to assign the claim to a designee and cause proof of claim to be filed in the name of Lender's designee. In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Lender the full amount thereof and, to the full extent necessary for that purpose, Guarantor hereby assigns to the Lender all of the Guarantor's rights to any such payments or distributions to which Guarantor would otherwise be entitled, such assignment being a present and irrevocable assignment of all such rights.

(c) In the event (1) Borrower or any other guarantor shall (i) file voluntarily or be filed against involuntarily for protection under the U.S. Bankruptcy Code or any other present or future federal or state act or law relating to bankruptcy, insolvency, or other relief for debtors, (ii) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator, or (iii) be the subject of any order, judgment, or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or relief for debtors, and (2) the automatic stay imposed by the applicable provisions of the U.S. Bankruptcy Code, as amended, or under any other applicable law, against the exercise of the rights and remedies otherwise available to creditors of the Borrower or such other guarantor is deemed by the court having jurisdiction to apply to Guarantor so that Guarantor is not permitted to pay Lender the Indebtedness and/or Lender may not immediately enforce the terms of this Guaranty or exercise such other rights and remedies against Guarantor as would otherwise be provided by law, Lender shall immediately be entitled, and Guarantor hereby consents, to relief from such stay, and Guarantor hereby authorizes and directs Lender to present this Guaranty to the applicable court to evidence this agreement and consent.

11. Any amounts received by Lender from any source on account of the Loan may be utilized by Lender for the payment of the Indebtedness and any other obligations of Borrower to Lender in such order as Lender may from time to time reasonably elect, subject to the terms and conditions of the Loan Documents.

12. (a) It is expressly agreed that time is of the essence of this Guaranty and every covenant and provision hereof, and that any of the following shall be an "Event of Default" under this Guaranty:

(i) any "Insolvency Event" (as defined below) with respect to Guarantor;

(ii) any failure by Guarantor and/or Borrower to make any payment when due hereunder or under the Note or any of the other Loan Documents (beyond any applicable notice and/or grace period, if any, set forth in the applicable Loan Document), or any other default under any other obligation of or covenant by Guarantor and/or Borrower under this Guaranty, the Note or any of the other Loan Documents (beyond any applicable notice and/or grace period, if any, set forth in the applicable Loan Document); and/or

(iii) any material inaccuracy in any representation or warranty made by Guarantor, or any material omission of Guarantor, in connection with its financial condition prior or subsequent to the date of this Guaranty.

(b) Upon the occurrence of any Event of Default under this Guaranty, there shall be deemed to have occurred a "Default" and an "Event of Default" (as those terms are used in the Loan Agreement) under each of the other Loan Documents, regardless of whether or not any portion of the Indebtedness may then be due and payable.

(c) The term "Insolvency Event" shall mean any of the following: Guarantor makes an assignment for the benefit of creditors; Guarantor files a petition in bankruptcy; Guarantor is adjudicated insolvent or bankrupt, or petitions or applies to any tribunal for any receiver of or any trustee for itself or any substantial part of its property; Guarantor commences any proceeding relating to itself under any reorganization, arrangement, readjustment or debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; any such proceeding is commenced against Guarantor and such proceeding remains undismissed for a period of sixty (60) days; Guarantor by any act indicates its consent to, approval of, or acquiescence in, any such proceeding or the appointment of any receiver of or any trustee for Guarantor or any substantial part of its property, or suffers any such receivership or trusteeship to continue undischarged for a period of sixty (60) days.

(e) All grace periods under the Note, this Guaranty and/or the other Loan Documents shall run concurrently such that once any grace period has expired without the curing of the default in question, Lender shall be entitled to exercise any and all of the rights and remedies granted under the Note, this Guaranty and the other Loan Documents without the necessity of issuing any further notice or the granting of any further grace periods.

13. GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY CLAIM, CONTROVERSY, DISPUTE, ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS GUARANTY AND THE OTHER LOAN DOCUMENTS (INCLUDING WITHOUT LIMITATION ANY ACTIONS OR PROCEEDINGS FOR ENFORCEMENT OF THE LOAN DOCUMENTS) AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. GUARANTOR AND LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH OF THEM HAS RELIED ON THIS WAIVER IN ENTERING INTO THIS GUARANTY AND THE OTHER LOAN DOCUMENTS AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. GUARANTOR AND LENDER EACH WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY

OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

14. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing and shall be deemed to have been properly given (a) if hand delivered, when delivered; (b) if mailed by United States Certified Mail (postage prepaid, return receipt requested), three (3) Business Days after mailing (c) if by Federal Express or other reliable overnight courier service, on the next Business Day after delivered to such courier service or (d) if by telecopier on the day of transmission, if before 3:00 p.m. (Chicago Time) on a Business Day so long as copy is sent on the same day by overnight courier as set forth below:

Guarantor: Medical Properties Trust, Inc.
MPT Operating Partnership LLP
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Telephone: 205-969-3755
Facsimile: 205-969-3756
Attn: Michael G. Stewart, Esq.

With a copy to: Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC
1600 SouthTrust Tower
420 Twentieth Street North
Birmingham, Alabama 35203
Telephone: 205-328-0480
Facsimile: 205-322-8007
Attn: Thomas O. Kolb, Esq.

Lender: Merrill Lynch Capital, a Division
of Merrill Lynch Business Financial
Services Inc.
222 N. LaSalle Street - 18th Floor
Chicago, Illinois 60601
Attention: Vice President, Portfolio Manager
Telephone: 312-499-3128
Facsimile: 312-499-3026

With a copy to: Merrill Lynch Capital, a Division
of Merrill Lynch Business Financial
Services Inc.
222 N. LaSalle Street - 18th Floor
Chicago, Illinois 60601
Attention: Real Estate Legal
Telephone: 312-499-3140
Facsimile: 312-499-3034

or at such other address as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice. Any notice or demand delivered to

the person or entity named above to accept notices and demands for such party shall constitute notice or demand duly delivered to such party, even if delivery is refused.

15. To induce Lender to make the Loan, Guarantor makes the following representations and warranties to Lender set forth in this Section. Guarantor acknowledges that but for the truth and accuracy of the matters covered by the following representations and warranties, Lender would not have agreed to make the Loan.

(a) Guarantor is duly formed, validly existing, and in good standing in its state of organization and has qualified to do business and is in good standing in any state in which it is necessary in the conduct of its business, except where the failure to so qualify would not have a material adverse effect on the business of the Guarantor.

(b) Guarantor maintains an office at the address set forth for such party in Section 13.

(c) The financial statements of Guarantor for the period ending 11/30/04, which have been given to Lender by or on behalf of Guarantor fairly present the financial condition of Guarantor as of the respective date thereof, except for the absence of footnotes and subject to normal year-end adjustments which, in the aggregate, are not material.

(d) The execution, delivery, and performance by Guarantor of this Guaranty does not and will not contravene or conflict with (i) any Laws, order, rule, regulation, writ, injunction or decree now in effect of any Government Authority, or court having jurisdiction over Guarantor, (ii) any material contractual restriction binding on or affecting Guarantor or Guarantor's property or assets which may materially and adversely affect Guarantor's ability to fulfill its obligations under this Guaranty, (iii) the instruments creating any trust holding title to any assets included in Guarantor's financial statements, or (iv) the organizational or other documents of Guarantor.

(e) This Guaranty creates legal, valid, and binding obligations of Guarantor enforceable against the Guarantor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally or by general equitable principles.

(f) Except as disclosed in writing to Lender, there is no action, proceeding, or investigation pending or, to the knowledge of Guarantor, threatened or affecting Guarantor, which would reasonably be expected to materially and adversely affect Guarantor's ability to fulfill its obligations under this Guaranty. There are no judgments or orders for the payment of money outstanding against Guarantor for an amount in excess of \$100,000.00 and the enforcement of which is not stayed by reason of a pending appeal or otherwise. Guarantor is not in material default under any agreements which would reasonably be expected to materially and adversely affect Guarantor's ability to fulfill its obligations under this Guaranty.

(g) All statements set forth in the Recitals are true and correct.

Guarantor hereby agrees to indemnify, defend and hold Lender free and harmless from and against all loss, cost, liability, damage, and expense, including reasonable attorney's fees and costs, which Lender may sustain by reason of the inaccuracy or breach of any of the foregoing representations and warranties as of the date the foregoing representations and warranties are made.

16. Guarantor shall deliver or cause to be delivered to Lender all of the Guarantor financial statements to be delivered in accordance with the terms of the Loan Agreement. If Guarantor shall

become insolvent or seek protection under insolvency laws or proceedings, or any application shall be made to have Guarantor declared bankrupt or insolvent, or a receiver or trustee shall be appointed for Guarantor or for all or a substantial part of the property of Guarantor, or Guarantor shall make an assignment for the benefit of creditors, notice of such occurrence or event shall be promptly furnished to the Lender by Guarantor.

17. Until such time as the Indebtedness is indefeasibly satisfied, Guarantor covenants as follows:

(a) Within ninety (90) days after the end of each calendar year during the term of the Loan, Guarantor will furnish to Lender updated annual financial statements and such additional information, reports or statements as Lender may from time to time reasonably request.

(b) Without the written consent of Lender, Guarantor will not convey, sell, transfer or otherwise dispose of, in one transaction or a series of transactions, title or ownership of any of its assets, whether now owned or hereafter acquired, for consideration less than fair market value.

18. This Guaranty shall be binding upon the successors and assigns of Guarantor. If more than one party executes this Guaranty, the liability of all such parties shall be joint and several.

19. THIS GUARANTY, THE NOTE, AND ALL OTHER INSTRUMENTS EVIDENCING AND SECURING THE LOAN SECURED HEREBY WERE NEGOTIATED IN THE STATE OF ILLINOIS, AND DELIVERED BY GUARANTOR OR BORROWER, AS APPLICABLE, AND ACCEPTED BY LENDER IN THE STATE OF ILLINOIS, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND THE UNDERLYING TRANSACTIONS EMBODIED HEREBY. IN ALL RESPECTS, INCLUDING, WITHOUT LIMITATION, MATTERS OF CONSTRUCTION OF THE IMPROVEMENTS AND PERFORMANCE OF THIS GUARANTY AND THE OBLIGATIONS ARISING HEREUNDER, THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

20. Lender shall be entitled to honor any request for Loan proceeds made by Borrower and shall have no obligation to see to the proper disposition of such advances. Guarantor agrees that his obligations hereunder shall not be released or affected by reason of any improper disposition by Borrower of such Loan proceeds.

21. This Guaranty may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Guarantor has delivered this Guaranty as of the date first written above.

GUARANTOR:

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. Steven Hamner

Name: R. STEVEN HAMNER

Title: EVP. CFO

Tax ID No. 20-0191742

MPT OPERATING PARTNERSHIP LP

By: /s/ R. Steven Hamner

Name: R. STEVEN HAMNER

Title: EVP. CFO

Tax ID No. 20-0191742

PURCHASE AGREEMENT

BY AND BETWEEN

THCI COMPANY, LLC,
THCI OF CALIFORNIA, LLC
THCI OF MASSACHUSETTS, LLC AND
THCI MORTGAGE HOLDING COMPANY, LLC

AS SELLER

AND

MPT OPERATING PARTNERSHIP, L.P.

AS PURCHASER

DATED AS OF MAY 20, 2004

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Schedule 3.6	Seller Consents (Governmental)
Schedule 3.7	Material Contracts
Schedule 3.8	Environmental
Schedule 3.10	Litigation
Schedule 3.12(a)	Employee Benefit Plans
Schedule 3.12(f)	Certain Matters Relating to Employees
Schedule 3.12(g)	Organized Labor Disputes
Schedule 3.13(b)	Restrictions on Provider Agreements; Compliance with Conditions of Participation; OIG Investigations; Uncorrected Deficiencies
Schedule 3.13(c)	Private Programs
Schedule 3.13(d)	Accuracy of Cost Reports; Compliance with Cost Report Obligations; Written Notices of Disputes
Schedule 3.15	Financial Statements
Schedule 3.16(a)	Real Property
Schedule 3.16(b)	Leases
Schedule 3.16(c)	Exceptions to Good Title
Schedule 3.16(e)	Intellectual Property and Exceptions to Good Title to Intellectual Property
Schedule 3.16(f)	Public Taking
Schedule 3.17	Insurance
Schedule 3.19	Absence of Certain Changes
Schedule 4.2(b)	Consents (Contractual)
Schedule 4.2(c)	Purchaser Consents (Governmental)
Schedule 5.6	Management Agreements
Schedule 6.6	Issues Relating to Operations Transfer Agreements
Schedule 9.2	Consents and Approvals

EXHIBITS

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Exhibit A	Facilities
Exhibit B	Form of Assignment and Assumption Agreement
Exhibit C	Form of Certificate of Purchaser

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement"), dated as of the 20th day of May, 2004 (the "Execution Date"), is made and entered into by and between THCI Company, LLC, a Delaware limited liability company ("THCI"), THCI of California, LLC, a Delaware limited liability company ("THCI California"), THCI of Massachusetts, LLC, a Delaware limited liability company ("THCI Massachusetts"), and THCI Mortgage Holding Company, LLC, a Delaware limited liability company ("Mortgage LLC") (collectively "Seller"), and MPT Operating Partnership, L.P., a Delaware limited partnership ("Purchaser").

RECITALS

A. The Acquired Subsidiaries (as hereinafter defined) operate certain long term acute care and rehabilitation hospitals described on Exhibit A (the "Facilities") and own or lease the real property and appurtenances thereto on which the Facilities are located. Each Facility is licensed for the number of beds described on Exhibit A.

B. Seller desires to sell and transfer to Purchaser the Acquired Subsidiary Interests (as hereinafter defined), and Purchaser desires to purchase the same from Seller, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements, representations, warranties, conditions and covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

AGREEMENT

ARTICLE I DEFINITIONS

1.1 Definitions.

"Acquired Subsidiaries" means the limited liability companies and limited partnerships set forth on Schedule 1.1(a).

"Acquired Subsidiary Interests" means all of the ownership interests in the Acquired Subsidiaries as further detailed on Schedule 3.3(b).

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise.

"Agreement" has the meaning set forth in the introductory paragraph of this Agreement.

"Allocated Price" means that portion of the Purchase Price allocated to the Acquired Subsidiary Interests of an Acquired Subsidiary pursuant to Section 2.6.

"Arbitration Accountant" means an accounting firm to be mutually agreed. If the parties shall fail to agree then each shall name one firm which together shall select the Arbitration Accountant.

"Business" means the business of operating any (i) long-term acute care hospital or (ii) acute in-patient rehabilitation facility. For greater certainty, "Business" shall not include the operation of any skilled nursing facility, assisted living facility or providing ancillary services (but not management services or rehabilitation services) to hospitals operated by Persons who are not Affiliates of Seller.

"Business Days" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law or executive order to be closed in New York.

"Casualty" shall mean any damage to or destruction of any Facility or any portion thereof caused by fire or other casualty, whether or not insured.

"Closing" has the meaning set forth in Section 2.1.

"Closing Date" has the meaning set forth in Section 2.2.

"Closing Net Assets Amount" has the meaning set forth in Section 2.8(a).

"Closing Net Assets Statement" has the meaning set forth in Section 2.8(a).

"Code" means the Internal Revenue Code of 1986, as amended through the date hereof, and the rules and regulations promulgated thereunder.

"Confidentiality Agreement" has the meaning set forth in Section 5.3.

"Deposit" has the meaning set forth in Section 2.4.

"Eligible Acquired Subsidiary Interests" has the meaning set forth in Section 2.2(b).

"Eligible Facilities" has the meaning set forth in Section 2.2(b).

"Employee Benefit Plan" means any employee benefit plan, arrangement, policy or commitment (whether or not an employee benefit plan within the meaning of Section 3(3) of ERISA), including any employment, consulting or deferred compensation agreement, executive compensation, bonus, incentive, pension, profit-sharing, savings, retirement, stock option, stock purchase or severance pay plan, any life, health, disability or accident insurance plan or any holiday or vacation practice, other than any multiemployer plan within the meaning of Section 3(37) of ERISA ("Multiemployer Plan") as to which any of the Acquired Subsidiaries has, or in the future may have, any material liability.

"ERISA" means the Employment Retirement Income Security Act of 1974, as amended,

"Equipment Fees" has the meaning set forth in Section 7.8(b).

"Escrow Agent" has the meaning set forth in Section 2.4.

"Excluded Assets" has the meaning set forth in Section 2.9.

"Excluded Interests" has the meaning set forth in Section 5.7(b).

"Execution Date" has the meaning set forth in the introductory paragraph of this Agreement.

"Facilities" has the meaning set forth in Recital A.

"Financial Statements" has the meaning set forth in Section 3.15.

"GAAP" means United States generally accepted accounting principles as in effect from time to time and applied consistently throughout the periods involved.

"Governing Documents" means, with respect to any Person, such Person's charter, articles or certificate of incorporation, formation or organization, bylaws, limited partnership agreement, limited liability company agreement or other similar organizational documents or instruments which establish the rules, procedures and rights with respect to such Person's governance, in each case as amended, restated, supplemented and/or modified and in effect as of the relevant date.

"Government Programs" has the meaning set forth in Section 3.13(b).

"Governmental Authority" means a domestic or foreign national, federal, state, provincial or local government, legislature, regulatory or administrative authority, department, agency, commission, court, tribunal, arbitral body or self-regulated entity, or other similar recognized governmental organization or body exercising similar powers or authority.

"HIPAA" has the meaning set forth in Section 6.5.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indemnified Party" has the meaning set forth in Section 8.5(a).

"Indemnifying Party" has the meaning set forth in Section 8.5(a).

"Insurance Policies" has the meaning set forth in Section 3.17.

"Intellectual Property" means all patents, trademarks, trade names, business names (and including all names associated with specialty programs or services operated by the Acquired Subsidiaries), service marks, logos, trade secrets, copyrights and all applications and

registrations therefor and licenses thereof used by the Acquired Subsidiaries with respect to the operation of the Facilities, including, without limitation, the names of the Facilities set forth on Exhibit A-1.

"JCAHO" has the meaning set forth in Section 3.13(a).

"Law" means any federal, state, county, provincial, local or foreign statute, law, rule, regulation, ordinance, treaty, code or order of any governmental or quasi-governmental entity.

"Lessor" has the meaning set forth in Section 10.4.

"Lessor Option" has the meaning set forth in Section 10.4.

"Lien" means any security interest, mortgage, pledge, lien, easement, or other similar restriction, charge or encumbrance.

"Lien Searches" has the meaning set forth in Section 6.7.

"Losses" has the meaning set forth in Section 8.3.

"Material Adverse Effect" means any effect (i) that could materially impair or delay the ability of Seller to consummate the transactions contemplated hereby or (ii) that is materially adverse to the financial condition, business, results of operations, properties or assets of the Acquired Subsidiaries, taken as a whole (except as otherwise expressly provided in the final two sentences of this definition), except that events, circumstances, changes, developments, impairments or conditions resulting from (A) events, changes, developments, conditions or circumstances in worldwide, national or local conditions or circumstances (political, economic, regulatory or otherwise) or in the industry in which the Facilities operate, (B) an outbreak or escalation of war, armed hostilities, acts of terrorism, political instability or other national or international calamity, crisis or emergency, or any governmental or other response to any of the foregoing, in each case, whether occurring within or outside the United States, (C) the announcement of this Agreement and the transactions contemplated hereby, (D) any change in law or accounting principles, or (E) any action or omission of Seller taken with the prior written consent of Purchaser, in each case of clauses (A) through (E), shall not constitute a Material Adverse Effect. When used in Article IV, "Material Adverse Effect" means any effect that could materially impair or delay the ability of Purchaser to consummate the transactions contemplated hereby. If the provisions of Section 2.2(b) are invoked, for purposes of Article IX, Material Adverse Effect shall be assessed with reference to the Acquired Subsidiaries to be transferred on the applicable Closing Date and all other Acquired Subsidiaries acquired pursuant to this Agreement prior to such Closing Date, taken as a whole. If the provisions of Section 2.2(b) are invoked, for purposes of Article VIII, Material Adverse Effect shall be assessed with reference to all Acquired Subsidiaries that are transferred pursuant to this Agreement, whether transferred prior to or after the assertion of any claim for indemnification under Article VIII, and any adjudication of whether any effect constitutes a Material Adverse Effect will be suspended until the earlier of (i) the acquisition under this Agreement of all Acquired Subsidiaries or (ii) the last day upon which any Acquired Subsidiary may be transferred under this Agreement.

"Material Contracts" has the meaning set forth in Section 3.7.

"Medicaid" means the medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

"Medicaid Obligations" means (a) any fees, fines, penalties or civil monetary penalties that have arisen or may arise in any manner from Seller's or the Acquired Subsidiaries' participation in Medicaid; (b) Medicaid overpayments or any other financial obligations arising from any adjustments or reductions in Medicaid reimbursement that have arisen or may arise in any manner from Seller's or the Acquired Subsidiaries' participation in Medicaid; or (c) all other monetary and non-monetary obligations, sanctions, remedies or liabilities of any kind or nature whatsoever that have arisen or may arise in any manner from Seller's or the Acquired Subsidiaries' participation in Medicaid.

"Medicare" means the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

"Medicare Obligations" means (i) any fees, fines, penalties or civil monetary penalties that have arisen or may arise in any manner from Seller's or the Acquired Subsidiaries' participation in Medicare; (ii) Medicare overpayments or any other financial obligations arising from any adjustments or reductions in Medicare reimbursement that have arisen or may arise in any manner from Seller's or the Acquired Subsidiaries' participation in Medicare; or (iii) all other monetary or non-monetary obligations, sanctions, remedies or liabilities of any kind or nature whatsoever that have arisen or may arise in any manner from Seller's or the Acquired Subsidiaries' participation in Medicare.

"NA Objection Notice" has the meaning set forth in Section 2.8(c).

"Net Assets Amount" of an Acquired Subsidiary means, at any date, all assets of the Acquired Subsidiary, excluding fixed assets, minus all liabilities of the Acquired Subsidiaries, excluding current and long term debt, in each case, calculated in accordance with GAAP, but in any event consistent with the statements of net assets as of March 31, 2004 annexed hereto as Schedule 1.1(c), which have been prepared in accordance with GAAP with respect to the accounts included therein (collectively, the "Base Net Assets Statement"). The parties have reviewed the Base Net Assets Statement and hereby acknowledge and agree that such Base Net Assets Statement has been calculated in accordance with GAAP.

"OIG" means the Office of Inspector General for the Department of Health and Human Services.

"Operations Transfer Agreements" means the agreements set forth on Schedule 1.1(b).

"Order" means any judgment, writ, or order of any nature issued by any Governmental Authority.

"OTA Effective Date" means the effective date of the applicable Operations Transfer Agreement.

"Permits" has the meaning set forth in Section 3.4(a).

"Permitted Liens" means (i) assessments and other governmental charges not yet delinquent, (ii) matters disclosed in the Title Reports; (iii) matters disclosed on any Real Property Survey, (iv) Liens relating to equipment leases disclosed on Schedule 3.7 (or not disclosed on Schedule 3.7 because not required to be disclosed thereon), (v) the matters disclosed in the title reports and surveys made available by Seller to Purchaser prior to the execution of this Agreement, (vi) any existing Liens set forth on Schedule 1.1(d) which Seller shall cause to be eliminated prior to the Closing, and (vii) any Liens disclosed in the Lien Searches.

"Person" means any individual, corporation, partnership, limited liability company, limited liability partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.

"Preliminary Closing Net Assets Statement" has the meaning set forth in Section 2.7.

"Private Programs" has the meaning set forth in Section 3.13(c).

"Purchase Price" has the meaning set forth in Section 2.3.

"Purchaser" has the meaning set forth in the introductory paragraph to this Agreement.

"Purchaser Approval" has the meaning set forth in Section 4.1.

"Purchaser Documents" has the meaning set forth in Section 4.1.

"Purchaser Indemnified Parties" has the meaning set forth in Section 8.3.

"Purchaser's Knowledge" means the actual knowledge (without independent investigation) of any of Edward K. Aldag Jr., Richard S. Hamner, and Emmett E. McLean.

"Real Property" has the meaning set forth in Section 3.16(a).

"Real Property Surveys" has the meaning set forth in Section 6.7.

"Related Acquired Subsidiary Interests" means, with respect to a Facility, the Acquired Subsidiary Interests of (i) the Acquired Subsidiary that is the operator of such Facility or the pharmacy provider to such Facility and (ii) the Acquired Subsidiary that is the owner or lessee, as the case may be, of the Real Property on which such Facility is located.

"Seller" has the meaning set forth in introductory paragraph to this Agreement.

"Seller Documents" has the meaning set forth in Section 3.1.

"Seller Employees" has the meaning set forth in Section 3.12(f).

"Seller Indemnified Parties" has the meaning set forth in Section 8.4.

"Seller's Knowledge" means the actual knowledge (without independent investigation) of any of Warren Cole, Michele Torzilli, Michael Sherman or Kevin Breslin.

"Substantial Casualty" shall have the meaning set forth in Section 5.7(a).

"Substantial Taking" shall have the meaning set forth in Section 5.7(b).

"Taking" shall mean a taking of all or any portion of the Real Property in condemnation or by exercise of the power of eminent domain or by an agreement in lieu thereof.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty, or addition thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other person.

"Tax Returns" means any and all reports, returns, declarations, claims for refund, elections, disclosures, estimates, information reports or returns or statements required to be supplied to a taxing authority in connection with Taxes, including any schedule or attachment thereto or amendment thereof.

"Tenant Estoppel Certificate" means a tenant estoppel certificate with respect to the tenant at the Marlton Facility, HBA Management Inc.

"Third Party Claim" has the meaning set forth in Section 8.5(b).

"Title Reports" has the meaning set forth in Section 6.7.

"Transferred Employees" has the meaning set forth in Section 6.3(a).

"Transition Equipment" has the meaning set forth in Section 7.8(a).

"Transition Term" has the meaning set forth in Section 7.8(a).

1.2 Interpretation. The headings preceding the text of Articles and Sections included in this Agreement and the headings to Schedules and Exhibits attached to this Agreement are for convenience only and shall not be deemed part of this Agreement or be given any effect in interpreting this Agreement. The use of the masculine, feminine or neuter gender or the singular or plural form of words herein shall not limit any provision of this Agreement. The use of the terms "including" or "include" shall in all cases herein mean "including, without

limitation" or "include, without limitation," respectively. Reference to any Person includes such Person's successors and assigns to the extent such successors and assigns are permitted by the terms of any applicable agreement. Reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof. References to Articles, Sections, Exhibits or Schedules shall refer to those portions of this Agreement, unless otherwise indicated. The use of the terms "hereunder," "hereof," "hereto" and words of similar import shall refer to this Agreement as a whole and not to any particular Article or Section of, or Exhibit or Schedule to, this Agreement.

ARTICLE II PURCHASE AND SALE

2.1 Purchase and Sale. On the terms and subject to the conditions of this Agreement, Seller shall sell, assign, transfer, convey and deliver to Purchaser and Purchaser shall purchase from Seller at the closing of the purchase and sale pursuant to this Agreement (the "Closing") all right, title and interest in and to the Acquired Subsidiary Interests.

2.2 Closing; Closing Date; Closing in Respect of Eligible Facilities.

(a) The Closing shall take place at the offices of Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, NY 10019 at 10:00 a.m. local time on June 30, 2004, and/or at such other place or at such other time or date as Seller and Purchaser may mutually agree upon in writing (each day on which any Closing occurs being the "Closing Date").

(b) Notwithstanding anything to the contrary contained in this Agreement, the parties agree that if, as of the Closing Date, the conditions set forth in Article IX and Article X (other than those that by their nature are to be satisfied at Closing) shall have been satisfied with respect to less than all of the Facilities (the Facilities in respect of which such conditions have been satisfied, "Eligible Facilities"), Seller shall have the option, subject to the exceptions below with respect to the Selected Properties (as hereinafter defined) (the "Option"), exercisable in its sole discretion, upon written notice to Purchaser to require Purchaser to proceed with the Closing on the Closing Date with respect to such Eligible Facilities and the Related Acquired Subsidiary Interests (the "Eligible Acquired Subsidiary Interests"), in which case, this Agreement shall be deemed modified with respect to the following provisions only: (i) the Purchase Price payable at the Closing shall be equal to the Allocated Price of the Eligible Acquired Subsidiary Interests and (ii) all references to "Closing" and "Closing Date", for all purposes of this Agreement including the provisions of Article VIII hereof, shall mean the Closing and Closing Date at or on which the transfer of the applicable Acquired Subsidiary occurs or is deemed to have occurred; provided, however, that Seller's election to proceed with the Closing with respect to the Eligible Acquired Subsidiary Interests shall in no way affect the obligations of the parties under this Agreement with respect to any Acquired Subsidiary Interest that is not an Eligible Acquired Subsidiary Interest, which obligations will remain in full force and effect, including, without limitation, the obligation of Purchaser to purchase any such Acquired Subsidiary Interests in accordance with the terms hereof. Without limiting the generality of this Section 2.2(b), if the provisions of this Section 2.2(b) are invoked, the

provisions of this Section 2.2(b) shall also apply pari passu to any remaining Facilities that are not Eligible Facilities as of the Closing Date and Seller shall have the right to require Purchaser to proceed with the Closing with respect to each remaining Facility which subsequently becomes an Eligible Facility and the Related Acquired Subsidiary Interests at such time as any such remaining Facility becomes an Eligible Facility. Notwithstanding the foregoing, Seller shall not be entitled to exercise the Option with respect to any Selected Property unless (y) such Option is also exercised with respect to at least one (1) Facility (and the Related Acquired Subsidiary Interests) that is not a Selected Property or (z) prior to Seller's exercise of the Option Seller shall have transferred to Purchaser at least one Facility (and the Related Acquired Subsidiary Interests) that is not a Selected Property. "Selected Property" means the Facilities located in Thornton, Colorado or Kentfield, California (and, in each case, the Related Acquired Subsidiary Interests).

2.3 Purchase Price. The purchase price for the Acquired Subsidiary Interests shall be One Hundred Fifty Million Dollars (\$150,000,000.00) (the "Purchase Price"), subject to adjustment as set forth in Section 2.8.

2.4 Earnest Money. Upon execution, of this Agreement, Purchaser shall deliver to Royal Abstract Title Insurance Company (the "Escrow Agent") at its New York office (pursuant to its standard form escrow agreement reasonably acceptable to Purchaser and Seller) an earnest money deposit in the amount of Fifteen Million Dollars (\$15,000,000) (the "Deposit"). The Deposit shall be held in an interest bearing account. Any accrued interest shall be deemed to form part of the Deposit. The escrow agreement will provide, among other things, that (i) if the transactions contemplated under this Agreement close as provided herein, a portion of the Deposit equal to \$15,000,000 multiplied by a fraction, the numerator of which is the Allocated Price of the Eligible Acquired Subsidiary Interests being transferred at the respective Closing and the denominator of which is \$150,000,000, plus any interest earned on the portion being so applied, shall be delivered to THCI, or THCI's designee, at the Closing and shall be applied against the Purchase Price being paid at such Closing as set forth in Section 2.5; (ii) if that the transactions contemplated under this Agreement are terminated by Purchaser or Seller as set forth in Section 12.1(a) or Section 12.1(b), by Purchaser under Sections 12.1(c) or Section 12.1(e), or by Seller under Section 12.1(f) or Section 12.1(g), then, upon such termination, the remaining balance of the Deposit plus any interest earned thereon shall be returned to Purchaser; (iii) if one or more of the conditions set forth in Article IX of this Agreement is or becomes impossible to be satisfied and Purchaser (and Purchaser's permitted assignee) is not in breach of its obligations under this Agreement, then, upon termination by Purchaser, the remaining balance of the Deposit plus any interest earned thereon shall be returned to Purchaser; (iv) if the obligations of the parties with respect to the Marlton Facility shall have been terminated as provided under clause (x) of Section 10.4(i) then, upon such termination, a portion of the Deposit equal to \$15,000,000 multiplied by a fraction, the numerator of which is the Allocated Price of the Marlton Facility Related Acquired Subsidiary Interest and the denominator of which is \$150,000,000, shall be returned to Purchaser, and (v) if the transactions contemplated under this Agreement are terminated by Seller as set forth in Section 12.1(d) then, upon such termination, the remaining balance of the Deposit plus any interest earned thereon shall be released to THCI. The parties shall execute joint instructions to the Escrow Agent to effectuate the foregoing.

2.5 Payment of Purchase Price. At any Closing, Purchaser shall pay to THCI, for its own account and the accounts of THCI California, THCI Massachusetts and Mortgage LLC, an amount equal to the Purchase Price (or the Allocated Price of the Eligible Acquired Subsidiary Interests being transferred at such Closing), as adjusted pursuant to Section 2.7, less the portion of the Deposit being applied under Section 2.4 at such Closing, by wire transfer of immediately available funds to accounts designated in writing by THCI, it being agreed that at the Closing the Deposit shall be delivered to THCI, for its own account and the accounts of THCI California and Mortgage LLC, and applied towards the Purchase Price.

2.6 Allocation of Purchase Price. The Purchase Price shall be allocated among the Acquired Subsidiary Interests (and among the assets of the Acquired Subsidiaries deemed acquired by Purchaser for federal income tax purposes) as of the Closing Date, as set forth on Schedule 2.6. Any subsequent adjustments to the Purchase Price shall be reflected in the allocation as mutually agreed by Purchaser and Seller in a manner consistent with the allocations set forth on Schedule 2.6 and Section 1060 of the Code. For all Tax purposes, Purchaser and Seller agree to report the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, including in accordance with such allocation, and not to take any position inconsistent with such allocation in any Tax return, in any refund claim, in any litigation or otherwise, except as may be required by law.

2.7 Pre-Closing Net Assets Purchase Price Adjustment. On or before any Closing Date, THCI shall deliver to Purchaser a statement setting forth the estimated Net Assets Amount as of the end of the most recent month for which such calculation is available (the "Preliminary Closing Net Assets Statement"), which if as of a date other than March 31, 2004 shall be prepared by THCI in a manner consistent with the Base Net Assets Statement. Upon delivery of the Preliminary Closing Net Assets Statement, the Purchase Price payable at such Closing shall be increased by an amount equal to the Net Assets Amount as reflected on the respective Preliminary Closing Net Assets Statement. If the provisions of Section 2.2(b) are invoked, the adjustments under this Section 2.7 shall be made separately respecting such Acquired Subsidiaries as have been transferred.

2.8 Post-Closing Net Assets Purchase Price Adjustment.

(a) As soon as practicable, but in no event later than thirty (30) days following any Closing, Purchaser shall in good faith prepare and deliver to THCI a statement (the "Closing Net Assets Statement") of the Net Assets Amount as of the close of business on the Closing Date (the "Closing Net Assets Amount"), which shall be prepared and valued in a manner consistent with the method of valuation used in preparing the Base Net Assets Statement. If the provisions of Section 2.2(b) are invoked, the adjustments under this Section 2.8 shall be made separately respecting such Acquired Subsidiaries as have been transferred.

(b) At all times prior to the date on which there is a final determination of the Closing Net Assets Amount pursuant to Section 2.8(c) or Section 2.8(d), Seller and Purchaser shall provide each other and their respective accountants and counsel reasonable access during normal business hours to their books and records and (subject to the execution of customary confidentiality, exculpation and indemnification agreements) work

papers with respect to the Acquired Subsidiaries and permit each other to make copies of relevant portions thereof and provide to each other access to one another's respective accountants.

(c) If THCI disagrees with Purchaser's determination of the Closing Net Assets Amount, THCI shall deliver to Purchaser, within fifteen (15) Business Days after the delivery by Purchaser of the Closing Net Assets Statement as set forth in Section 2.8(a), a written notice (the "NA Objection Notice") which sets forth (1) the nature of, and basis for, THCI's dispute with the Closing Net Assets Statement and (2) THCI's draft determination of the Closing Net Assets Amount based upon the same method of valuation used in the preparation of the Base Net Assets Statement, together with any authority or documentation supporting its position. In the event that no such NA Objection Notice is timely received by Purchaser, Purchaser's determination of the Closing Net Assets Amount shall be deemed to be final.

(d) If a NA Objection Notice is timely delivered to Purchaser, Purchaser and THCI shall promptly meet thereafter and attempt to resolve the dispute in good faith. In the event that a NA Objection Notice is timely delivered to Purchaser and the parties are unable to resolve the disagreement specified in the NA Objection Notice within twenty (20) Business Days after the receipt thereof by Purchaser, the disagreement (which shall be limited to the remaining differences in respect of the matters set forth in the NA Objection Notice) may be submitted by either THCI or Purchaser, upon three (3) Business Days' notice to the other party, to the Arbitration Accountant. The Arbitration Accountant shall follow such procedures as it deems appropriate for obtaining the necessary information in considering the respective positions of Purchaser and THCI. The Arbitration Accountant shall (subject to the execution of customary confidentiality, exculpation and indemnification agreements) have the right to review all books and records, work papers and other accounting records of Purchaser and Seller that it deems relevant to the determination of the Closing Net Assets Amount. The Arbitration Accountant shall render its determination only with respect to the remaining differences so submitted and based on the same method of valuation used in the preparation of the Base Closing Net Assets Statement within fifteen (15) Business Days of submission of the disagreement by Purchaser or THCI. The Arbitration Accountant's determination of the Closing Net Assets Amount shall be final, conclusive and binding upon the Purchaser and the Seller, entitled to be enforced as an arbitral decree to the fullest extent permitted by law and entered into any court of competent jurisdiction. The Arbitration Accountant shall address only those issues in dispute and may not assign a value to any item greater than the greatest value for such item claimed by either party or lower than the lowest value claimed by either party.

(e) The fees and disbursements of the Arbitration Accountant shall be allocated between Purchaser and THCI in such proportion as the Arbitration Accountant shall determine in its sole discretion based on its assessment of the relative reasonableness of the positions advanced by the parties.

(f) If the final determination of the Closing Net Assets Amount under Section 2.6(c) or Section 2.6(d) is greater than the Net Assets Amount set forth on the applicable Preliminary Closing Net Assets Statement, then not later than five (5) Business Days following such final determination pursuant to Section 2.6(c) or Section 2.6(d) Purchaser shall

promptly pay the amount of such excess to THCI by wire transfer of immediately available funds. If the Closing Net Assets Amount as so finally determined is less than the Net Assets Amount set forth on the Preliminary Closing Net Assets Statement, then not later than five (5) Business Days following such final determination THCI shall promptly pay the difference to Purchaser by wire transfer of immediately available funds.

2.9 Excluded Assets. Notwithstanding anything in this Agreement to the contrary, but subject to Section 7.8, Seller shall retain and assume and cause the Acquired Subsidiaries to cease to have any rights with respect to the rights, properties and assets set forth on Schedule 2.9 (the "Excluded Assets"). Prior to the Closing, Seller shall cause all rights, title and interests of the Acquired Subsidiaries in the Excluded Assets to be transferred to Seller or Seller's designee.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Purchaser as follows:

3.1 Organization and Authority of Seller and the Acquired Subsidiaries. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite power and authority to enter into this Agreement and any other instruments, certificates or documents delivered by Seller to Purchaser in connection with this Agreement (the "Seller Documents"), to the extent a party thereto, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby and to conduct its businesses as now being conducted in relation to the Acquired Subsidiaries. The execution and delivery by Seller of this Agreement and each of the other Seller Documents to which it is to be a party, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary organizational and member action on the part of Seller. This Agreement and, when executed and delivered at the Closing, each of the other Seller Documents to which Seller is to be a party, have been duly executed and delivered by Seller and, assuming due authorization, execution and delivery by Purchaser, this Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors rights generally or by general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law). Seller is, or at Closing will be, the sole owner of all of the Acquired Subsidiary Interests.

3.2 No Conflicts. The execution, delivery and performance of this Agreement and the other Seller Documents to which it is a party by Seller and the Acquired Subsidiaries do not and will not:

(a) except as set forth on Schedule 3.2(a), violate or conflict with the Governing Documents of Seller or any of the Acquired Subsidiaries;

(b) subject to obtaining the consents set forth on Schedule 3.2(b), violate any restriction to which Seller or an Acquired Subsidiary is subject or give rise to any right of termination, cancellation or acceleration under any mortgage, deed of trust, license, Material Contract, indenture or other material agreement or instrument to which an Acquired Subsidiary is a party which will not be satisfied or terminated on or prior to the Closing as a result of the transactions contemplated by this Agreement, or result in the creation or imposition of any Lien upon the Acquired Subsidiary Interests or any asset of any Acquired Subsidiary (except as may result from any law, rule or regulation relating or applying solely to Purchaser and not relating or applying to Seller or any of the Acquired Subsidiaries); or

(c) assuming that all consents, approvals, authorizations and other actions set forth on Schedule 3.6 have been obtained and all filings and notifications set forth on Schedule 3.6 have been made, constitute a violation of any applicable rule, regulation, law, statute or ordinance of any administrative agency or Governmental Authority, or of any judgment, decree, writ, injunction or order of any court to which Seller or the Acquired Subsidiaries are subject;

except, in the case of clauses (b) and (c), for any violations, conflicts or other matters which would not have a Material Adverse Effect.

3.3 Acquired Subsidiaries.

(a) Each of the Acquired Subsidiaries is an entity duly organized, validly existing and (to the extent the concept of good standing exists in the applicable jurisdiction) in good standing under the laws of its jurisdiction of organization, in the legal form of entity and State as further specified on Schedule 1.1(a). Each of the Acquired Subsidiaries has all requisite organizational power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(b) The membership, partnership or other ownership interests of each of the Acquired Subsidiaries are set forth on Schedule 3.3(b). All of the membership, partnership and other ownership interests of each of the Acquired Subsidiaries are owned, beneficially and of record, as set forth on such Schedule 3.3(b), free and clear of any Lien [except for Liens set forth on Schedule 3.3(b), each of which shall be released at or prior to the Closing]. All of the ownership interests of each of the Acquired Subsidiaries are duly authorized and validly issued, fully paid and nonassessable. No other ownership interests of any of the Acquired Subsidiaries is authorized or outstanding. Upon delivery of and payment for the Acquired Subsidiary Interests as herein provided, Purchaser will acquire and own beneficially and of record one hundred percent (100%) of the equity of each of the Acquired Subsidiaries, free and clear of all Liens.

(c) There are no securities, options, subscriptions, warrants, calls, rights, commitments or contracts of any kind to which Seller or any of the Acquired Subsidiaries is a party or by which Seller or any of them is bound obligating Seller or any of the Acquired Subsidiaries to issue, deliver, sell, redeem, repurchase, acquire or pay for, or cause to be issued, delivered, sold, redeemed, repurchased, acquired or paid for, equity interests of any

of the Acquired Subsidiaries, or obligating any of the Acquired Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment or contract.

(d) There are no voting agreements, proxies, powers of attorney, voting trusts or other similar agreements, arrangements or understandings among the Seller, the Acquired Subsidiaries, or the equity owners of any of the foregoing with respect to the voting rights associated with the equity interests of the Seller or any of the Acquired Subsidiaries, except as set forth on Schedule 3.3(d).

(e) Except as set forth on Schedule 3.3(b), none of the Acquired Subsidiaries owns, directly or indirectly, any interest in any other Person.

3.4 Permits and Licenses.

(a) Each of the Acquired Subsidiaries possesses all permits, licenses, registrations, certificates of authority, certificates of need and other authorizations ("Permits") from Governmental Authorities that are required by applicable Law in connection with the operation of the Facilities, except where the failure to have such Permits would not have a Material Adverse Effect. Schedule 3.4 attached hereto sets forth a current, complete and accurate list of the Permits (including any pharmacy licenses or other ancillary licenses) issued to the Acquired Subsidiaries and required for the operation of the Facilities operated by each such Acquired Subsidiary. True and correct copies of the Permits have been made available to Purchaser by Seller.

(b) Except as set forth on Schedule 3.4 or except as would not have a Material Adverse Effect, (i) each of the Acquired Subsidiaries has complied since the OTA Effective Date of the applicable Facility with, and is currently complying with, its obligations under each of the Permits and all such Permits are in full force and effect, and (ii) no written notice from any Governmental Authority in respect to the threatened, pending or possible revocation, termination, suspension or limitation of any of the Permits has been given to Seller or any Acquired Subsidiary, nor has Seller or any Acquired Subsidiary received notice of any proposed or threatened issuance of any such notice. Seller has made available to Purchaser true, correct and complete copies of any state licensing survey reports received by the Facilities operated by the Acquired Subsidiaries since the OTA Effective Date, as well as any statements of deficiencies and plans of correction in connection with such reports. Seller has taken all reasonable steps to correct all deficiencies referenced in this Section 3.4 and a description of any uncorrected deficiency is set forth in Schedule 3.4.

(c) Without limiting the generality of the foregoing, to Seller's Knowledge, the facilities, equipment and operations of each Facility satisfy in all material respects the applicable licensing and certification requirements to operate such Facility in the state in which such Facility is located and the requirements for participation in the Government Programs.

3.5 Qualification. Each of the Acquired Subsidiaries is duly qualified or licensed to do business in all jurisdictions where such Acquired Subsidiary currently conducts

business that requires such qualification or licensing, except where the failure to be so qualified or licensed would not have a Material Adverse Effect.

3.6 Consents and Approvals. The execution, delivery and performance of this Agreement and the Seller Documents to which it is a party by Seller and the Acquired Subsidiaries do not and will not require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or any other Person, except as set forth on Schedule 3.6.

3.7 Material Contracts. Schedule 3.7 is a true and correct list of all contracts, agreements, leases and licenses to which an Acquired Subsidiary is a party that involve aggregate payments or other consideration in excess of \$50,000 per year or which cannot be terminated without penalty by Seller upon sixty (60) days notice or less, except for (i) contracts, agreements, leases and licenses that are Excluded Assets, (ii) provider agreements, (iii) equipment leases that involve aggregate payments or other consideration of less than \$50,000 per year and which cannot be terminated by Seller without penalty upon sixty (60) days notice or less and (iv) contracts and agreements which do not require expenditure by an Acquired Subsidiary and which cannot be terminated by Seller without penalty upon sixty (60) days notice or less (the contracts, agreements, leases and licenses set forth on Schedule 3.7, the "Material Contracts"). Seller has made available to Purchaser complete and correct copies of all of the contracts set forth on Schedule 3.7. Except as set forth on Schedule 3.7, the Material Contracts have not been modified, pledged, assigned or amended. Each of the Material Contracts is valid and binding on the applicable Acquired Subsidiary (and to Seller's Knowledge against the other parties to such Material Contracts) in accordance with their respective terms and are in full force and effect. Except as would not have a Material Adverse Effect, (x) there are no defaults of the terms of any Material Contract in any material respect by the Acquired Subsidiaries or, to Seller's Knowledge, any other party to the Material Contracts; (y) neither Seller nor any of the Acquired Subsidiaries has received written notice of any default, counterclaim or defense under any Material Contract and (z) no condition or event has occurred which solely with the passage of time or the giving of notice or both would constitute a default or breach by any of the Acquired Subsidiaries of the terms of the Material Contracts.

3.8 Environmental Laws. Except as set forth on Schedule 3.8 or as provided in the environmental reports made available by Seller to Purchaser, or in the environmental reports obtained by Purchaser prior to Closing: (i) Seller has not caused any of the Facilities or Real Property to be operated in material violation of any applicable Environmental Laws (as hereinafter defined); (ii) neither Seller nor any of the Acquired Subsidiaries have received any written notice of any violation or alleged violation of any Environmental Law or, to Seller's Knowledge, has it or any of the Acquired Subsidiaries been otherwise notified of any alleged material violation or investigation of any suspected material violation of any Environmental Law in connection with the ownership or operation of the Facilities or the Real Property; (iii) none of the Facilities or Real Property are subject to any outstanding lawsuits, administrative actions or other governmental proceedings relating to an alleged violation of any Environmental Law; (iv) none of the Facilities or Real Property have been used by Seller or any of the Acquired Subsidiaries for the generation, storage, manufacture, used, transportation, disposal or treatment of Hazardous Substances (as hereinafter defined); (v) to Seller's Knowledge, there has been no

Hazardous Discharge (as hereinafter defined) on or from any of the Facilities or Real Property during the time of Seller's and the Acquired subsidiaries ownership or occupancy thereof that would require remedial action under applicable Environmental Laws; (vi) with respect to the ownership and operation of the Facilities and Real Property, Seller and the Acquired Subsidiaries are currently, and to Seller's Knowledge have been during all periods within any applicable statute of limitations, in compliance with all Environmental Laws except as would not have a Material Adverse Effect; (vii) to Seller's Knowledge, there are no conditions presently existing on, at or emanating from the Facilities or Real Property, including without limitation, any condition created or that came into being prior to Seller's or the Acquired Subsidiaries' ownership, that are reasonably likely to result in any liability, investigation or clean-up under any Environmental Law, except as would not have a Material Adverse Effect; and (viii) to Seller's Knowledge all medical waste is and has been disposed of in accordance with all applicable Environmental Laws and by a qualified waste disposal company. "Environmental Law" means each and every applicable federal, state, local and foreign law, statute, ordinance, regulation, rule, judicial or administrative order or decree, permit, license, approval, authorization or similar requirement of each and every federal, state, local and foreign governmental agency or other Governmental Authority, having or claiming to have authority with respect to human health and safety or the environment affecting the Facility, including, but not limited to, the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.) as amended, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.) as amended, the Clean Water Act (33 U.S.C. Section 1251 et seq.) as amended. As used herein, "Hazardous Discharge" shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of Hazardous Substances. As used herein, "Hazardous Substance" shall mean any substance, compound, chemical or element which is (aa) defined as a hazardous substance, hazardous material, toxic substance, hazardous waste, pollutant or contaminant under any Environmental Law or (bb) a petroleum hydrocarbon, including crude oil or any derivative thereof, raw materials used or stored in the Facility and building components including, but not limited to, friable asbestos-containing materials which contain Hazardous Substances. Seller has delivered to Purchaser copies of all reports prepared for Seller and in its possession with respect to the compliance of or the Real Property with Environmental Laws and/or the presence of Hazardous Substances therein or thereon.

3.9 Compliance with Laws. None of the Acquired Subsidiaries is in violation of any Order or Law, except for violations which would not have a Material Adverse Effect and neither Seller nor any of the Acquired Subsidiaries have received any notice, written or otherwise, of noncompliance with respect to any such violation; provided, however, that nothing in this Section 3.9 is intended to address any compliance issue that is the subject of any other representation or warranty set forth herein. Except as would not have a Material Adverse Effect, all patient records and other documents required to be maintained by the Facilities have been maintained by Seller and the Acquired Subsidiaries in compliance with applicable law.

3.10 No Litigation. Except as set forth on Schedule 3.10, there is no suit, action, proceeding, or, to Seller's Knowledge, inquiry or investigation (a "Claim") against Seller or any Acquired Subsidiary pending or to Seller's Knowledge, threatened in writing (including, without limitation any suit, action, proceeding or investigation pursuant to Title 11 of the Civil

Rights Act of 1964, the Americans with Disability Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act of 1993, or any other federal, state or local law regulating employment) that is reasonably likely to result in a payment in excess of \$100,000 upon settlement or judgment. Except as set forth on Schedule 3.10, there is no judgment, decree, injunction, rule or order of any Governmental Authority or any other Person (including, without limitation, any arbitral tribunal) outstanding against Seller relating to the Business or any Acquired Subsidiary and neither Seller nor any Acquired Subsidiary is in violation of any term of any such judgment, decree, injunction or order outstanding against it. There is no Claim by or before any Governmental Authority or other Person pending or, to Seller's Knowledge, threatened in writing, which questions or challenges the validity of this Agreement or any action taken or to be taken by the Seller or any Acquired Subsidiary pursuant to this Agreement or in connection with the transactions contemplated hereby. Notwithstanding the proviso contained in the first sentence of Section 3.9, nothing in this Section 3.10 shall be deemed to limit or modify any representation or warranty of Seller contained in Section 3.9.

3.11 Bargaining Agreements. None of the Acquired Subsidiaries is a party to any collective bargaining agreement applicable to persons employed by any of the Acquired Subsidiaries, and no collective bargaining agreement is currently being negotiated by any Acquired Subsidiary. To Seller's Knowledge, there is currently no organizational campaign, petition or other unionization activity seeking recognition of a collective bargaining unit including any such employees.

3.12 Employees. Employee Relations and Employee Benefit Plans.

(a) Set forth on Schedule 3.12(a) is an accurate and complete list of all Employee Benefit Plans. Except set forth on Schedule 3.12(a), there is no Employee Benefit Plan that is subject to Title IV of ERISA. Except as set forth on Schedule 3.12(a), none of the Acquired Subsidiaries have any obligation to contribute to any Multiemployer Plan.

(b) Seller has made available to Purchaser copies of the Employee Benefit Plans (and, if applicable, related trust agreements) and all amendments thereto together, if applicable with the most recent annual report (Form 5500), actuarial valuation report prepared in connection with any Employee Benefit Plan, and the most recent determination letter received from any taxation authority with respect to any Employee Benefit Plan.

(c) Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service to the effect that each such Employee Benefit Plan satisfies the requirements of Section 401(a) of the Code and each related trust is exempt from taxation under Section 501(a) of the Code and, to the Seller's Knowledge, nothing has occurred with respect to the operation of any such Employee Benefit Plan that would cause the loss of such qualification or exemption. Each Employee Benefit Plan has been maintained in substantial compliance with its terms and with the requirements prescribed by any applicable statutes, orders, rules and regulations, including ERISA and the Code.

(d) Except as disclosed on Schedule 3.12(a), none of the Acquired Subsidiaries has any material current or projected liability in respect of post-employment or

post-retirement health or medical or life insurance benefits for retired, former or current employees of the Acquired Subsidiaries except as required under applicable Law.

(e) Each Employee Benefit Plan has, at all times, been maintained and operated in compliance, in all material respects, with its terms and requirements of all applicable Employee Benefit Plans, including, without limitation, ERISA and the Code.

(f) Prior to the date hereof, Seller has made available to Purchaser a current, correct and complete list of the names and current hourly wage, monthly salary and other compensation of all employees who provide services at the Facilities (collectively, "Seller Employees"), together with a summary (containing estimates to the extent necessary) of the individual's existing bonuses, additional compensation and other benefits (whether current or deferred), if any, accrued, paid or payable to each such person for services rendered or to be rendered through the fiscal period ending May 31, 2004. Except as set forth on Schedule 3.12(f), all of the Seller Employees are "at will" employees. Except as set forth on Schedule 3.12(f), Seller and the Acquired Subsidiaries are not a party to any oral (express or implied) or written: (i) employment agreement or (ii) agreement that contains any severance or termination pay obligations, with any Seller Employee. Seller has made available true and correct copies (or, if not written, accurate descriptions of the parties and terms) of any employment agreements with Seller Employees to Purchaser.

(g) Except as set forth on Schedule 3.12(g), there is no organized labor dispute, work stoppage, strike, slowdown, walkout, lockout, or other organized interruption or disruption of operations at the Facilities as a result of labor disputes or disturbances with respect to the Seller Employees and there is no material investigation (to Seller's Knowledge), grievance, arbitration, complaint, claim or other dispute or controversy pending or to Seller's Knowledge threatened, between Seller and any of the Acquired Subsidiaries and any present or former Seller Employee.

3.13 Accreditation; Medicare and Medicaid; Third Party Payor Reimbursement.

(a) The Facilities are currently accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"). Seller has made available to Purchaser true, correct and complete copies of the most recent JCAHO accreditation survey report for each of the Facilities, and a list and description of events since the OTA Effective Date at each of the Facilities that constitutes a Sentinel Event as defined by JCAHO, if any. Seller has taken all reasonable steps to correct all material deficiencies referenced in this Section 3.13.

(b) Except as set forth on Schedule 3.13(b), each of the Facilities is eligible to receive payment without restriction under Medicare and Medicaid and each of the Facilities is a "provider" with a valid and current provider agreement and with one or more provider numbers with the federal Medicare and the applicable Medicaid programs of the States of California, Colorado, Kentucky, Massachusetts and New Jersey (the "Government Programs") through intermediaries. Each of the Facilities that are listed on Exhibit A-1 has received Medicare or Medicaid reimbursement and is eligible to receive payment without restriction under Medicare and Medicaid. Except as set forth on Schedule 3.13(b), the Facilities

are in material compliance with the conditions for participation in the Government Programs and Private Programs and have received all approvals or qualifications necessary for capital reimbursement on the Real Property. Except as set forth on Schedule 3.13(b), neither Seller or the Acquired Subsidiaries has received written notice of any pending or threatened proceeding or investigation by the OIG or other Governmental Authority or under the Government Programs involving Seller, the Acquired Subsidiaries or any of the Facilities or Real Property. Neither the Seller nor the Acquired Subsidiaries or Facilities currently operate under a Corporate Integrity Agreement entered by the OIG or other Governmental Authority. Seller has made available to Purchaser true, correct and complete copies of the most recent Medicare and Medicaid certification survey reports of the Facilities, including any statement of deficiencies and plans of correction, and such Facilities' corrective action plans related thereto. Seller has taken all reasonable steps to correct all deficiencies referenced in this Section 3.13(b) and a description of any uncorrected deficiency is set forth on Schedule 3.13(b).

(c) The Facilities participate in those private, non-governmental programs (including any private insurance program) listed on Schedule 3.13(c) under which it directly or indirectly is presently receiving payments in excess of \$100,000 per annum (such private, non-governmental programs are referred to collectively as "Private Programs").

(d) Seller and the Acquired Subsidiaries have timely filed, caused to be filed, and, as to reports due after the Closing, shall timely file, all cost reports required by third party payors, including, but not limited to Government Programs and Private Programs, and, except as disclosed on Schedule 3.13(d), all such reports are or will be complete and accurate in all material respects when filed. Except as disclosed on Schedule 3.13(d), Seller and the Acquired Subsidiaries have been in material compliance with filing requirements with respect to cost reports of the Facilities, and such reports do not claim, none of the Facilities has received, payment or reimbursement materially in excess of the amount provided or allowed by applicable law or any applicable agreement, except where excess reimbursement was noted on the cost report. True and correct copies of all such reports for the three (3) most recent fiscal years of Seller and the Facilities (to the extent available to Seller) have been or will be made available (prior to Closing) to Purchaser. Except as disclosed on Schedule 3.13(d), Seller and the Acquired Subsidiaries have not received written notice of a material dispute between a Facility and the applicable government agency, including any fiscal intermediary or carrier, federal, state or local government body or entity, or the Administrator of the Center for Medicare and Medicaid Services, with respect to any Government Program cost reports or claims filed on behalf of the Acquired Subsidiaries with respect to the Facilities, on or before the date of this Agreement.

(e) The Acquired Subsidiaries (i) are not parties to and neither Seller nor any Acquired Subsidiary has received written notice of the commencement of any investigation or debarment proceedings or any governmental investigation or action (including any civil investigative demand or subpoena) under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or

Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (18 U.S.C. 1035), and Patient Inducement Statute and equivalent state statutes or any rule or regulation promulgated by a Governmental Authority with respect to any of the foregoing ("Healthcare Fraud Laws") affecting the Seller with respect to the Facilities or any of the Acquired Subsidiaries; and (ii) since the OTA Effective Date have been in full compliance with all applicable Healthcare Fraud Laws.

(f) Since the OTA Effective Date, no Acquired Subsidiary has been investigated for (to Seller's Knowledge) or charged with any violation involving false, fraudulent or abusive practices relating to its participation in a Government Program, nor has Seller or any Acquired Subsidiary: (i) knowingly and willfully made or caused to be made a false statement or representation of a material fact in any applications for any benefit or payment under any Governmental Program; (ii) knowingly and willfully made or caused to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under any Governmental Program; (iii) knowingly and willfully failed to disclose any event affecting the initial or continued right to any benefit or payment under any Governmental Program on its own behalf or on behalf of another, with intent to secure such payment or benefit fraudulently; (iv) knowingly and willfully solicited, paid, or received any remuneration (including kickback, bribe or rebate), directly or indirectly, in violation with any applicable Law; (v) presented or caused to be presented a claim for reimbursement for services that is for an item or service that was known or should have been known to be (a) not provided as claimed, or (b) false or fraudulent; or (vi) knowingly and willfully made or caused to be made or induced or sought to induce the making of any material false statement or representation (or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein not materially misleading) of a material fact with respect to (a) a Facility in order that the Facility may qualify for Governmental Authority certification or (b) information to be provided under 42 USC Section 1320a-3.

(g) Seller and each of the Acquired Subsidiaries is in compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to HIPAA, except for matters that have not and are not reasonably likely to have a Material Adverse Effect.

3.14 Taxes.

(a) All material Tax Returns (including all income tax returns) required to be filed by or with respect to the Acquired Subsidiaries have been timely filed, and all such Tax Returns are true, complete and correct in all material respects.

(b) The Acquired Subsidiaries have in all material respects fully and timely paid all Taxes (other than Taxes being disputed by an Acquired Subsidiary in good faith for which adequate reserves have been reflected on the Financial Statements), and have made adequate provision for any such Taxes that are not yet due and payable, for all taxable periods ending on or before the Closing Date, except for Taxes reflected in the Closing Net Assets Statement.

(c) All deficiencies for Taxes asserted or assessed in writing against any of the Acquired Subsidiaries have been fully and timely paid, settled or properly reflected in the Financial Statements.

(d) No audit is pending with respect to any Taxes due from or with respect to the Acquired Subsidiaries.

(e) There are no outstanding agreements extending or waiving the statutory period of limitations applicable to any claim for, or the period for the collection or assessment or reassessment of, Taxes due from the Acquired Subsidiaries for any taxable period and no request for any such waiver or extension is currently pending.

3.15 Financial Statements. Seller has delivered to Purchaser copies of the unaudited combined and combining financial statements of the Acquired Subsidiaries for the fiscal year ended December 31, 2003 and for the three month period ended March 31, 2004 (collectively, the "Financial Statements"). Except as set forth on Schedule 3.15, the Financial Statements have been prepared in accordance with GAAP, are based on the books, records and accounts of the Acquired Subsidiaries and fairly present the financial condition, results of operations, cash flows and owner's equity of each of the Acquired Subsidiaries as of the respective dates thereof and for the respective fiscal periods covered thereby, except (i) that the unaudited interim statements do not include complete note (including footnote) disclosure as required by GAAP; and (ii) that the unaudited interim statements are subject to normal year-end adjustments which are not, and will not be, material in amount or effect, either individually or in the aggregate.

3.16 Property.

(a) All of the real property owned or leased by the Acquired Subsidiaries, including the address and a true and complete list of leases, including all material amendments, extensions, renewals, guaranties and other agreements with respect thereto, is set forth on Schedule 3.16(a) (the "Real Property"). Except as set forth on Schedule 3.16(a); each of the Acquired Subsidiaries has good title, free and clear of all Liens, to all of the Real Property, except Permitted Liens. Except as set forth on Schedule 3.16(a), other than the rights of Purchaser under this Agreement, there are no outstanding options, rights of first offer or rights of first refusal to purchase such Real Property or any portion thereof or interest therein. No Acquired Subsidiary is a party to any agreement or option to purchase any real property or interest therein.

(b) Seller has made available to Purchaser a true and complete copy of each lease document, and in the case of any oral lease, a written summary of the material terms of such lease. With respect to each of the leases: (i) such lease complies in all material respect with applicable Law, is in full force and effect and is valid and binding on the applicable Acquired Subsidiary; (ii) the respective Acquired Subsidiaries' possession and quiet enjoyment of the leased Real Property under such lease has not been disturbed, and there are no disputes with respect to such lease; (iii) all leases pursuant to which the Acquired Subsidiaries, as lessee, lease real property are valid and binding on the Acquired Subsidiaries and on the other parties thereto; (iv) no Acquired Subsidiary or any other party to the lease is in material breach or

default thereunder, and no event has occurred or circumstance exists that, with the delivery of notice, or passage of time or both, would constitute a monetary breach or monetary default, or permit the termination, modification or acceleration of rent under such lease; (v) there are no leases, subleases, licenses or other agreements granting to any Person other than the Acquired Subsidiaries any right to the possession, use, occupancy or enjoyment of the real property owned or leased by any of the Acquired Subsidiaries, or any portion thereof, except in the ordinary course of business or as set forth on Schedule 3.16(b); (vi) neither Seller nor any of the Acquired Subsidiaries has collaterally assigned or granted any other security interest in such lease or any interest therein other than the Permitted Liens; and (vii) there are no encumbrances on the estate or interest created by such lease, other than Permitted Liens and encumbrances that will be released or discharged prior to Closing.

(c) Each of the Acquired Subsidiaries has good title, free and clear of all Liens, to all of the owned personal property, tangible or intangible, that is reflected as owned by the Acquired Subsidiaries on the Financial Statements, except (i) as set forth on Schedule 3.16(c) and (ii) Permitted Liens.

(d) No Affiliate of Seller (other than the Acquired Subsidiaries) owns any buildings, machinery, equipment or other tangible assets necessary for the conduct of the Acquired Subsidiaries' businesses as presently conducted.

(e) Schedule 3.16(e) contains a true, complete and accurate list of all (i) patented or registered Intellectual Property rights owned by the Acquired Subsidiaries or filed by the Acquired Subsidiaries or their predecessors and used in the business of any of the Acquired Subsidiaries as presently conducted and (ii) material unregistered trade names and corporate names owned by the Acquired Subsidiaries or used in the business of any of the Acquired Subsidiaries as presently conducted. All of the Intellectual Property set forth on Schedule 3.16(e), except for Permitted Liens, is free and clear of all Liens, and none is subject to any outstanding order, decree, judgment, stipulation or charge. To Seller's Knowledge, there is no unauthorized use, disclosure, infringement or misappropriation of any Intellectual Property rights of the Acquired Subsidiaries, or any Intellectual Property right of any third party to the extent licensed by or through the Acquired Subsidiaries, by any third party, relating in any way to any of the Facilities or related assets, except as has not had a Material Adverse Effect. To Seller's Knowledge, the Acquired Subsidiaries' use of the Intellectual Property does not infringe upon or otherwise violate the rights of others, except as has not had a Material Adverse Effect. To Seller's Knowledge, Seller and the Acquired Subsidiaries have received no written notice that their use of the Intellectual Property infringes the patents, trade secrets, trade names, trademarks, service marks, copyrights or other intellectual property rights of any other person or entity.

(f) Except as set forth on Schedule 3.16(f) and matters occurring after the date of this Agreement which would not excuse the Seller's performance under Section 5.7, to Seller's Knowledge, neither the whole nor any portion of the Real Property owned, leased, occupied or used by any Acquired Subsidiary has been condemned, requisitioned or otherwise taken by any public authority (a "Public Taking"), and no notice of any Public Taking has been received by Seller with regard to any of the Real Property.

3.17 Insurance. Schedule 3.17 sets forth a true and complete list of all insurance policies, binders of insurance or programs of self-insurance held by the Acquired Subsidiaries, including, without limitation, fire, medical malpractice and professional liability, general liability, casualty and property damage, business interruption, extended coverage, products liability, workers' compensation and any and all other kinds of insurance held by the Acquired Subsidiaries (collectively, the "Insurance Policies"). The Insurance Policies are, and at Closing shall be, in full force and effect. Seller has made available to Purchaser a list of any claims filed during the two (2) calendar years prior to the date of this Agreement under any medical malpractice and professional liability, general liability or casualty and property damage insurance, and the expiration of such policies. True and complete copies of all Insurance Policies have been provided or made available by Seller to Purchaser. The Acquired Subsidiaries have paid all premiums due prior to the date hereof or accrued the same on the Closing Net Assets Statement and none of the Acquired Subsidiaries is in default in any material respect with respect to any such Insurance Policy, or has failed to give any notice or present any material claim under any insurance policy or binder in due and timely fashion. No insurer under any Insurance Policy has canceled or generally disclaimed liability or issued any notice that a defense will be afforded with reservation of rights under any such policy.

3.18 Brokers. Except for fees and commissions that will be paid by Seller, no Person retained by or on behalf of Seller or any of its Affiliates is entitled to any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

3.19 Absence of Changes. Except as set forth on Schedule 3.19. since December 31, 2003, each Acquired Subsidiary has:

(a) conducted the operation of the applicable Facility only in the ordinary course of business;

(b) not suffered any change, event or circumstance which has had, or would be reasonably expected to have, a Material Adverse Effect;

(c) preserved its corporate or other organizational existence;

(d) generally paid or satisfied all of its monetary obligations as the same became due;

(e) timely made all material applicable filings with Governmental Authorities or obtained extensions in respect thereof;

(f) not mortgaged, pledged, subjected to Lien, charged, encumbered or granted a security interest in or to any of its assets except for Permitted Liens;

(g) not sold or transferred any of its assets except for sales in the ordinary course of business consistent with past practice;

(h) not suffered any damage, destruction or physical loss (whether or not covered by insurance) affecting its assets which would excuse Seller's performance under Section 5.7;

(i) not cancelled any debts owing to it or otherwise granted or waived any right of substantial value other than in the ordinary course of business;

(j) not granted any increase in the compensation of any of its officers, directors or employees, including any such increase in any bonus, pension, profit sharing, severance or other plan or commitment, in each case, other than in the ordinary course of business;

(k) not disposed of or issued any of its equity interests or any option or right or privilege to acquire any of its equity interests;

(l) except as may be required by Law or as is otherwise necessary to operate the Business, not made any expenditure or commitment for the acquisition of assets in excess of \$100,000 on an individual basis or \$250,000 in the aggregate with respect to all such expenditures of any kind, other than inventories of raw materials and miscellaneous supplies acquired in the ordinary course of business;

(m) not made or suffered any change to its Governing Documents (other than eliminating certain special purpose entity provisions required by Seller's financing parties);

(n) other than in the ordinary course of business, not made or received any loans or advances to or from any Person, other than renewals or extensions of existing indebtedness and uses of lines of credit;

(o) maintained its books and records in accordance with GAAP to the extent required by GAAP;

(p) not made any changes in its accounting methods and practices except such changes as may be required by Law or GAAP;

(q) not incurred, assumed or guaranteed any indebtedness for money borrowed other than senior indebtedness being discharged at the Closing and working capital advances in the ordinary course of business; or

(r) not agreed, whether in writing or otherwise, to take any action described in Sections 3.19(a) through 3.19(q) above except as contemplated by this Agreement.

3.20 Records. True and complete copies of the Governing Documents for each Acquired Subsidiary have been delivered or made available to Purchaser prior to the execution and delivery of this Agreement. The books of account, and to the extent applicable, minute books, stock record books and other records of each Acquired Subsidiary, have been made available to the Purchaser.

3.21 Accounts Receivable. The accounts receivable of the Acquired Subsidiaries include only accounts receivable arising from bona fide transactions in the conduct of the ordinary course of business of the Acquired Subsidiaries, are true and genuine, and represent legal, valid and binding obligations of the respective debtors enforceable in accordance with their terms. No payment pursuant to any of receivables is contingent upon performance of any obligations or contract, past or future, and except for Permitted Liens, all such receivables are free of all security interests and encumbrances.

3.22 No Undisclosed Liabilities. As of December 31, 2003, none of the Acquired Subsidiaries had any liabilities of a nature that would require the same to be disclosed on a balance sheet prepared in accordance with GAAP other than as set forth or reflected in the Financial Statements (including the notes thereto) as of such date. Since December 31, 2003 until the date hereof, there have been no other liabilities of such nature described in the preceding sentence except those (a) liabilities fully and adequately reflected or reserved against on the Base Net Asset Statement and other liabilities of such nature arising in the ordinary course of business consistent with past practice since the date of such Base Net Assets Statement, and (b) liabilities under, or incurred in connection with, this Agreement.

3.23 Disclaimer Regarding Data, Estimates and Projections. In connection with Purchaser's investigation of the Acquired Subsidiaries, Purchaser has received certain projections, including projected statements of operating revenues and income from operations of the Acquired Subsidiaries and certain business plan information. Purchaser acknowledges that there are uncertainties inherent in attempting to make such estimates, projections and other forecasts and plans, that Purchaser is familiar with such uncertainties and that Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections and other forecasts and plans so furnished to it (including the reasonableness of the assumptions underlying such estimates, projections and forecasts). Accordingly, Seller makes no representation or warranty with respect to such estimates, projections and other forecasts and plans (including the reasonableness of the assumptions underlying such estimates, projections and forecasts).

3.24 Exclusivity of Representations. The representations and warranties made by Seller in this Agreement are in lieu of and are exclusive of all other representations and warranties, including any implied warranties. Seller hereby disclaims any such other or implied representations or warranties, notwithstanding the delivery or disclosure to Purchaser or its officers, directors, employees, agents or representatives of any documentation or other information (including any pro forma financial information, supplemental data or financial projections or other forward-looking statements). Without limiting the generality of the foregoing, Seller HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

4.1 Organization and Authority of Purchaser. Purchaser is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and will have, upon approval by the Board of Directors of Medical Properties Trust, Inc. of the transactions contemplated under this Agreement (the "Purchaser Approval"), the requisite power and authority to enter into this Agreement and any other instruments, certificates or documents delivered by Purchaser to Seller in connection with this Agreement (the "Purchaser Documents"), to the extent a party thereto, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. Upon receipt of the Purchaser Approval, the execution and delivery by Purchaser of this Agreement and each of the other Purchaser Documents to which it is to be a party, the performance by Purchaser of its obligations hereunder and thereunder and the consummation by Purchaser of the transactions contemplated hereby and thereby will be duly authorized by all necessary organizational action on the part of Purchaser. This Agreement and, when executed and delivered at the Closing, each of the other Purchaser Documents to which Purchaser is to be a party, have been duly executed and delivered by Purchaser and, assuming due authorization, execution and delivery by Seller, this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors rights generally or by general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

4.2 No Conflict. The execution, delivery and performance of this Agreement and the other Purchaser Documents to which it is a party by Purchaser do not and will not:

(a) upon receiving the Purchaser Approval, violate or conflict with the Governing Documents of Purchaser;

(b) subject to obtaining the Purchaser Approval and the consents set forth on Schedule 4.2(b), violate any restriction to which Purchaser is subject or give rise to any right of termination, cancellation or acceleration under any mortgage, deed of trust, license, contract or lease, indenture or other material agreement or instrument to which Purchaser is a party which will not be satisfied or terminated on or prior to the Closing as a result of the transactions contemplated in this Agreement (except as may result from any law, rule or regulation relating or applying solely to Seller and not relating or applying to Purchaser); and

(c) assuming that all consents, approvals, authorizations and other actions set forth on Schedule 4.2(c) have been obtained and all filings and notifications set forth on Schedule 4.2(c) have been made, constitute a violation of any applicable rule, regulation, law, statute or ordinance of any administrative agency or Governmental Authority, or of any judgment, decree, writ, injunction or order of any court to which Purchaser is subject;

except, in the case of clauses (b) and (c), for any violations, conflicts or other matters which would not have a Material Adverse Effect. To Purchaser's Knowledge, no fact or circumstance exists which would reasonably be expected to delay or prevent Purchaser from obtaining the consents, approvals or authorization described on Schedule 4.2(b) or Schedule 4.2(c).

4.3 Litigation. There are no actions, suits, claims, governmental investigations or other legal or administrative proceedings, or any orders, decrees or judgments in progress, pending or in effect, or to Purchaser's Knowledge, threatened that would prevent or delay the consummation by Purchaser of the transactions contemplated by this Agreement.

4.4 Brokers. Except for fees and commissions that will be paid by Purchaser, no Person retained by or on behalf of Purchaser or any of its Affiliates is entitled to any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

4.5 Purchase for Investment. Purchaser is purchasing the Acquired Subsidiary Interests for its own account for investment (except for the contemplated assignment of the right to purchase the Acquired Subsidiaries that hold the assets and operations other than the Real Property used in the Business) and not for resale or distribution in any transaction that would be in violation of the securities laws of the United States of America or any state thereof. Purchaser is an "accredited investor" as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended.

4.6 Financial Ability. Purchaser has cash available or has existing borrowing facilities or unconditional, binding funding commitments that are sufficient to enable it to consummate the transactions contemplated by this Agreement, each of which is in full force and effect as of the Execution Date. Complete and correct copies of any such facilities and commitments have been provided to Seller. Upon consummation of the transactions described in such commitments, Purchaser will have available to it not less than One Hundred Fifty Million Dollars (\$150,000,000) in cash for use by Purchaser to consummate the transactions contemplated by this Agreement and to Purchaser's Knowledge sufficient capital available at Closing to pay the expenses of the transactions contemplated by this Agreement and the fees and expenses of such commitments in respect of the closing thereof.

4.7 Compliance with Laws. Neither Purchaser nor any of its subsidiaries is in violation of any Orders or any Laws which would have a Material Adverse Effect.

4.8 Intention to Qualify as a Real Estate Investment Trust. Purchaser's indirect general partner and sole limited partner is Medical Properties Trust, Inc. which is organized and operated in a manner intended to qualify as a real estate investment trust under the Code and Medical Properties Trust, Inc. intends to make an election to that effect for its taxable year ending December 31, 2004.

ARTICLE V
COVENANTS OF SELLER

5.1 Regular Course of Business. Seller agrees that between the Execution Date and the Closing Date, except as contemplated by this Agreement, required by law or otherwise agreed by Purchaser (which agrees to respond promptly to any request for such agreement and not to unreasonably withhold or condition such agreement), Seller shall:

(a) cause each of the Acquired Subsidiaries to operate the Facilities in the ordinary course of business consistent with past practice, and, without limiting the generality of the foregoing, shall cause the Acquired Subsidiaries to use commercially reasonable efforts to preserve substantially intact its business organization and preserve in all material respects their present business relationships and goodwill, including all material relationships with its medical staff and payors;

(b) not permit any of the Acquired Subsidiaries to amend their organizational documents;

(c) not permit any of the Acquired Subsidiaries to incur or guarantee any additional indebtedness for borrowed money, except in the ordinary course of business (including, without limitation, under any existing working capital line of credit) and for amounts that Seller shall cause to be repaid at Closing;

(d) not permit any of the Acquired Subsidiaries to issue, deliver, sell or authorize any ownership interests or rights, warrants or options to acquire, any such ownership interest;

(e) not permit any of the Acquired Subsidiaries to sell or convey any of its material assets, except in the ordinary course of business;

(f) not permit any of the Acquired Subsidiaries to change its method of accounting or any accounting principle, method, estimate or practice, except in the ordinary course of business consistent with past practice or as may be required by law;

(g) not permit any of the Acquired Subsidiaries to cancel, terminate or materially amend any Material Contract, except in the ordinary course of business;

(h) cause the Acquired Subsidiaries to maintain insurance substantially at existing levels so long as such insurance is available on substantially the same terms and at substantially the same cost as heretofore available to Seller;

(i) not permit any of the Acquired Subsidiaries, without the prior written consent of Purchaser, (A) to adopt, except as may be required by this Agreement or applicable Law, or consistent with past practice, fund or secure any benefit plan or bonus, profit sharing, deferred compensation, incentive, stock option or stock purchase plan, program or commitment, paid time off for sickness or other plan, program or arrangement for the benefit of employees, former employees, consultants or directors of the Acquired Subsidiaries; or (B) enter into or amend any agreement with any director, officer or employee, which foregoing

restriction includes, without limitation, granting any material general increase (other than increases required under a contract, or consistent with past practice) in the compensation payable or to become payable to any of the respective directors, officers or employees of the Acquired Subsidiaries;

(j) not permit any of the Acquired Subsidiaries to subject any of its assets to any encumbrance or lien other than Permitted Liens;

(k) not permit any of the Acquired Subsidiaries to make any capital expenditure or series of related capital expenditures outside the ordinary course of business;

(l) not permit any of the Acquired Subsidiaries to pay, loan or advance any amount to, or sell, transfer or lease any of its assets to, or enter into or amend any agreement or arrangement with any director, officer or employee, except for transactions in the ordinary course of business;

(m) not permit any of the Acquired Subsidiaries to make any loan to any other Person other than advances of trade credit or employee advances made in the ordinary course of business;

(n) not permit any of the Acquired Subsidiaries to enter or amend any collective bargaining agreement;

(o) not permit any of the Acquired Subsidiaries to adopt, amend, modify or terminate any bonus, profit sharing, incentive, severance, or other plan, contract or commitment for the benefit of any of its directors, officers and employees or take any such action with respect to any other Employee Benefit Plan;

(p) not permit any of the Acquired Subsidiaries to enter into any material contract, lease or commitment or series of related contracts, leases or commitments that are outside the ordinary course of business;

(q) not permit any of the Acquired Subsidiaries to organize any subsidiary or acquire (including by merger or consolidation) any securities of any Person or any equity or ownership interest in any person or acquire a substantial portion of the assets of any Person;

(r) not permit any of the Acquired Subsidiaries to in any other manner, materially modify, change or otherwise alter the fundamental nature of the business of the Acquired Subsidiaries as presently conducted; or

(s) not permit any of the Acquired Subsidiaries to agree, whether or not in writing, to do any of the foregoing.

5.2 Full Access and Disclosure.

(a) Between the Execution Date and the Closing Date, and upon reasonable prior notice, Seller shall, and shall cause the Acquired Subsidiaries to, afford to

Purchaser and Highmark Healthcare, LLC and their respective counsel, accountants and other authorized representatives reasonable access during normal business hours to the properties, computer systems, contracts and agreements, books and records of the Acquired Subsidiaries; provided, however, that such investigation shall not interfere with the ordinary course business or operations of Seller or any of the Acquired Subsidiaries. Officers of Seller shall furnish such financial and operating data and other information with respect to the Facilities as Purchaser and Highmark Healthcare, LLC and/or their respective representatives shall from time to time reasonably request.

(b) All inspections and investigations by Purchaser or Highmark Healthcare, LLC or their respective representatives described in Section 5.2(a) shall be completed at Purchaser's risk and expense, without any liability to Seller, regardless of cause, and, in addition to any other indemnification obligations set forth under this Agreement, Purchaser hereby agrees to indemnify and holds harmless Seller against any damages or injuries associated with such inspections or investigations. Purchaser further undertakes that any damage occasioned to any real property or personal property (including the Facilities) caused by such inspections or investigations shall be cured by restoring such real property, personal property or portion of the Facilities disturbed or damaged back to its pre-entry and pre-disturbed state.

(c) Seller shall have the right to retain copies of any books and records related to or prepared in connection with the Facilities and their operation by the Acquired Subsidiaries.

(d) Except as expressly provided for in this Agreement, other than information set forth herein or in the Schedules to this Agreement or delivered to Purchaser in accordance with this Agreement, no information or knowledge which has been obtained by or communicated to Purchaser in any investigation of Seller, the Facilities or the Acquired Subsidiaries, whether pursuant to this Section 5.2(d), prior to the date of this Agreement or otherwise, or which would have been obtained but for the failure of Purchaser to make an investigation, shall affect or be deemed to modify, qualify or diminish in any way any representation or warranty of Seller contained herein or the conditions to the obligations of the parties to consummate the transactions contemplated hereby in accordance with the terms and provisions of this Agreement.

(e) In connection with any filing required to be made by Purchaser with the Securities and Exchange Commission (the "SEC") (or any SEC review of such filing), Seller shall permit Purchaser and its authorized representatives to have reasonable access, during normal business hours and upon reasonable advance notice, to the properties, books and records of Seller relating to the Acquired Subsidiaries solely for the purpose of preparing any such SEC filing or responding to SEC questions, comments or requests on such SEC filing; provided, however, that any information obtained by Purchaser and its authorized representatives hereunder shall be governed by the Confidentiality Agreement and any other reasonable confidentiality agreement requested by Seller. Purchaser shall be solely responsible for all reasonable costs and expenses incurred by Seller in performing its obligations under this Section 5.2(e) (including all reasonable fees and disbursements of Seller's independent auditors).

5.3 Confidentiality. The parties acknowledge that the Confidentiality Agreement, dated as of May 12, 2004 (the "Confidentiality Agreement"), shall remain in full force and effect until the Closing.

5.4 No Shop. Seller agrees that none of Seller nor any of the Acquired Subsidiaries, nor any of their respective members, partners, shareholders or Affiliates, will sell, transfer or otherwise dispose of any membership interests, partnership interests, equity interests or assets (except for dispositions of inventory in the ordinary course of business consistent with past practices or as expressly permitted elsewhere in this Agreement) of or in any of the Acquired Subsidiaries (or any rights in any such membership interests, partnership interests, equity interests or assets), and none of Seller or any of the Acquired Subsidiaries, nor any of their respective members, partners, shareholders or Affiliates, nor any of the respective agents or representatives thereof, will respond to inquiries or proposals, or enter into or pursue any discussions, or enter into any agreements (oral or written), with respect to, the issuance, sale or purchase of any membership interests, partnership interests or equity interests, or any option or warrant with respect to such membership interests, partnership interests or equity interests, or the merger, consolidation, sale, lease or other disposition of all or any portion of the assets or rights of any of the Acquired Subsidiaries. Notwithstanding the foregoing, if the provisions of Section 12.1(b)(ii) are invoked and the Termination Date is extended for an additional thirty (30) day period, Seller and any of the Acquired Subsidiaries, and any of their respective members, partners, shareholders or Affiliates, and any of the respective agents or representatives thereof, shall have the right, commencing on the date that is fifteen (15) days after the commencement of such additional thirty (30) day period and continuing thereafter (including during any subsequent extension of the Termination Date pursuant to Section 12.1(b)(iii)) to respond to inquiries or proposals, enter into or pursue any discussions, and otherwise provide information (whether or not in response to an inquiry or proposal) with respect to, the issuance, sale or purchase of any membership interests, partnership interests or equity interests, or any option or warrant with respect to such membership interests, partnership interests or equity interests, or the merger, consolidation, sale, lease or other disposition of all or any portion of the assets or rights of any of the Acquired Subsidiaries.

5.5 Employees. Following the Execution Date, Seller shall provide to Purchaser such additional information regarding the Seller Employees as it may reasonably require in order to fulfill its obligations under this Agreement.

5.6 Management Agreements. At or prior to the Closing, Seller will terminate or cause to be terminated the management agreements and the leases described on Schedule 5.6.

5.7 Risk of Loss.

(a) If prior to the Closing any Facility shall suffer any Substantial Casualty, Seller shall provide prompt written notice thereof to Purchaser, and Purchaser shall give written notice to Seller within five (5) Business Days after Purchaser receives such written notice that Purchaser elects on the Closing Date either (i) to purchase all of the Acquired Subsidiary Interests, in which event Section 5.7(c) shall apply, or (ii) to purchase all of the Acquired Subsidiary Interests other than the Acquired Subsidiary Interests of the Acquired Subsidiaries that own or operate the Facility affected by such Substantial Casualty (such

excluded Acquired Subsidiary Interests, the "Deferred Casualty Acquired Interests"), in which event the provisions of Section 2.2(b) shall be invoked and Purchaser shall remain obligated to purchase the Deferred Casualty Acquired Interests as hereinafter provided. If Purchaser shall make the election set forth in clause (ii) above, Seller shall have the option, exercisable in its sole discretion, to terminate this Agreement with respect to the Deferred Casualty Acquired Interests or to proceed with the sale of such Deferred Casualty Acquired Interests, in which case: (A) the Closing shall take place as to all of the Acquired Subsidiary Interests other than the Deferred Casualty Acquired Interests, (B) the Escrow Agent shall retain in escrow pursuant to the terms of this Agreement that portion of the Deposit which bears the same proportion thereto as the aggregate Allocated Price (without adjustment) in respect of such Deferred Casualty Acquired Interests bears to the Purchase Price (without adjustment), (C) Seller shall proceed with reasonable diligence to repair and restore the damaged Facility substantially to its condition immediately prior to such Substantial Casualty at such Seller' sole cost and expense, (D) Seller shall be entitled to all insurance proceeds payable by reason of such Substantial Casualty, and (E) upon completion of such repair and restoration, Seller and Purchaser shall consummate the sale of the Deferred Casualty Acquired Interests on the terms and conditions set forth in this Agreement applicable thereto. "Substantial Casualty" shall mean a Casualty resulting in damage to a Facility which will have the effect of rendering more than fifty percent (50%) of the beds located in such Facility unusable for a period exceeding twelve (12) months.

(b) If prior to the Closing any Facility shall be subject to a Substantial Taking Seller shall promptly deliver written notice thereof to Purchaser. In such event, Purchaser shall have the option, by giving written notice to Seller within five (5) Business Days after Purchaser receives written notice of such taking either (i) to purchase all of the Acquired Subsidiary Interests notwithstanding such taking, in which event the provisions of Section 5.7(c) shall apply or (ii) to purchase all of the Acquired Subsidiary Interests other than the Related Acquired Subsidiary Interests of the Facility affected by such Substantial Taking (the "Excluded Interests"). If Purchaser shall make the election set forth in clause (ii) above, (a) the Closing shall take place as to all of the Acquired Subsidiary Interests other than the Excluded Interests, (b) Seller shall be entitled to the entire condemnation award payable by reason of such Substantial Taking, (c) the provisions of Section 2.2(b) shall be invoked and (d) this Agreement shall terminate with respect to the affected Acquired Subsidiary Interests, and neither party shall have any further obligations or liabilities hereunder with respect to the affected Acquired Subsidiary Interests except as otherwise expressly provided herein to the contrary. If Purchaser shall fail to deliver timely the aforesaid notice of termination with respect to the affected Acquired Subsidiary Interests, then Purchaser shall irrevocably be deemed to have elected to proceed to the Closing and to waive such termination right, in which event the provisions of Section 5.7(c) shall apply. "Substantial Taking" shall mean, with respect to any Facility, a Taking which shall have a Material Adverse Effect on the Facility, considered on a stand-alone basis.

(c) Notwithstanding the foregoing, in the event of any Casualty or Taking that does not constitute a Substantial Casualty or a Substantial Taking, as the case may be, or if Purchaser shall, notwithstanding a Substantial Casualty or a Substantial Taking, elect or be deemed to have elected to proceed to Closing pursuant to clause (i) of Section 5.7(a) or clause (i) of Section 5.7(b), as the case may be, this Agreement and the obligations of Seller and Purchaser hereunder shall remain in full force and effect except that (i) Purchaser shall acquire

the Acquired Subsidiary Interests notwithstanding such damage or taking and shall pay the full Purchase Price therefor and (ii) at the Closing (A) in the case of insurance proceeds, Seller shall credit against the Purchase Price the amount of any deductible under the applicable property insurance policy, and the applicable Acquired Subsidiary shall retain all rights to insurance proceeds or condemnation awards, as the case may be and (B) Seller shall pay over to Purchaser or the Acquired Subsidiary (or the Acquired Subsidiary shall retain) the amount of such proceeds or award, if any, received by the Acquired Subsidiary prior to the date of the Closing, and (iii) Seller shall not settle or compromise any claim for such proceeds or award without the prior consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the foregoing, the Seller shall be entitled to receive or retain out of any such insurance proceeds or condemnation award (i) any amounts expended by the Seller or the Acquired Subsidiaries prior to the Closing to restore or protect the Facilities, and (ii) in the case of insurance proceeds, loss of rents by reason of the fire or other casualty suffered by any Acquired Subsidiary prior to the Closing, which entitlement shall survive the Closing.

5.8 Seller Covenant Not to Compete.

(a) Except as provided below, Seller agrees that for a period commencing on the Closing Date and ending two (2) years after Closing, neither it nor any of its subsidiaries shall, without the prior written consent of Purchaser, engage in the Business either directly or as a partner, owner, shareholder, member, operator or consultant of any Person in any location within a ten (10) mile radius of any of the Facilities.

(b) Notwithstanding anything to the contrary in this Section 5.8, nothing in this Agreement shall prohibit Seller or its subsidiaries either directly or indirectly, separately or in association with others, from:

(i) owning five percent (5%) or less of the issued and outstanding securities of any Person which is engaged in the Business whose securities are listed on a national securities exchange or listed on the NASDAQ National Market System;

(ii) acquiring any Person or business, provided, that if such Person or business derives revenues from activities that are prohibited under this Section 5.8 (the "Competitive Activities") at the time of such acquisition then such Person or business shall prior to the date which is twelve (12) months from the closing of such acquisition, cease engaging in or dispose of the Competitive Activities that would be prohibited under this Section 5.8;

(iii) lending funds or foreclosing on any loan entered into in good faith and not for the purpose of evading the prohibitions set forth in this Section 5.8 with any Person engaged in Competitive Activities; or

(iv) advising any Person engaged in the business of lending or advancing funds to Persons engaged in Competitive Activities.

ARTICLE VI
COVENANTS OF PURCHASER

Purchaser covenants and agrees with Seller that:

6.1 Confidentiality. Purchaser will use its commercially reasonable efforts to keep confidential and shall not divulge any information relating to the terms of this Agreement or any information relating to the business or financial efforts of Seller or the Acquired Subsidiaries (including, but not limited to, any financial statements, drawings, designs, customer or supplier lists or other information relating to Seller or the Acquired Subsidiaries received by Purchaser pursuant to Section 5.3) and shall not at any time use such information for the advantage of Purchaser or third parties or to the detriment of Seller or its officers and directors; provided, however, that the foregoing restriction shall not apply to any information which is or becomes (through no act or fault of Purchaser) a matter of public knowledge or which has heretofore been or is hereafter published in any publication for public distribution or filed as public information with any Governmental Authority or disclosed pursuant to an order, subpoena or demand of any Governmental Authority or as is necessary to be disclosed to lenders, Governmental Authorities, representatives and third parties in order to consummate this transaction.

6.2 Compliance with Laws. Purchaser shall comply in all material respects with all applicable laws, and with all applicable rules and regulations of all Governmental Authorities, in conjunction with the execution, delivery and performance of this Agreement and the transactions contemplated hereby.

6.3 Employees.

(a) Purchaser shall offer employment effective as of the Closing Date to substantially all Seller Employees, including any such employee who is absent immediately prior to the Closing Date due to vacation, holiday, layoff, authorized leave of absence, illness, injury or short-term or long-term disability, which employee shall be considered to be employed immediately prior to the Closing Date. Seller Employees who accept Purchaser's offer of employment shall be referred to herein as "Transferred Employees." Purchaser shall, for the period commencing on the Closing Date and ending twelve (12) months later, provide for each Transferred Employee, wages, other compensation and benefits of the types provided to such Transferred Employee immediately prior to the Closing Date that are substantially similar to the wages, other compensation and benefits provided to such Transferred Employee as in effect immediately prior to the Closing Date.

(b) Purchaser shall be responsible for, and shall indemnify and hold harmless, Seller against any liability, claim or obligation (including reasonable attorney's fees) relating to or arising out of the employment or termination of employment of Transferred Employees on or after the Closing Date.

(c) Purchaser shall cause to be recognized for the purposes of participation, eligibility and vesting, the service of any Transferred Employee with Seller or any of its

Affiliates prior to the Closing Date under any employee benefit or welfare plan, program, policy or arrangement in which such Transferred Employee participates after the Closing Date.

(d) Purchaser shall be responsible for satisfying obligations under Section 601 et seq. of ERISA and Section 4980B of the Code, to provide continuation coverage to or with respect to any Transferred Employee (and eligible dependents) with respect to a "qualifying event" which occurs after the Closing.

(e) From and after the Closing Date, Purchaser assumes responsibility for compliance with, as well as any liability which may exist or arise out of the Worker Adjustment and Retraining Notification Act, as amended, and the regulations promulgated thereunder, or any similar state law, on account of the termination of any Transferred Employee after the Closing.

(f) Purchaser shall be responsible for all workers' compensation claims relating to any Transferred Employees if the incident or alleged incident giving rise to the claim occurred on or after the Closing Date, or if and to the extent that such claim is accrued on the Closing Net Assets Statement.

6.4 Non-Solicitation of Employees. For a period of eighteen (18) months after the Closing Date, neither party shall directly or indirectly, without the prior written consent of the other party, solicit, employ or contract any employee of such other party or its Affiliates (but excluding, in the case of employees of Seller, any Facility Employee); provided; that, nothing shall prohibit a party from performing, or having performed on their behalf, a general solicitation for employees not specifically focused at such persons through the use of media, advertisement, electronic job boards or other general, public solicitations.

6.5 Preservation and Access to Records Post Closing. Purchaser, at its own expense, shall preserve and keep records held by it or the Acquired Subsidiaries relating to the Acquired Subsidiaries or the Facilities for a period of five (5) years from the Closing Date, or longer if required to do so under applicable federal or state law. Purchaser acknowledges that as a result of entering into this Agreement and operating the Facilities it will gain access to patient and other information which is subject to rules and regulations concerning confidentiality. Purchaser shall abide by any such rules and regulations relating to the confidential information it acquires. Purchaser shall maintain the patient records delivered to Purchaser at Closing at their current locations after Closing in accordance with applicable law (including, if applicable, Section 1861(v)(i)(1) of the Social Security Act (42 U.S.C. Section 1395(v)(1)(1)), and the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations found at 45 CFR Sections 160, 162 and 164, as amended ("HIPAA")), and the requirements of relevant insurance carriers, all in a manner consistent with the maintenance of patient records generated by Purchaser after Closing. Upon reasonable notice, during normal business hours, Purchaser, at Seller's expense, shall afford to representatives of Seller, including their counsel and accountants, full access to, and the right to make copies of, the records transferred to Purchaser at Closing to the extent that such records do not contain "Protected Health Information" as that term is defined by HIPAA. To the extent any original patient records are provided to Seller pursuant to this Section, Seller shall promptly return such records to Purchaser following their use by Seller.

6.6 Operations Transfer Agreements. Purchaser shall take such actions at the direction of Seller as Seller shall reasonably request to enforce all rights under the Operations Transfer Agreements. Neither Purchaser nor any Acquired Subsidiary shall after the Closing compromise or settle any claim arising under any Operations Transfer Agreement without first notifying Purchaser at least ten (10) Business Days prior to entering into such compromise or settlement and shall refrain from effecting any compromise or settlement as to which Seller shall reasonably object on grounds that it would adversely affect Seller. In no event shall Purchaser or any Acquired Subsidiary settle or compromise any of the matters listed on Schedule 6.6 without Seller's prior written consent. Purchaser shall take all steps requested by Seller, at Seller's expense, to effect any settlement or compromise of the matters listed on Schedule 6.6, and any such settlement or compromise shall be for the benefit of Seller and not for the benefit of Purchaser or any Acquired Subsidiary. Purchaser shall provide, or shall cause the Acquired Subsidiaries to provide, to Seller copies of any and all correspondence with Sun Healthcare Group, Inc. or its affiliates or representatives that relate in any mater to any Operations Transfer Agreement.

6.7 Title Reports; Real Property Surveys; Liens Searches. Purchaser shall use its reasonable best efforts, as soon as practicable following the date hereof, (i) to obtain (and upon receipt provide to Seller copies of) reports on title for each of the Facilities issued by a nationally recognized title insurance company (collectively the "Title Reports"), (ii) to obtain (and upon receipt provide to Seller copies of) surveys of the Real Property ("Real Property Surveys"), and (iii) to conduct complete searches of Uniform Commercial Code filings with respect to each of the Acquired Subsidiaries and the Facilities (including searches in the state in which the chief executive office of each Acquired Subsidiary is located and in each applicable state and local jurisdiction in which any personal property, fixtures or other assets of the Acquired Subsidiaries are located or where a filing would otherwise need to be made in order to perfect a security interest in such assets) (collectively, the "Lien Searches") and provide copies of the results of such searches to Seller. If, for any reason whatsoever, Purchaser fails to obtain such Title Reports or Real Property Surveys or the results of such Lien Searches, all Liens or other matters as may have been disclosed thereon shall be deemed "Permitted Liens," except for such Liens or other matters which Purchaser and Seller mutually agree prior to June 3, 2004 shall be discharged or corrected by Seller prior to the Closing.

ARTICLE VII
OTHER COVENANTS AND AGREEMENTS

7.1 Property Condition and Licensing Matters.

(a) Purchaser shall bear any and all costs and expenses associated with the satisfaction of or compliance with any conditions or requirements imposed by a Governmental Authority in connection with any change of ownership survey and/or re-licensing inspection, of any nature, undertaken or required in connection with this Agreement or the transactions contemplated hereby (a "Survey").

(b) Seller and Purchaser agree to cooperate fully with each other and to use its reasonable best efforts in preparing, filing, prosecuting, and taking any other actions with respect to any applications, requests, or other actions that are or may be reasonable and

necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including, without limitation, (i) the obtaining of all necessary waivers, consents or approvals of any Governmental Authority in connection with any Survey, licensing or other Permit approval, and the making of all necessary registrations and filings; and (ii) the obtaining of all necessary consents, approvals or waivers from any Person other than Governmental Authorities.

7.2 Publicity. The parties hereto agree that following the Closing (but in no event prior to the Closing), Purchaser may make a publicity release or announcement concerning this Agreement and the transactions contemplated hereby, such publicity release or announcement to be made after consultation with Seller and after using reasonable best efforts to take into account and reflect comments of Seller in any such public announcement.

7.3 Further Assurances. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use its reasonable best efforts to take or cause to be taken all action and to do or cause to be done all things reasonably necessary, proper or advisable under applicable Laws to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, executing any additional instruments necessary to consummate the transactions contemplated hereby. Without limiting the generality of the foregoing, Purchaser agrees that, notwithstanding any assignment by Purchaser to Highmark Healthcare, LLC of Purchaser's obligations under Section 7.1(b) permitted under Section 13.5, Purchaser agrees to cooperate fully with Seller and Highmark Healthcare, LLC and to use its reasonable best efforts in preparing, filing, prosecuting, and taking any other actions with respect to any applications, requests, or other actions which a Governmental Authority requires of Purchaser, or which may be reasonable and necessary, proper or advisable for Purchaser to take to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement. If at any time after the Closing Date any further action is necessary to carry out the purposes of this Agreement, the proper officers and directors of each party hereto shall take all such necessary action.

7.4 Regulatory and Other Authorizations; Consents.

(a) Each of the parties hereto shall use their reasonable best efforts to (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any Law or Order or otherwise to consummate and make effective the transactions contemplated by this Agreement, (ii) obtain any consents, licenses, certifications, permits, waivers, approvals, authorizations or orders required to be obtained or made in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including those set forth on Schedule 3.2(b), Schedule 3.6, Schedule 4.2(b) and Schedule 4.2(c), and (iii) make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the parties, with respect to this Agreement and the transactions contemplated hereby required under any Law or Order, including any applicable securities and antitrust Law (including, without limitation, filings under the HSR Act). Simultaneous with the execution of this Agreement, Purchaser shall deliver to Seller a certificate in the form attached as Exhibit C to this Agreement executed by a duly authorized officer of Purchaser.

(b) The parties hereto shall cooperate and consult with each other in connection with the making of all such filings and notices, provided, however, that no party shall be required to provide the other party hereto with any copies of any such filing or notice to the extent it includes proprietary or confidential information. The parties shall use commercially reasonable efforts to make or cause to be made any filings pursuant to the HSR Act not later than May 27, 2004 and Purchaser shall use commercially reasonable efforts to make or cause to be made (i) the initial filings and applications with respect to the filings and consents, approvals or authorizations set forth on Schedule 9.2, which initial filings and applications shall include all information required by applicable Law, as soon as reasonably practicable after the date hereof but in no event later than June 4, 2004, and (ii) any other filings and applications with respect to the consents, approvals or authorizations forth on Schedule 4.2(c) (but excluding the initial filings and applications with respect to the consents, approvals and authorizations set forth on Schedule 9.2), as soon as commercially practicable after the date hereof. Seller shall use good faith efforts to assist Purchaser, at Purchaser's expense, in obtaining the consents, approvals and authorizations set forth on Schedule 4.2(c). Purchaser shall not request or cause to be requested any early termination of the applicable waiting period under the HSR Act. No party to this Agreement shall consent to any voluntary extension of any statutory deadline or waiting period or to any voluntary delay of the consummation of transactions contemplated in this Agreement at the behest of any Governmental Authority without notifying the other party to this Agreement. Each party shall promptly inform the other of any material communication from the Federal Trade Commission, the Department of Justice or any other Governmental Authority regarding any of the transactions contemplated by this Agreement. If any party or any of its Affiliates receives a request for additional information or documentary material from any such Governmental Authority with respect to the transactions contemplated by this Agreement, then such party will endeavor in good faith to make, or cause to be made, as soon as reasonably practicable, and after consultation with the other party, an appropriate response in compliance with such request. Each party will advise the other party promptly in respect of any understandings, undertakings or agreements (oral or written) which such party proposes to make or enter into with the Federal Trade Commission, the Department of Justice or any other Governmental Authority in connection with the transactions contemplated by this Agreement. Notwithstanding anything in this Section 7.4, Purchaser shall provide Seller with copies of all applications, filings or other correspondence as and when made by Purchaser in respect of the consents approvals, authorizations and filings set forth on Schedule 4.2(c).

(c) In furtherance and not in limitation of the foregoing, each party hereto shall use its commercially reasonable efforts to resolve such objections, if any, as may be asserted with respect to the transactions contemplated by this Agreement under any Law or Order of any Governmental Authority.

(d) To the extent required, Seller shall cooperate with Purchaser, before and after the Closing, in regards to the assignment of Medicare and/or Medicaid provider numbers and agreements, or in respect to any application by Purchaser for participation in the Medicare and Medicaid programs or in respect to the licensure of the Facilities.

(e) Seller shall comply with the notice and other provisions of Section 5(B) of the Marlton Ground Lease.

7.5 Notice of Change of Ownership. As soon as practicable after the Closing, Purchaser shall provide notices, in form reasonably acceptable to Seller, to tenants and residents, vendors and employees regarding the transfer of ownership of the Facilities from Purchaser.

7.6 Transfer Taxes. Purchaser agrees to pay all sales, use, value added, transfer, stamp, registration, documentary, excise, real property transfer or gains, or similar Taxes incurred as a result of the transactions contemplated by this Agreement, and Seller and Purchaser agree to cooperate in jointly filing all required change of ownership and similar statements.

7.7 Amendment of Schedules. From the date hereof until the Closing Date, Purchaser, on the one hand, and Seller on the other hand, shall promptly advise the other party in writing of any additions or changes to any Schedule to this Agreement to reflect any deficiencies or inaccuracies in such Schedule of which such party becomes aware (whether relating to deficiencies or inaccuracies existing on the date of this Agreement or arising thereafter); provided, however, that the delivery of any amendment to a Schedule pursuant to this Section 7.7 shall not limit or otherwise affect Purchaser's right not to consummate the transactions contemplated by this Agreement if the matters referred to in such amendment would cause any of the conditions to Purchaser's obligations not to be fulfilled; and, provided, further, that if Seller delivers an amendment to any Schedule whether or not required by this Section 7.7 and the Closing occurs, Purchaser shall be deemed to have waived all of its rights against Seller with respect to such amendment and the matters set forth therein and effective as of the Closing, this Agreement shall be deemed amended to effect such waiver.

7.8 Certain Transition Matters.

(a) Effective as of the Closing Date, and for the sole purpose of assisting Purchaser to effect an orderly transition of the Facilities thereafter, Seller hereby grants to Purchaser and the Acquired Subsidiaries the right to continue to operate and use the computer hardware and software indicated by footnote on Schedule 2.9 (such computer hardware and software, collectively, the "Transition Equipment") for a period not to exceed ninety (90) days following the Closing Date in respect of the applicable Facility (the "Transition Term")

(b) Purchaser shall pay to THCI or its Affiliates the fees and expenses payable by THCI or its Affiliates during the period of use by Purchaser and the Acquired Subsidiaries in respect of the Transition Equipment (the "Equipment Fees"). The Equipment Fees shall be payable promptly upon presentation by Seller to Purchaser of a statement therefore by wire transfer of immediately available funds to an account to be designated by THCI. Any costs and expenses associated with the operation of the Transition Equipment (in addition to the Equipment Fees), including any costs and expenses in respect of repairs or maintenance, shall be the sole responsibility of Purchaser and the Acquired Subsidiaries.

(c) Purchaser may terminate its use of the Transition Equipment prior to the end of the Transition Term upon five (5) days written notice to THCI, whereupon Purchaser shall promptly pay to THCI any accrued but unpaid Equipment Fees. Upon termination of the Transition Term, Purchaser, at Purchaser's sole risk and expense, shall

promptly cause the Transition Equipment to be removed from the Facilities and returned to THCI or its designee.

(d) Seller shall have no obligation to provide any Transition Equipment under this Section 7.8 if the provision of such Transition Equipment would render Seller in breach of any third party agreement, including any third party software agreement, provided that, at such time Seller and Purchaser shall work together in good faith to arrange for the provision of Transition Equipment through alternate means, any expenses associated with the provision of Transition Equipment through such alternate means to be borne by Purchaser.

(e) Seller shall have no liability to Purchaser for any Losses which Purchaser, any Acquired Subsidiary, or any parent, subsidiary, Affiliate, stockholder, partner, director, employee or agent of Purchaser or an Acquired Subsidiary, may at any time suffer or incur, or become subject to, as a result of or in connection with the transactions contemplated by this Section 7.8. Purchaser acknowledges and agrees that Seller makes no representations or warranties of any nature with respect to the Transition Equipment, including any implied warranties, and, without limiting the generality of the foregoing, Seller hereby disclaims all implied warranties of merchantability and fitness for a particular purpose.

(f) Following the Closing Date, at Purchaser's reasonable request, Seller shall use good faith efforts to assist Purchaser and the Acquired Subsidiaries, at Purchaser's expense, to replace those services provided under the agreements indicated by footnote on Schedule 2.9.

ARTICLE VIII SURVIVAL AND INDEMNIFICATION

8.1 Survival; Exclusivity of Representations.

(a) Subject to the terms and conditions of this Agreement, the representations and warranties of the parties hereto contained in this Agreement shall survive the execution and delivery hereof and the Closing and remain in full force and effect until the first anniversary of the Closing Date, and, if a claims notice has been provided by such date, shall remain in full force and effect until final resolution thereof regardless of when such claim is ultimately adjudicated or liquidated; provided, however, that the following representations and warranties shall survive and remain in full force and effect for the period indicated:

(i) Section 3.8 (Environmental Laws), three (3) years;

(ii) Section 3.9 (Compliance with Law), eighteen (18) months;

(iii) Section 3.12 (Employee Benefit Plans; Employee Relationships), as to matters relating to compliance with ERISA, three (3) years;

(iv) Section 3.13 (Accreditation; Medicare and Medicaid; Third Party Payors), three (3) years;

(v) Section 3.15 (Tax Matters), until thirty (30) calendar days after expiration of the applicable statute of limitations (including any extension thereof);

(vi) Section 3.1 (Organization and Authority of Seller), until any claims based on such Section are barred by statutes of limitation; and

(vii) Section 3.16(a) and Section 3.16(b), until the Closing.

The covenants and agreements of the parties contained in this Agreement shall survive and remain in full force and effect for the applicable period specified therein, or if no such period is specified, indefinitely; provided, however, that the parties agree that the covenants and agreements of Seller contained in Section 7.4(e) shall survive the execution and delivery of this Agreement and the Closing and remain in full force and effect until, and Purchaser's right to indemnification for any breach thereof shall terminate upon, the first anniversary of the Closing Date. Notwithstanding the foregoing, as long as an Indemnified Party (as hereinafter defined) asserts a claim in a written notice to the Indemnifying Party (as hereinafter defined) prior to the expiration of the applicable survival period as set forth in this Section 8.1, such Indemnified Party shall be deemed to have preserved its rights to indemnification under this Article VIII with respect to such claim regardless of when such claim is ultimately adjudicated or liquidated.

8.2 Agreement to Defend. In the event any action, suit, proceeding or investigation of the nature specified in Section 8.3, Section 8.4, or Section 8.5 hereof is commenced, whether before or after the Closing, the parties hereto agree to cooperate and use their reasonable efforts to defend against and respond thereto.

8.3 Indemnification by Seller. From and after the Closing, Seller shall indemnify, defend and hold harmless Purchaser and any parent, subsidiary, Affiliate, stockholder, partner, director, officer, employee or agent of Purchaser (collectively, "Purchaser Indemnified Parties") from and against, and pay on behalf of or reimburse such party in respect of, any and all losses, damages, costs, expenses, liabilities, obligations and claims (including, without limitation, costs of investigation, reasonable attorneys' fees and other legal costs and expenses) ("Losses") which Purchaser Indemnified Parties at any time suffer or incur, or become subject to, as a result of or in connection with:

(a) any breach of any representation, warranty, covenant or agreement made by Seller under this Agreement or any certificate, agreement or other instrument delivered by Seller pursuant to this Agreement;

(b) any fees, expenses or other payments incurred or owed by the Seller to any agent, broker, investment banker or other firm or Person retained or employed in connection with the transactions contemplated by this Agreement; and

(c) any obligations or liabilities of any Acquired Subsidiary relating to the receipt by an Acquired Subsidiary of any overpayment made to such Acquired Subsidiary under any Government Program in connection with its ownership or operation of the Facilities, including but not limited to Medicare Obligations or Medicaid Obligations, during the period beginning on the OTA Effective Date and ending as of the Closing (it being understood and

agreed by Purchaser that Seller shall have no liability whatsoever in respect of any such obligations or liabilities relating to overpayments made to any prior operator of a Facility or the Facilities or otherwise in connection with the Facilities prior to the OTA Effective Date and that Purchaser's sole remedy with respect to such obligations or liabilities shall be against the prior operator of the applicable Facility or Facilities under the applicable Operations Transfer Agreement).

Notwithstanding anything to the contrary contained in this Agreement, the parties acknowledge and agree that if Purchaser has knowledge of a breach or any inaccuracy of any such representation or warranty of Seller or of the existence of any facts or circumstances that would result in the breach of or inaccuracy in any such representation or warranty and Purchaser proceeds with the Closing, Purchaser shall be deemed to have waived and released any claim for indemnification with respect thereto.

8.4 Indemnification by Purchaser. From and after the Closing, Purchaser shall indemnify, defend and hold harmless Seller, and any parent, subsidiary, Affiliate, stockholder, partner, director, officer, employee or agent of Seller (collectively, "Seller Indemnified Parties") from and against, pay on behalf of or reimburse such party in respect of, any and all Losses, which Seller Indemnified Parties may at any time suffer or incur, or become subject to, as a result of or in connection with:

(a) any breach of any representation, warranty, covenant or agreement made by Purchaser under this Agreement or any certificate, agreement or other instrument delivered by Purchaser pursuant to this Agreement;

(b) any fees, expenses or other payments incurred or owed by the Purchaser to any agent, broker, investment banker or other firm or Person retained or employed in connection with the transactions contemplated by this Agreement; or

(c) the use, operation or care by Purchaser or any Acquired Subsidiary of the Transition Equipment following the Closing, including any damage to such Transition Equipment (however caused) occurring during the Transition Term or upon the removal of such Transition Equipment from the Facilities or its return to THCI pursuant to Section 7.8.

Notwithstanding anything to the contrary contained in this Agreement, the parties acknowledge and agree that if Seller has knowledge of a breach or any inaccuracy of any such representation or warranty of Purchaser or of the existence of any facts or circumstances that would result in the breach of or inaccuracy in any such representation or warranty and Seller proceeds with the Closing, Seller shall be deemed to have waived and released any claim for indemnification with respect thereto.

8.5 Notification and Defense of Claims.

(a) A party entitled to be indemnified pursuant to Section 8.3 or Section 8.4 (the "Indemnified Party") shall notify the party liable for such indemnification (the "Indemnifying Party") in writing of any claim or demand which the Indemnified Party has

determined has given or could give rise to a right of indemnification under this Agreement, as soon as possible after the Indemnified Party becomes aware of such claim or demand; provided, that the Indemnified Party's failure to give such notice to the Indemnifying Party in a timely fashion shall not result in the loss of the Indemnified Party's rights with respect thereto except to the extent the indemnified Party is prejudiced by the delay.

(b) If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to Section 8.5(a), and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party (a "Third Party Claim"), the Indemnifying Party shall have the obligation to either (i) pay such claim or demand, or (ii) employ counsel reasonably satisfactory to the Indemnified Party to defend any such Third Party Claim asserted against the Indemnified Party. After the Indemnifying Party has given notice to the Indemnified Party of the Indemnifying Party's election to assume the defense of such Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party under this Article VIII for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, provided that the Indemnified Party shall have the right to employ counsel to represent it if (w) the Indemnifying Party is not diligently prosecuting the defense of such Third Party Claim, (x) such Third Party Claim involves remedies other than monetary damages and such remedies, in the Indemnified Party's reasonable judgment, could have a material adverse effect on such Indemnified Party, (y) the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more defenses or counterclaims that may be alleged by the Indemnifying Party or (z) a conflict of interest exists between the Indemnifying Party and the Indemnified Party with respect to such Third Party Claim, and in any such event the necessary and reasonable fees and expenses of such separate counsel for the Indemnified Party shall be paid by the Indemnifying Party. The Indemnifying Party shall notify the Indemnified Party in writing, as promptly as possible (but in any case before the due date for the answer or response to a claim) after the date of the notice of claim given by the Indemnified Party to the Indemnifying Party under Section 8.5(a) of its election to defend any such third party claim or demand. So long as the Indemnifying Party is defending in good faith any such claim or demand asserted by a third party against the Indemnified Party, the Indemnified Party shall not settle or compromise such claim or demand. The Indemnified Party shall make available to the Indemnifying Party or its agents all records and other materials in the Indemnified Party's possession reasonably required by it for its use in contesting any third party claim or demand.

(c) No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, unless (i) the Indemnifying Party fails to assume and maintain the defense of such claim pursuant to Section 8.5(b) or (ii) such settlement, compromise or consent includes an unconditional release of the Indemnifying Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnifying Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnifying Party or any Affiliate of the Indemnifying Party. An Indemnifying Party may not, without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry

of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnified Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnified Party or any of the Indemnified Party's Affiliates.

8.6 Calculation of Indemnity Payments. The amount of any Losses for which indemnification is provided under this Article VIII shall be (a) increased to take account of any net Tax cost actually incurred or expected to be incurred by the indemnified party arising from the receipt or accrual of indemnity payments hereunder (grossed up for such increase) and (b) reduced to take account of any net Tax benefit actually realized or expected to be incurred by the indemnified party arising from the incurrence of the Loss that gave rise to such indemnity claim.

8.7 Tax Treatment of Indemnification. Unless otherwise required by Law, for all Tax purposes the parties hereto agree to treat (and shall cause each of their respective Affiliates to treat) any indemnity payment under this Agreement as an adjustment to the Purchase Price, and no party shall take any position inconsistent with such characterization.

8.8 Indemnification Amounts. Notwithstanding any provision to the contrary contained in this Agreement, Seller shall not be obligated to indemnify Purchaser Indemnified Parties for any Losses pursuant to this Article VIII unless and until the dollar amount of all such Losses in the aggregate exceed \$1,500,000 (the "Basket Amount"), in which case Seller will be obligated to indemnify the Purchaser Indemnified Parties for Losses in excess of the Basket Amount. In no event shall the aggregate indemnification obligations of Seller pursuant to Section 8.3 exceed \$45,000,000 (the "Cap Amount"). If less than all of the Acquired Subsidiaries have been transferred as of the last day upon which any Acquired Subsidiary may be transferred under this Agreement, each of the Basket Amount and the Cap Amount shall be adjusted such that the Basket Amount and the Cap Amount equal the respective amounts obtained by multiplying each of the Basket Amount and the Cap Amount by a fraction, the numerator of which is the Allocated Price of the Acquired Subsidiaries transferred as of the last day upon which any Acquired Subsidiary may be transferred under the Agreement, and the denominator of which is \$150,000,000. For purposes of computing any Loss under this Article VIII with respect to any representation, warranty, covenant or agreement that is qualified as to materiality or Material Adverse Effect, the amount of the Loss shall be the entire Loss arising by reason of the breach of such representation, warranty, covenant or agreement and not merely the amount of such Loss in excess of the amount that constitutes a material Loss or in excess of an amount that constitutes a Material Adverse Effect; it being understood and agreed that, notwithstanding the foregoing, the Basket Amount shall continue to remain applicable. Notwithstanding the foregoing, Seller agrees that any indemnification of Purchaser Indemnified Parties by Seller under Section 8.3(a) for Losses resulting from a breach by Seller of the covenants and agreements of Seller set forth in Section 7.4(e) shall not be subject to either of the Basket Amount or the Cap Amount, and that Seller shall indemnify Purchaser for the full amount of any such Losses in accordance with the provisions of this Article VIII (Seller agreeing that any indemnification obligations of Seller in respect of such Losses shall not be included in, or count towards, any calculation for purposes of determining if the Cap Amount has been reached).

8.9 Nature of Damages. An Indemnifying Party shall not be liable for any consequential, indirect or punitive damages for any misrepresentation or breach of any provision of or any other matter arising pursuant to this Agreement; provided, however, that the foregoing limitation shall not apply or pertain to any consequential, indirect or punitive damages paid by an Indemnified Party by reason of a Third Party Claim.

8.10 Exclusive Remedies. The remedies provided for in this Article VIII shall be the sole and exclusive remedies of the parties and their respective officers, directors, employees, Affiliates, successors and assigns for the matters covered hereby; provided, however, that the foregoing shall not pertain or apply to claims for willful breach of this Agreement prior to the Closing pursuant to Section 12.2(b) or the breach or violation of any post closing covenant set forth in Sections 5.8, 6.3, 6.4, 6.5, 7.2, 7.3 or 7.7 by any party; and, provided, further, that nothing herein is intended to waive any equitable remedies to which a party may be entitled or relieve any party from any liability for fraud or criminal conduct. Effective as of the Closing, the Acquired Subsidiaries shall release the Seller and its Affiliates, officers, directors and employees (other than those who are to continue in the employ or as an officer or director of the Acquired Subsidiaries) and Seller shall release each of the Acquired Subsidiaries and their respective Affiliates, officers, directors and employees for any and all claims; provided, that nothing in this sentence shall restrict the rights of the parties as set forth in or arising out of this Agreement or any of the transactions contemplated hereby or thereby.

8.11 No Double Recovery. If any party or its Affiliate has been indemnified or reimbursed for all or a portion of Losses under any provision of this Agreement other than Section 8.3 or 8.4 (but including Sections 2.3(b) or 2.8), then the amount of Losses under Section 8.3 or 8.4 shall be reduced by the amount so indemnified or reimbursed under such other section it being understood that the adjustments in Section 2.3(b) and 2.8 are intended to be the sole remedy for the matters governed thereby. Furthermore, in the event any damages related to an indemnification claim by an indemnified party are covered by insurance in favor of such party or a subsidiary of such party, the indemnified party shall seek recovery under such insurance, in which case the indemnified party shall not be entitled to recover from the indemnifying party (and shall refund amounts received up to the amount of indemnification actually received) with respect to such damages to the extent, and only to the extent, of the amount by which the insurance payment in fact recovered by the indemnified party in respect of such indemnification claim exceeds all costs and expenses incurred in connection with such recovery and any efforts relating thereto.

8.12 Subrogation. Upon making an indemnity payment pursuant to this Agreement, the indemnifying party will, to the extent of such payment, be subrogated to all rights of the indemnified party against any third party in respect of the damages to which the payment related. Without limiting the generality of any other provision hereof, the indemnified party and indemnifying party will duly execute upon request all instruments reasonably necessary to evidence and perfect the above described subrogation rights.

ARTICLE IX
CONDITIONS TO THE OBLIGATIONS OF PURCHASER

The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing, of each of the following conditions unless waived in writing by Purchaser or as otherwise provided herein:

9.1 Representations and Warranties; Covenants. The representations and warranties of Seller herein that are qualified as to materiality or Material Adverse Effect shall be true and correct in all respects and, to the extent not so qualified, shall be true and correct except as would not have a Material Adverse Effect, in each case, on and as of the Closing Date, with the same effect as though made on the Closing Date except to the extent the same specifically relate to the date hereof or another specified date, and except for changes as permitted or contemplated by this Agreement. Seller shall have materially performed and complied with all covenants required by this Agreement to be performed and complied with by Seller on or prior to the Closing Date. Purchaser shall have received a certificate dated as of the Closing Date, executed by a duly authorized officer thereof, certifying that the conditions set forth in this Section 9.1 have been complied with or performed.

9.2 Consents and Approvals. The consents, approvals and authorizations set forth on Schedule 9.2 shall have been obtained, and the filings and notification set forth on Schedule 9.2 shall have been made. Purchaser shall have received evidence, reasonably acceptable to Purchaser, that any Liens described on Schedule 1.1(d), and any other Liens which Purchaser and Seller may mutually agree pursuant to Section 6.7 shall be eliminated by Seller prior to Closing, have been eliminated. For purposes of this Section 9.2, Purchaser agrees that the Lessor shall be deemed to have waived its rights under the Lessor Option, and the consent with respect to the Lessor Option shall be deemed to have been obtained, if, following delivery by Seller to the Lessor of written notice offering the Lessor the opportunity to exercise the Lessor Option with respect to only the Marlton Facility, which offer shall be made in accordance with the terms of the Marlton Ground Lease and which shall include a proposed purchase price for the Marlton Facility equal to the Allocated Price of the Marlton Facility, either (i) Lessor executes and delivers to Seller written notice that Lessor has expressly waived its rights under the Lessor Option, or (ii) Lessor shall fail to give to Seller written notice of its acceptance of such offer in accordance with, and within the thirty (30) day time period set forth in, Section 5(B) of the Marlton Ground Lease, and Lessor shall not have delivered to Seller written notice of its rejection of, or objection to, such offer.

9.3 No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions.

9.4 HSR Act. Any applicable waiting periods under the HSR Act relating to the transactions contemplated by this Agreement (including any extension thereof by reason of a request for additional information) shall have expired or been terminated.

9.5 Closing Deliveries. Seller shall have delivered to Purchaser the items set forth in Section 11.1.

9.6 Material Adverse Effect. Between the date hereof and the Closing, there shall not have occurred any Material Adverse Effect.

9.7 Good Standing Certificates. Seller shall have delivered to Purchaser copies of the certificates of good standing of Seller and each of the Acquired Subsidiaries issued on or soon before the Closing Date by the Secretary of State (or comparable officer) of the jurisdiction of each such Person's incorporation or formation.

9.8 Due Diligence; Board Approval. Purchaser shall not have terminated this Agreement in accordance with Section 12.1(e).

ARTICLE X
CONDITIONS TO THE OBLIGATIONS OF SELLER

The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing, of each of the following conditions unless waived in writing by Seller:

10.1 Representations and Warranties; Covenants. The representations and warranties of Purchaser herein that are qualified as to materiality or Material Adverse Effect shall be true and correct in all respects and, to the extent not so qualified, shall be true and correct in all material respects, in each case, on and as of the Closing Date, with the same effect as though made on the Closing Date, except to the extent the same specifically relate to the date hereof or another specified date, which representations and warranties need only be true and correct as aforesaid as of such other date. Purchaser shall have performed and complied with all covenants required by this Agreement to be performed and complied with by Purchaser prior to the Closing Date. Seller shall have received a certificate dated as of the Closing Date, executed by a duly authorized officer thereof, certifying that the conditions specified in this Section 10.1 have been complied with or performed.

10.2 No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions.

10.3 HSR Act. Any applicable waiting periods under the HSR Act relating to the transactions contemplated by this Agreement (including any admissions thereof by reason of a request for additional information) shall have expired or been terminated.

10.4 Consents and Approvals. The consents, approvals and authorizations set forth on Schedule 3.2(b), Schedule 3.6, Schedule 4.2(b) and Schedule 9.2 shall have been obtained and the filings and notifications set forth on Schedule 4.2(c) shall have been made; provided, however, that if Virtua-West Jersey Health System, as lessor under the Marlton

Ground Lease (as defined in Schedule 3.16(a)) (the "Lessor"), shall either (A) have exercised, prior to the Closing, the Lessor's option (the "Lessor Option") under Section 5(B) of the Marlton Ground Lease with regard to the lessee's interest in the Marlton Ground Lease in accordance with the terms thereof, or (B) have failed to deliver to Seller written notice that Lessor is exercising its rights under the Lessor Option, then Seller shall have the option, exercisable in its sole discretion, to either (i) proceed with the Closing with respect to the Acquired Subsidiary Interests that are not Marlton Facility Related Acquired Subsidiary Interests (to the extent the conditions set forth in this Article X have been satisfied or waived by Seller with respect to such Acquired Subsidiary Interests) and suspend Purchaser's rights and obligations to purchase the Marlton Facility Related Acquired Subsidiary Interests until (x) such time as the Lessor consummates the purchase of the Marlton Facility pursuant to such Lessor Option (in which event neither Purchaser nor Seller shall be under any further obligation under this Agreement with respect to the purchase and sale of such Marlton Facility Related Acquired Subsidiary Interests) or (y) such time as Lessor abandons its rights under such Lessor Option or the Lessor's rights thereunder are otherwise terminated and Purchaser shall have received evidence, reasonably satisfactory to Purchaser, of such abandonment or termination (in which event the parties shall proceed to the Closing with respect to such Marlton Facility Related Acquired Subsidiary Interests); (ii) elect to terminate this Agreement with respect to all of the Acquired Subsidiary Interests, in which event Seller agrees to reimburse Purchaser (including Highmark Healthcare, LLC) for its reasonable third party costs and expenses (including legal fees) incurred in connection with the transactions contemplated under this Agreement since May 10, 2004 upon receipt by Seller from Purchaser and Highmark Healthcare, LLC of a statement setting forth in reasonable detail the nature of all such costs and expenses, the reimbursement of such costs and expenses not to exceed \$500,000 in the aggregate; or (iii) in the event Lessor shall have failed to deliver notice to Seller that Lessor is exercising the Lessor Option as set forth in clause (B) above, proceed with the Closing with respect to the Acquired Subsidiary Interests (including the Marlton Facility Related Acquired Subsidiary Interests) (to the extent the conditions set forth in this Article X have been satisfied or waived by Seller with respect to such Acquired Subsidiary Interests).

10.5 Closing Deliveries; Purchase Price. Purchaser shall have delivered to Seller the items set forth in Section 11.2 and the Purchase Price shall have been paid in full.

ARTICLE XI CLOSING

11.1 Closing Deliveries By Seller. Seller shall deliver to Purchaser on the Closing Date:

(a) duly executed assignments of the Acquired Subsidiary Interests in form reasonably and mutually agreed to by Seller and Purchaser;

(b) a closing statement setting forth in reasonable detail the financial transactions contemplated by this Agreement, including, without limitation the Purchase Price, all prorations, and the allocation of costs specified herein;

(c) the bring-down certificate required to be delivered by Seller pursuant to Section 9.1;

(d) a certificate stating that Seller is not a foreign person within the meaning of Section 1445 of the Code, which certificate shall comply with the requirements of Treasury Regulations Section 1.445-2(b)(2);

(e) documents, in form reasonably and mutually agreed to by Seller and Purchaser, terminating the agreements set forth on Schedule 5.6: and

(f) resignations of all persons who are directors or officers of the Acquired Subsidiaries from their positions as officers and/or directors of the Acquired Subsidiaries, as applicable, effective upon the Closing, except for such persons set forth on a schedule to be provided by Purchaser to Seller no later than five (5) Business Days prior to Closing;

(g) a legal opinion of counsel to Seller and the Acquired Subsidiaries, in customary form, respecting the due formation, valid existence and good standing in the jurisdiction of formation of each Seller and any Acquired Subsidiary, the company power and authority of each Seller, due execution and delivery of this Agreement by each Seller, and the valid, binding and enforceable nature of this Agreement; and

(h) the Tenant Estoppel Certificate (if necessary) in form and substance satisfactory to Purchaser.

11.2 Closing Deliveries By Purchaser. Purchaser shall deliver on the Closing Date:

(a) to the Seller, the Purchase Price, as provided for herein; and

(b) to the Seller, the bring-down certificate required to be delivered by Purchaser pursuant to Section 10.1.

11.3 Patient Funds; Advance Payments.

(a) At the Closing, subject to adjustment within thirty (30) days following the Closing, Seller shall provide Purchaser with an accounting of all funds belonging to patients at the Facilities which are held by Seller in a custodial capacity and an accounting of all advance payments received by it pertaining to patients at the Facilities. Such accounting will set forth the names of the patients for whom such funds are held, the amounts held on behalf of each patient, and shall be true, correct, and complete as of the Closing Date, subject to adjustment during the thirty (30) day period referenced above.

(b) At the Closing, subject to adjustment within thirty (30) days following the Closing, Seller shall transfer such funds to a bank account designated by Purchaser and Purchaser shall acknowledge in writing receipt of such funds and expressly assume all of Seller's financial and custodial obligations with respect thereto, it being the intent and purpose of this provision that, at and as of Closing, Seller will be relieved of all fiduciary

and custodial obligations with respect to such funds, and Purchaser will assume all such obligations and be directly accountable to the patients with respect thereto.

11.4 Expenses.

(a) Seller shall pay any fee, cost, charge or expense incurred by Seller in connection with the negotiation, examination and consummation of this Agreement and the transactions contemplated hereby.

(b) Purchaser shall pay:

(i) Any fee, cost, charge or expense incurred by Seller or Purchaser in obtaining any third party consents, approvals or authorizations required to be obtained in connection with the consummation of the transactions contemplated by this Agreement, except for any fee, cost, charge or expense incurred by Seller in connection with (x) obtaining the consents listed on Schedule 3.2(b) or indicated by footnote on Schedule 3.6, (y) the elimination of any Liens set forth on Schedule 1.1(d). or (z) as otherwise provided herein;

(ii) Any fee, cost, charge or expense incurred by Purchaser in connection with the negotiation, examination and consummation of this Agreement and the transactions hereby, other than as expressly set forth herein; and

(iii) All fees and costs relating to the HSR Act.

ARTICLE XII TERMINATION AND ABANDONMENT; REMEDIES

12.1 Method of Termination. This Agreement may be terminated with respect to any and all Acquired Subsidiaries not theretofore transferred and the transactions herein contemplated may be abandoned with respect to any and all Acquired Subsidiaries not theretofore transferred at any time on or before the Closing:

(a) by mutual written consent of each of the parties hereto;

(b) by Seller or Purchaser, if the Closing with respect to all Acquired Subsidiaries shall not have occurred prior to the close of business on August 1, 2004 ("Termination Date"), provided, however, that the right to terminate this Agreement under this Section 12.1(b) shall not be available to any party whose failure (or whose permitted assignee's failure) to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing with respect to any Acquired Subsidiaries; and, provided further, that (i) if as of the Termination Date, all of the conditions to the parties' obligations to close set forth in Article IX and Article X (other than the conditions set forth in Sections 9.2, 9.4, 10.3 or 10.4) have been satisfied (except for those conditions that by their nature are to be satisfied at the Closing), the Termination Date may be extended by either party upon written notice to the other party for a period of thirty (30) days, and (ii) if upon the expiration of such initial thirty (30) day period, the conditions set forth in Sections 9.2, 9.4, 10.3 and 10.4 still have not been satisfied, the Termination Date may be extended by either party upon written notice to the other party for one (1) additional thirty (30) day period, and (iii) if upon the expiration of

such second thirty (30) day period, the conditions set forth in Sections 9.2 and 10.4 have not been satisfied with respect to one or both of the Selected Properties, the Termination Date may be extended by Seller at Seller's sole option (exercisable in Seller's sole discretion) with respect to either or both of the Selected Properties upon written notice to Purchaser for up to three (3) additional consecutive thirty (30) day periods;

(c) by Purchaser, provided Purchaser (or Purchaser's permitted assignee) is not then in material breach of this Agreement, if Seller has breached in any material respect any representation, warranty, covenant or agreement contained in this Agreement which breach would render unsatisfied any condition contained in Article IX, and such breach remains uncured for more than ten (10) days after Seller's receipt of written notice thereof from Purchaser specifying in reasonable detail the nature of such breach;

(d) by Seller, provided Seller is not then in material breach of this Agreement, if Purchaser has breached or, in the case of any provisions of this Agreement assigned to Highmark Healthcare, LLC in accordance with Section 13.5, Highmark Healthcare, LLC has breached, in any material respect any representation, warranty, covenant or agreement contained in this Agreement which breach would render unsatisfied any condition contained in Article X, and such breach remains uncured for more than ten (10) days after Purchaser's receipt of written notice thereof from Seller specifying in reasonable detail the nature of such breach;

(e) by Purchaser, upon written notice delivered to Seller no later than 5:00 P.M on June 3, 2004, that (i) Purchaser is not satisfied in its sole discretion with the results of its due diligence investigation of the Acquired Subsidiaries and the respective assets and operations of the Acquired Subsidiaries or (ii) the Board of Directors of Medical Properties Trust, Inc. has not approved and ratified the transactions contemplated under this Agreement;

(f) by Seller, if for any reason Purchaser shall not have made or caused to be made, on or prior to May 27, 2004, any filings pursuant to the HSR Act required to be made by Purchaser under this Agreement; or

(g) by Seller, pursuant to clause (ii) of Section 10.4.

12.2 Procedure Upon Termination. In the event of termination and abandonment of this Agreement pursuant to Section 12.1, this Agreement shall terminate (subject to the provisions of this Section 12.2) and the transactions contemplated hereby shall be abandoned, without further action by any of the parties hereto. If this Agreement is terminated as provided herein:

(a) each of the parties will redeliver all documents and other material of any other party relating to the transactions contemplated hereby to the party furnishing the same, whether obtained before or after the execution hereof; and

(b) this Agreement shall become null and void and have no further force or effect, and no party hereto shall have any liability or further obligation to any other party to this Agreement other than under the provisions of Sections 5.2(b), 5.3, 6.1, 7.2, 10.4(ii)

(as it relates to the reimbursement by Seller of Purchaser's expenses), 11.4, this Section 12.2 and Article XIII hereof which shall survive any termination of this Agreement, provided, however, that any such termination shall be without prejudice to the rights of any party on account of the non-satisfaction of the conditions set forth in Article IX and Article X resulting from the willful breach or violation of this Agreement by the other party to this Agreement and such other party's right to pursue all legal remedies in respect of such willful or violation shall survive such termination unimpaired.

ARTICLE XIII
MISCELLANEOUS PROVISIONS

13.1 Amendment and Modification. This Agreement may be amended, modified and supplemented only by written agreement of all the parties hereto.

13.2 Waiver of Compliance; Consent. Any failure of a Seller on the one hand, or Purchaser, on the other hand, to comply with any obligation, covenant agreement or condition herein may be waived in writing by Purchaser or Seller, as the case may be, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 13.2.

13.3 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be personally delivered, or sent by facsimile transmission (provided a copy is thereafter promptly mailed as hereinafter provided), or sent by overnight commercial delivery service (provided a receipt is available with respect to such delivery), or mailed by first-class registered or certified mail, return receipt requested, postage prepaid (and shall be effective when received, if sent by personal delivery or by facsimile transmission or by overnight delivery service, or on the third (3rd) Business Day after mailing, if mailed):

(a) If to Seller, to:

THCI Company, LLC
c/o Care Realty, LLC
411 Hackensack Avenue
7th Floor
Hackensack, NJ 07601
Attention: General Counsel
with a copy (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton &
Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064

Attention: Carl L. Reisner, Esq.
Facsimile: (212) 757-3990

(b) If to Purchaser, to:

MPT Operating Partnership, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242
Attention: Edward K. Aldag, Jr.

with copies (which shall not constitute notice) to:

Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
SouthTrust Tower
420 N. 20th Street, Suite 1600
Birmingham, AL 35203
Attn: Thomas O. Kolb, Esq.
Facsimile: (205) 322-8007

and

Highmark Healthcare, LLC
4550 Lena Drive
Mechanicsburg, PA 17055
Attention: Brad E. Hollinger
Facsimile: (717)591-5710

and

Deborah Myers Welsh
2850 Ford Farm Road
Mechanicsburg, PA 17055
Facsimile: (717)796-0361

or to such other person or address as any party hereto shall furnish to the other parties hereto in writing pursuant to this section.

13.4 Attorney's Fees. In the event any action, proceeding or suit is brought by a party hereto to enforce this Agreement, the prevailing party shall be entitled to all reasonable costs and expenses (including reasonable attorneys' fees) incurred by such party in connection with any such action, proceeding or suit.

13.5 Assignment. This Agreement and all the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. This Agreement may not be assigned or otherwise transferred by Purchaser without the prior written consent of Seller, which consent may be withheld by Seller in its sole and absolute discretion; provided, however, that Purchaser shall have the right to (i) assign this Agreement to a wholly-owned subsidiary of Purchaser without relieving Purchaser of

any of its obligations under this Agreement as a result of such assignment and (ii) assign Purchaser's rights to purchase certain of the entities noted on Schedule 1.1(a) to Highmark Healthcare, LLC by executing, simultaneous with the execution of this Agreement, an Assignment and Assumption Agreement in the form attached as Exhibit B whereupon Purchaser shall remain obligated hereby notwithstanding such assignment, provided, that, Purchaser shall be released from its obligations under Sections 6.3, 6.4, 6.5 (as it relates to records other than records that relate to the Real Property), 6.6, 7.1(b) (to the extent the obligations of Purchaser under Section 7.1(b) are duplicative of the obligations of Purchaser under Section 7.4), 7.4, 7.5, 7.8, 8.4(c) and 11.3 from and after the date of such assignment and Seller shall enforce its rights under such sections directly against Highmark Healthcare, LLC pursuant to such Assignment and Assumption Agreement and Seller may also enforce its rights under such sections pursuant to Section 2.4; and, provided, further, that notwithstanding any such assignment by Purchaser to Highmark Healthcare, LLC, Purchaser agrees to use its good faith efforts without material monetary outlay to cause Highmark Healthcare, LLC, or any successor tenant or tenants, to comply with the obligations of Purchaser contained in Sections 6.3, 6.4, 6.5 (as it relates to records other than records that relate to the Real Property), 6.6, 7.1(b) (to the extent the obligations of Purchaser under Section 7.1(b) are duplicative of the obligations of Purchaser under Section 7.4), 7.4, 7.5, 7.8, 8.4(c) and 11.3.

13.6 Governing Law. This Agreement shall be governed by the laws of the State of New York as to, including, but not limited to, matters of validity, construction, effect and performance but exclusive of its conflicts of laws provisions.

13.7 Jurisdiction. Each party hereto consents to the jurisdiction of the courts of the State of New York, New York County, if it can acquire jurisdiction, in the United States District Court for the Southern District of New York as to claims arising under or brought in connection with this Agreement and the transactions contemplated herein.

13.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.9 Headings. The Article and Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13.10 Severability. If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby. If the application of any provision or any portion of any provision of this Agreement to any Person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to Persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

13.11 No Third-Party Beneficiaries. Except with respect to any Purchaser Indemnified Parties or Seller Indemnified Parties, this Agreement is for the sole benefit of the parties hereto and their successors and permitted assigns and nothing herein, express or implied,

is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement; provided, however, that Highmark Healthcare, LLC shall be deemed to be a third party beneficiary of this Agreement from and after the Closing with respect to, and shall have the right to enforce the rights of Purchaser under, Sections 6.3, 6.4, 6.5 (as it relates to records other than records that relate to the Real Property), 6.6, 7.4, 7.5, 7.8, 8.4(c) and 11.3, to the extent such provisions have been assigned by Purchaser to Highmark Healthcare, LLC in accordance with Section 13.5.

13.12 THCI as Representative of THCI California and Mortgage LLC for Certain Purposes. For purposes of convenience only, THCI California and Mortgage LLC hereby appoint THCI their representative and agent for purposes of Sections 2.4, 2.5, 2.6, 2.7, 2.8 and 7.8. Each of THCI, THCI California and Mortgage LLC agree that any action taken by THCI under such Sections shall be deemed to be taken on behalf of and for the benefit of THCI, THCI California and Mortgage LLC.

13.13 Entire Agreement. This Agreement, which term as used throughout includes the Exhibits and Schedules hereto, together with the Seller Documents and the Purchaser Documents, embody the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to such subject matter.

13.14 Schedules. Any fact or item disclosed on any Schedule to this Agreement shall be deemed disclosed on all other Schedules to this Agreement to which such fact or item may reasonably apply so long as such disclosure is in sufficient detail to enable a party hereto to identify the facts or items to which it applies. Any fact or item disclosed on any Schedule hereto shall not by reason only of such inclusion be deemed to be material and shall not be employed as a point of reference in determining any standard of materiality under this Agreement.

13.15 Time of Essence. The parties agree that with regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed or have caused their duly authorized officers to execute this Agreement as of the date first written above.

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ Edward K. Aldas Jr.

Name: Edward K. Aldas Jr.
Title: Chairman, President, CEO

THCI COMPANY, LLC

By: THCI Holding Company, LLC, its sole member
By: Care Realty, LLC, its sole member
By: Care Ventures, Inc., its Asset Manager

By:

Name:
Title:

THCI OF CALIFORNIA, LLC

By: THCI Company, LLC, its sole member
By: THCI Holding Company, LLC, its sole member
By: Care Realty, LLC, its sole member
By: Care Ventures, Inc., its Asset Manager

By:

Name:
Title:

THCI MORTGAGE HOLDING COMPANY LLC

By: THCI Company, LLC, its sole member
By: THCI Holding Company, LLC, its sole member
By: Care Realty, LLC, its sole member
By: Care Ventures, Inc., its Asset Manager

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed or have caused their duly authorized officers to execute this Agreement as of the date first written above.

MPT OPERATING PARTNERSHIP, L.P.

By: _____,
Name:
Title:

THCI COMPANY, LLC

By: THCI Holding Company, LLC, its sole member
By: Care Realty, LLC, its sole member
By: Care Ventures, Inc. its Asset Manager

By: /s/ Warren Cole

Name: Warren Cole
Title: Executive Vice President and
Chief Operating Officer

THCI OF CALIFORNIA, LLC

By: THCI Company, LLC, its sole member
By: THCI Holding Company, LLC, its sole member
By: Care Realty, LLC, its sole member
By: Care Ventures, Inc., its Asset Manager

By: /s/ Warren Cole

Name: Warren Cole
Title: Executive Vice President and
Chief Operating Officer

THCI MORTGAGE HOLDING COMPANY LLC

By: THCI Holding Company, LLC, its sole member
By: Care Realty, LLC, its sole member
By: Care Ventures, Inc., its Asset Manager

By: /s/ Warren Cole

Name: Warren Cole
Title: Executive Vice President and
Chief Operating Officer

THCI OF MASSACHUSETTS, LLC

By: THCI Company, LLC, its sole member
By: THCI Holding Company, LLC, its sole member
By: Care Realty, LLC, its sole member
By: Care Ventures, Inc., its Asset Manager

By: /s/ Warren Cole

Name: Warren Cole
Title: Executive Vice President and
Chief Operating Officer

PURCHASE AND SALE AGREEMENT

BY AND AMONG

MPT OPERATING PARTNERSHIP, L.P.

MPT OF VICTORVILLE, LLC

(COLLECTIVELY, THE "PURCHASER PARTIES")

AND

PRIME A INVESTMENTS, L.L.C.,

DESERT VALLEY HEALTH SYSTEM, INC.,

DESERT VALLEY HOSPITAL, INC.,

AND

DESERT VALLEY MEDICAL GROUP, INC.

(COLLECTIVELY, THE "SELLER PARTIES")

DATED AS OF FEBRUARY 28, 2005

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of February 28, 2005 by and among MPT OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("MPT"), MPT OF VICTORVILLE, LLC, a Delaware limited liability company, (the "Acquisition Sub") (MPT and the Acquisition Sub being herein referred to, collectively, as the "Purchaser Parties"); and PRIME A INVESTMENTS, L.L.C., a Delaware limited liability company ("Prime"), DESERT VALLEY HEALTH SYSTEM, INC., a Delaware corporation ("Desert Valley Parent"), DESERT VALLEY HOSPITAL, INC., a California corporation ("Desert Valley Operator"), and DESERT VALLEY MEDICAL GROUP, INC., a California corporation (Prime, Desert Valley Parent, Desert Valley Operator and Desert Valley Medical Group, Inc., being collectively referred to herein as the "Seller Parties").

WITNESSETH:

WHEREAS, Desert Valley Operator is the operator of that certain general acute care hospital (the "Hospital") facility and incorporated medical office building (the "MOB") located in the Victorville, California area;

WHEREAS, Desert Valley Operator is a party to that certain Amended and Restated Lease with AHE of California, Inc. (AHE of California, Inc., together with affiliates, being referred to herein as "HCP") and dated as of April 5, 1994 (as amended, the "HCP Lease") pursuant to which Desert Valley Operator leases from HCP, among other things, the Real Property (as hereinafter defined);

WHEREAS, the HCP Lease provides that Desert Valley Operator has the right and option to purchase the Real Property from HCP and Desert Valley Operator has assigned such right and option to Prime;

WHEREAS, subject to the terms and conditions hereinafter set forth, Prime and the other applicable Seller Parties desire to sell, and the Acquisition Sub desires to purchase, the Real Property and certain other assets associated or used in connection with the Hospital and the MOB, all on the terms and conditions set forth in this Agreement; and

WHEREAS, contemporaneously with the closing of such purchase and sale, Desert Valley Operator shall lease back the Real Property from the Acquisition Sub pursuant to a lease in the form of Exhibit A (the "Lease").

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I
DEFINED TERMS

SECTION 1.1. CERTAIN DEFINED TERMS. Capitalized terms used herein shall have the respective meanings ascribed to them in this Section 1.1.

"Acquisition Sub" shall have the meaning set forth in the preamble to this Agreement.

"Adverse Events" shall have the meaning set forth in Section 4.10 hereof.

"Affiliate" means, with respect to any Person (i) any Person that, directly or indirectly, controls or is controlled by or is under common control with such Person, (ii) any other Person that owns, beneficially, directly or indirectly, 10% or more of the outstanding capital stock, shares or equity interests of such Person, or (iii) any officer, director, employee, partner, member, manager or trustee of such Person or any Person controlling, controlled by or under common control with such Person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such Person). For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities or otherwise.

"AOA" shall have the meaning set forth in Section 4.10 hereof.

"Appraisal" means that certain appraisal of the Real Property in form and substance, and prepared by a Person, satisfactory to MPT in its sole discretion.

"Appraised Value" means the fair market value of the Real Property as set forth in the Appraisal.

"Assets" shall have the meaning set forth in Section 2.1 hereof.

"Assumed Liabilities" shall have the meaning set forth in Section 2.2 hereof.

"Balance Sheet" shall have the meaning set forth in Section 4.5 hereof.

"Balance Sheet Date" shall have the meaning set forth in Section 4.5 hereof.

"Business" means the operation of the Hospital and the MOB and the engagement in and pursuit and conduct of any business venture or activity related thereto.

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

"Business Employees" shall have the meaning set forth in Section 4.22(a) hereof.

"CMS" means the Centers for Medicare and Medicaid Services.

"Claim" shall have the meaning set forth in Section 4.19 hereof.

"Closing" shall have the meaning set forth in Section 9.1 hereof.

"Closing Date" shall have the meaning set forth in Section 9.1 hereof.

"Code" means the United States Internal Revenue Code of 1986, as amended through the date hereof, and all regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Confidentiality Agreement" shall have the meaning set forth in Section 7.2(c) hereof.

"Contracts" shall have the meaning set forth in Section 4.20 hereof.

"Deed" shall have the meaning set forth in Section 9.2(b) hereof.

"Dispute" shall have the meaning set forth in Section 7.6 hereof.

"Environmental Claim" means any Claim, action, cause of action, investigation or notice (written or oral) by any Person alleging actual or potential liability for investigatory, cleanup or governmental response costs, or natural resources or property damages, or personal injuries, attorney's fees or penalties relating to (i) the presence, or release into the environment, of any Hazardous Materials at any location owned, leased or operated by any Seller Party, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Law" means each federal, state, local and foreign law and regulation relating to pollution, protection or preservation of human health or the environment, including ambient air, surface water, ground water, land surface or subsurface strata, and natural resources, and including each law and regulation relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacturing, processing, distribution, use, treatment, generation, storage, containment (whether above ground or underground), disposal, transport or handling of Hazardous Materials, or the preservation of the environment or mitigation of adverse effects thereon and each law and regulation with regard to record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials, including, without limitation, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder, in each case as amended from time to time.

"Equity Constituents" means, with respect to any Person, as applicable, the members, general or limited partners, shareholders, stockholders or other Persons, however designated, who are the owners of the issued and outstanding equity or ownership interests of such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exception Documents" means true, correct, current and legible copies of each document listed as an exception to title on the Title Commitment.

"Excluded Liabilities" shall have the meaning set forth in Section 2.2 hereof.

"Expansion Commitment Letter" shall have the meaning set forth in Section 9.2(x) hereof.

"Financial Statements" shall have the meaning set forth in Section 4.5 hereof.

"Fixtures" means all permanently affixed non-medical equipment, machinery, fixtures, and other items of real property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in vacuum, cable transmission, oxygen and similar systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto.

"GAAP" means United States generally accepted accounting principles as in effect from time to time. Any accounting term used herein and not specifically defined herein shall be construed in accordance with GAAP.

"Governing Documents" means, with respect to any Person, as applicable, such Person's charter, articles or certificate of incorporation, formation or organization, bylaws or other documents or instruments which establish and/or set forth the rules, procedures and rights with respect to such Person's governance, including, without limitation, any stockholders, limited liability company, operating or partnership agreement related to such Person, in each case as amended, restated, supplemented and/or modified and in effect as of the relevant date.

"Governmental Entity" means any national, federal, regional, state, local, provincial, municipal, foreign or multinational court or other governmental or regulatory authority, administrative body or government, department, board, body, tribunal, instrumentality or commission of competent jurisdiction.

"Government Programs" shall have the meaning set forth in Section 4.10 hereof.

"Hazardous Materials" means any substance deemed hazardous under any Environmental Law, including, without limitation, asbestos or any substance containing asbestos, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, lead and lead-based paints, radon, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic wastes, materials or substances under any Environmental Law.

"HCP" shall have the meaning set forth in the recitals hereof.

"HCP Lease" shall have the meaning set forth in the recitals hereof.

"Healthcare Fraud Laws" shall have the meaning set forth in Section 4.12(a) hereof.

"HIPAA" shall have the meaning set forth in Section 4.11 hereof.

"Hospital" shall have the meaning set forth in the recitals to this Agreement.

"Improvements" means all buildings, improvements, structures and Fixtures now or on the Closing Date located on the Land, including, without limitation, landscaping, parking lots and structures, roads, drainage and all above ground and underground utility structures, equipment systems and other so-called "infrastructure" improvements.

"Indebtedness" of any Person means, without duplication, (a) all liabilities and obligations, contingent or otherwise, of such Person: (i) in respect of borrowed money (whether secured or unsecured), (ii) under conditional sale or other title retention agreements relating to property or services purchased and/or sold by such Person, (iii) evidenced by bonds, notes, debentures or similar instruments, (iv) for the payment of money relating to a capitalized lease obligation, (v) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit, (vi) pursuant to any guarantee, or (vii) secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) a Lien on the assets or property of such Person, and (b) all liabilities and obligations of others of the kind described in the preceding clause (a) and otherwise that (i) such Person is responsible or liable for, directly or indirectly, as obligor, guarantor, surety or otherwise, or (ii) which are secured by a Lien on any of the assets or property of such Person.

"Indemnified Party" shall have the meaning set forth in Section 12.3(a) hereof.

"Indemnifying Party" shall have the meaning set forth in Section 12.3(a) hereof.

"Intangible Property" shall have the meaning set forth in Section 4.21 hereof.

"Knowledge," "to the knowledge or best knowledge of" or similar words or phrases means, with respect to any Person, such Person's actual or deemed knowledge of a particular fact or matter if (i) any of such Person's current or former officers or directors (or other Persons however denominated, exercising similar authority with respect to such Person) including, but not limited to, in the case of any Seller Party, Prem Reddy, M.D. and/or Lex Reddy (a Person's "Knowledge Group"), has actual knowledge of such fact or matter; or (ii) any of such Person's Knowledge Group would be expected to discover or otherwise become aware of such fact or matter after conducting a reasonably diligent inquiry.

"Labor Proceeding" shall have the meaning set forth in Section 4.22(c) hereof.

"Land" shall have the meaning set forth in Section 2.1(a) hereof.

"Law" means any federal, state or local statute, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Entity or otherwise, including, without limitation, any judicial or administrative order, consent, decree or judgment.

"Lease" shall have the meaning set forth in the recitals to this Agreement.

"Lien" means any mortgage, adverse Claim, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, lien (statutory or otherwise) or preference, security interest or other encumbrance of any kind or nature whatsoever.

"Material Adverse Effect" means any change, event(s), occurrence(s) or effect(s), whether direct or indirect, that, both before and after giving effect to the transactions contemplated by this Agreement, could, individually or in the aggregate, have a material adverse effect on (i) the business, properties, results of operations, assets, revenue, income or condition (financial or otherwise) of, or the ability to timely satisfy the obligations or liabilities (whether absolute or contingent) of, any Seller Party, (ii) the Business or the Assets, or (iii) the ability of any Seller Party to perform its obligations under, and/or consummate the transactions contemplated by, this Agreement within the time periods specified herein.

"Medi-Cal" shall have the meaning set forth in Section 4.10 hereof.

"Medicare" shall have the meaning set forth in Section 4.10 hereof.

"Minimum Aggregate Liability Amount" shall have the meaning set forth in Section 12.1(b) hereof.

"MOB" shall have the meaning set forth in the recitals to this Agreement.

"Permitted Encumbrances" means (i) Liens for or arising from current taxes not yet due and payable; (ii) easements and other restrictions of record; (iii) matters set forth in the Title Commitment issued by the Title Company; (iv) matters disclosed on the Survey; and (v) other matters, encumbrances and defects approved by MPT in writing.

"Permits" shall have the meaning set forth in Section 4.9 hereof.

"Person" means an individual, a corporation, a limited liability company, a partnership, an unincorporated association, a joint venture, a Governmental Entity or another entity or group.

"Personal Property" shall have the meaning set forth in Section 4.16 hereof.

"Personal Property Leases" shall have the meaning set forth in Section 4.16 hereof.

"Physician" means any physician rendering services, within, at or on the Hospital or its premises within the five (5) year period ending on the date of this Agreement.

"Public Taking" shall have the meaning set forth in Section 4.16(e) hereof.

"Purchase Price" shall have the meaning set forth in Section 3.1 hereof.

"Purchaser Damages" shall have the meaning set forth in Section 12.1(a) hereof.

"Purchaser Parties" shall have the meaning set forth in the preamble to this Agreement.

"Purchaser Indemnified Party" shall have the meaning set forth in Section 12.1(a).

"Purchaser's Indemnity Periods" shall have the meaning set forth in Section 12.1(b) hereof.

"Real Property" shall have the meaning set forth in Section 2.1(a) hereof.

"Search Reports" means reports of searches made of the uniform commercial code records of the county in which the Real Property is located, and of the office of the secretary of state of the state in which the Real Property is located and in the state in which the principal office of each Seller Party is located.

"Seller Damages" shall have the meaning set forth in Section 12.2(a) hereof.

"Seller Indemnified Parties" shall have the meaning set forth in Section 12.2(a) hereof.

"Seller Indemnity Period" shall have the meaning set forth in Section 12.2(b) hereof.

"Seller Instruments" shall have the meaning set forth in Section 4.2 hereof.

"Seller Parties" shall have the meaning set forth in the preamble to this Agreement.

"Seller Party Plan" shall have the meaning set forth in Section 4.22(f) hereof.

"Service Provider" means any Person who has rendered or is rendering services to or on behalf of any of the Seller Parties.

"Special Purpose Entity" means an entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Real Property and conducting the operation of the Business, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership and/or leasing all or any portion of the Real Property and the operation of the Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest which it owns in the Real Property and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by the Lease or arising in the ordinary course of the Business and does not guarantee or otherwise obligate itself with respect to the debts of any other Person other than as approved by MPT, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets), (vii) holds itself out as being a company separate and apart from any other entity, (viii) maintains all corporate formalities independent of any other entity.

"Subsidiary" means, with respect to any Person, any other Person of or with respect to which Fifty Percent (50%) or more of the total voting power of the voting securities is beneficially owned by such Person.

"Survey" means a current "as-built" ALTA survey, certified to ALTA requirements, prepared by an engineer or surveyor licensed in the state in which the Real Property is located acceptable to MPT in its sole discretion, which shall be prepared in accordance with the provisions set forth in Section 6.1 of this Agreement.

"Taxes" means any and all taxes, charges, fees, levies or other assessments, including, without limitation, any and all income, gross receipts, excise, real and personal property (including leaseholds and interests in leaseholds), sales, use, occupation, transfer, license, ad valorem, gains, profits, gift, minimum estimated, social security, unemployment, disability, premium, recapture, credit, payroll, withholding, severance, stamp, capital stock, value added leasing, franchise and other taxes or similar charges of any kind including any interest and penalties on or additions thereto or attributable to any failure to comply with any requirement regarding any Tax Return.

"Tax Return" means any return, declaration, filing, report, claim for refund or information return or other statement relating to Taxes (whether filed with or submitted to, or required to be filed with or submitted to, any Governmental Entity), including any schedule or attachment thereto, and including any amendment or extension thereof.

"Tax Structure" shall have the meaning set forth in Section 7.2(c) hereof.

"Tax Treatment" shall have the meaning set forth in Section 7.2(c) hereof.

"Tenant" means the lessees or tenants under the Tenant Leases, if any.

"Tenant Leases" shall have the meaning set forth in Section 4.15(i) hereof.

"Third Party Claim" shall have the meaning set forth in Section 12.3(a) hereof.

"Title Commitment" means a current commitment issued by the Title Company to the Purchaser Parties pursuant to the terms of which the Title Company shall commit to issue the Title Policy to the Purchaser Parties in accordance with the provisions of this Agreement, and reflecting all matters which would be listed as exceptions to coverage on the Title Policy.

"Title Company" means the national service office of a title insurance company licensed in the state in which the Real Property is located and selected by MPT in its sole discretion.

"Title Policy" means a title insurance policy in form and substance satisfactory to MPT in its sole discretion.

"Warranties" means all warranties, representations and guaranties with respect to any of the Assets, whether express or implied, which any Seller Party now holds or under which any Seller Party is the beneficiary.

SECTION 1.2. INTERPRETATION; TERMS GENERALLY. The definitions set forth in Section 1.1 and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless otherwise indicated, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein", "hereof" and "hereunder" and words of similar import shall be deemed to refer to this Agreement (including the Schedules and Exhibits) in its entirety and not to any part hereof, unless the context shall otherwise require. All references herein to Articles, Sections, Schedules and Exhibits shall be deemed to refer to Articles, Sections and Schedules of, and

Exhibits to, this Agreement, unless the context shall otherwise require. Unless the context shall otherwise require, any references to any agreement or other instrument or statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any corresponding provisions of successor statutes or regulations). Any reference in this Agreement to a "day" or number of "days" that does not refer explicitly to a "Business Day" or "Business Days" shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day.

ARTICLE II
PURCHASE AND SALE OF ASSETS, ASSUMPTION OF LIABILITIES

SECTION 2.1. PURCHASE AND SALE OF ASSETS. Based upon the representations and warranties of the Seller Parties as set forth herein, and subject to the terms and conditions hereof, at the Closing, Prime (or, if Prime is not the owner of the applicable Asset, the appropriate Seller Party), in consideration for the payment of the Purchase Price in accordance with Section 3.1, shall grant, sell, assign, transfer, convey and deliver to the Acquisition Sub, and the Acquisition Sub shall purchase and acquire from Prime, free and clear of all Liens, other than Permitted Encumbrances, the following assets of Desert Valley Operator (collectively, the "Assets"):

(a) those certain tracts of land consisting of approximately _____ (___) acres located in Victorville, California the legal descriptions of which are set forth on Exhibit B attached hereto (the "Land") and all Improvements located thereon (collectively the "Real Property");

(b) Intentionally Deleted;

(c) to the extent assignable, all rights in all intangible property relating exclusively to the Real Property, including, but limited to, zoning rights, Permits (other than operating permits) and indemnification or similar rights and all Warranties affecting or inuring to the benefit of the Real Property or the owner thereof (including, without limitation, any indemnification or similar rights and Warranties related to the Real Property);

(d) all of the Seller Parties', title and interest in and to site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Real Property and the Improvements; and

(e) all of the Seller Parties' right, title and interest in and to all causes of action, claims and rights in litigation (or which could result in litigation against any party) pertaining or relating to the Real Property (including, without limitation, any causes of action, claims or rights in litigation or other rights related to or arising under any purchase contracts respecting the Real Property).

SECTION 2.2. EXCLUDED LIABILITIES. Notwithstanding anything in this Agreement to the contrary, except as set forth on Schedule 2.2 (the "Assumed Liabilities") no Purchaser Party shall assume or agree to pay, satisfy, discharge or perform, or shall be deemed by virtue of the execution and delivery of this Agreement or any other document delivered at the Closing

pursuant to this Agreement, or as a result of the consummation of the transactions contemplated by this Agreement or such other document, to have assumed, or to have agreed to pay, satisfy, discharge or perform, or shall be liable for, any liability, obligation, contract or Indebtedness of any Seller Party or any other Person, whether primary or secondary, direct or indirect, including, without limitation, any liability or obligation relating to the ownership, use or operation of any of the Assets, the Hospital or the MOB prior to Closing, any liability or obligation arising out of or related to any breach, default, tort or similar act committed by any of the Seller Parties or for any failure of any of the Seller Parties to perform any covenant or obligation for or during any period prior to Closing (collectively, the "Excluded Liabilities").

SECTION 2.3. SPECIAL PURPOSE ENTITY. Seller Parties agree that the Desert Valley Operator shall be a Special Purpose Entity at all times during the term of the Lease.

ARTICLE III PURCHASE PRICE

SECTION 3.1. PURCHASE PRICE. Subject to obtaining the Appraisal in accordance with Section 8.2(m) hereof, the purchase price for the Assets shall be Twenty-Eight Million and No/100 Dollars (\$28,000,000.00) (the "Purchase Price"). Subject to the terms and conditions hereof, at Closing, the Acquisition Sub shall pay the Purchase Price via transfer of immediately available federal funds to an account specified in writing by Desert Valley Parent not less than three (3) Business Days prior to the Closing Date.

SECTION 3.2. TAXES, RENTALS, UTILITIES. The parties acknowledge that all utility charges and all real and personal property Taxes related to the Assets shall be the responsibility of the Desert Valley Operator pursuant to the terms of the Lease.

SECTION 3.3. ALLOCATION OF PURCHASE PRICE. The Purchase Price shall be allocated among the Assets for purposes of Section 1060 of the Code as set forth on Schedule 3.3. The parties agree to use, and to not take any position which is inconsistent with, such allocation in the preparation and filing of any Tax Return (including Form 8594).

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SELLER PARTIES

With the understanding that the Purchaser Parties shall rely hereon, and as a material inducement to the Purchaser Parties to enter into this Agreement and the Lease, each Seller Party hereby jointly and severally represents, warrants and covenants to the Purchaser Parties as of the date hereof and as of the Closing Date as follows:

SECTION 4.1. ORGANIZATION. Each Seller Party is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of their respective states of incorporation and is duly licensed in each jurisdiction in which the nature of the business conducted, or the assets owned, operated and/or leased, by such Seller Party requires or makes such qualification necessary. Desert Valley Operator is, and has at all times since its incorporation been, a Special Purpose Entity. Schedule 4.1 sets forth the ownership of each

Seller Party and, except as set forth therein, no other party has any equity interest in any Seller Party or any option, warrant or other right to acquire same.

SECTION 4.2. AUTHORIZATION AND ENFORCEABILITY. Each Seller Party has the requisite corporate or limited liability company power and authority to conduct its business as it is now being conducted and as proposed to be conducted and to execute, deliver and carry out the terms of this Agreement, together with all documents and agreements necessary to give effect to the provisions of this Agreement, including the Lease, and to consummate the transactions contemplated hereby and thereby. All corporate or limited liability company actions required to be taken by each Seller Party (including, without limitation, all necessary actions by the board of directors and shareholders of such Seller Party) to authorize the execution, delivery and performance of this Agreement as well as all documents, agreements and instruments executed by such Seller Party which are necessary to give effect to this Agreement (collectively, the "Seller Party Instruments") and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained in accordance and compliance with, as applicable, such Seller Party's Governing Documents. Each Seller Party has heretofore delivered to the Purchaser Parties true, correct and complete copies of such Seller Party's Governing Documents. No other action on the part of any Seller Party is necessary to authorize the execution, delivery and performance of this Agreement, the Seller Party Instruments and all transactions contemplated hereby and thereby. This Agreement, the Seller Party Instruments and all agreements to which any Seller Party will become a party hereunder, including the Lease, are and will constitute the valid and legally binding obligations of such Seller Party, and are and will be enforceable against such Seller Party in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 4.3. ABSENCE OF CONFLICTS. Each Seller Party's execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of such Seller Party's Governing Documents; (ii) violate any provision of any Law to which such Seller Party is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to such Seller Party; (iv) result in or cause the creation of a Lien on any of the Assets; or (v) except as disclosed on Schedule 4.3, result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any indenture, mortgage, deed of trust, contract, agreement or other instrument to which such Seller Party is a party or by which such Seller Party or any of the assets is bound.

SECTION 4.4. CONSENTS AND APPROVALS. Except as set forth on Schedule 4.4, no license, permit, qualification, order, consent, authorization, approval or waiver of, or registration, declaration or filing with, or notification to, any Governmental Entity or other Person is required to be made or obtained by or with respect to any Seller Party in connection with the execution, delivery and performance of this Agreement or the Seller Party Instruments by any Seller Party or the consummation of the transactions contemplated hereby or thereby.

SECTION 4.5. FINANCIAL STATEMENTS. Schedule 4.5 sets forth (i) the audited balance sheets of each applicable Seller Party for the fiscal years ended 2002 (other than Desert Valley Parent and Prime) and 2003 (other than Prime), (ii) the unaudited balance sheet of Desert Valley Parent and Prime for the fiscal year ended 2002 and the unaudited balance sheet of Prime for the fiscal year ended 2003, (iii) the unaudited balance sheet of Desert Valley Parent, Desert Valley Operator and Prime at December 31, 2004 and the unaudited balance sheet of Desert Valley Medical at November 30, 2004 (together with December 31, 2004, the "Balance Sheet Dates") (the balance sheets described in this subsection (iii), being herein referred to, collectively, as the "Balance Sheets"), (iv) the audited statement of income and cash flows of each applicable Seller Party for the fiscal years ended 2002 (other than Desert Valley Parent and Prime) and 2003 (other than Prime), (v) the unaudited income statement of Desert Valley Parent and Prime for the fiscal year ended 2002 and the unaudited income statement of Prime for the fiscal year ended 2003, and (iv) the unaudited statement of income of Desert Valley Parent, Desert Valley Operator and Prime for the twelve (12) months ended December 31, 2004 and the unaudited statement of income of Desert Valley Medical for the eleven (11) months ended November 30, 2004 (the financial statements described in this sentence, being herein referred to, collectively, as the "Financial Statements"). Except as set forth on Schedule 4.5, the Financial Statements have been prepared in accordance with GAAP, are based on the books, records and accounts of the Seller Parties and fairly present the financial condition and results of operations, cash flows and shareholders' equity of the Seller Parties as of the respective dates thereof and for the respective periods indicated therein, except (i) that the unaudited interim statements do not include complete note (including footnote) disclosure as required by GAAP; and (ii) that the unaudited interim statements are subject to normal, year-end adjustments which are not, and will not be, material in amount or effect, either individually or in the aggregate.

SECTION 4.6. ACCOUNTS RECEIVABLE. The accounts receivable of each Seller Party include only accounts receivable arising from bona fide transactions in the conduct of the ordinary course of business of such Seller Party, are in all material respects true and genuine, represent legal, valid and binding obligations of the respective debtors enforceable in accordance with their terms. No material payment of said receivables is contingent upon performance of any obligations or contract, past or future, and, except as set forth on Schedule 4.6, all such receivables are free of all security interests and encumbrances created by any Seller Party. Except as set forth on Schedule 4.6, no defense, counterclaim, offset or adjustment exists as to any such account receivable.

SECTION 4.7. NO UNDISCLOSED LIABILITIES. Except as set forth on Schedule 4.7, no Seller Party has any material liability or obligation, whether absolute, accrued, contingent or otherwise, including any potential future liability arising out of acts or omissions which have already occurred, which is not fully and accurately reflected or reserved against in the Balance Sheets except for liabilities or obligations that may have arisen in the ordinary course of business of the Seller Parties, consistent with the past practice of the Seller Parties, since the Balance Sheet Date (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement or violation of law) and no Seller Party has knowledge of any fact, condition or circumstance which could form the basis of any such liability or obligation.

SECTION 4.8. ABSENCE OF CHANGES. Except as set forth on Schedule 4.8, since the Balance Sheet Date, each Seller Party has, as applicable:

- (a) conducted its business only in the ordinary course of business and consistently with its past practices;
- (b) not suffered any change, event or circumstance which has had, or could have, a Material Adverse Effect;
- (c) preserved its legal existence and retained its business organization intact;
- (d) maintained its relationships with all suppliers, trade creditors and trade debtors;
- (e) paid or satisfied all of its debts, liabilities or obligations as the same became due;
- (f) paid all compensation and other obligations to its employees when the same were due and payable;
- (g) timely made all applicable filings with Governmental Entities;
- (h) not mortgaged, pledged, subjected to Lien, charged, encumbered or granted a security interest in or to any of the Assets;
- (i) except as otherwise provided in this Agreement, not sold or transferred any of its assets except for sales of inventory in the ordinary course of business and consistently with its past practices;
- (j) not suffered any damage, destruction or loss (whether or not covered by insurance) affecting the Assets;
- (k) not cancelled any debts owing to it or otherwise granted or waived any right of substantial value;
- (l) not terminated or materially modified any contract, lease, agreement or arrangement with any payor, vendor or supplier or received notice of termination or become aware of any threat of termination with respect to any such contract, lease, agreement or arrangement;
- (m) not made any capital expenditure or commitment for the acquisition of assets in excess of Fifty Thousand Dollars (\$50,000);
- (n) not made or suffered any change to its Governing Documents;
- (o) not made or received any loans or advances to or from any Person, other than renewals or extensions of existing indebtedness and uses of lines of credit;
- (p) maintained its books and records in accordance with GAAP, consistent with past practices;
- (q) not incurred, assumed or guaranteed any Indebtedness;

(r) not experienced any defections in its medical staff; or

(s) not agreed or offered, whether in writing or otherwise, to take, and neither any Seller Party nor its board of directors (or by any Person or group of Persons possessing and/or exercising similar authority with respect to such Seller Party) or Equity Constituents have authorized the taking of, any action described in Sections 4.8(a) through 4.8(r) above.

SECTION 4.9. LICENSES. Desert Valley Operator has all licenses, permits, certificates of need and other authorizations of Government Entities (the "Permits") from all applicable Governmental Entities necessary or proper in order to operate the Hospital and the MOB and to conduct the Business. Each Permit issued to and held by Desert Valley Operator is identified and described on Schedule 4.9, and true, correct and current copies of each such Permit have previously been delivered to the Purchaser Parties by the Seller Parties. Except as set forth on Schedule 4.9, Desert Valley Operator previously has complied and is currently complying with its obligations under each of the Permits and all such Permits are in full force and effect. No written notice from any authority in respect to the threatened, pending or possible revocation, termination, suspension or limitation of any of the Permits has been issued or given to any Seller Party and no Seller Party has any Knowledge of the proposed or threatened issuance of any such notice or of any grounds or basis therefor.

SECTION 4.10. ACCREDITATION; MEDICARE AND MEDI-CAL; THIRD PARTY PAYORS. Desert Valley Operator is currently accredited by the American Osteopathic Association ("AOA") and has previously delivered to the Purchaser Parties true, correct and complete copies of the following documents (i) the most recent AOA accreditation survey reports for the Hospital and deficiency list and plan of correction, if any, and a list and description of events in the past three (3) years at the Hospital that constitute "Adverse Events" (as defined by AOA), if any, and any documentation that was created prepared and/or produced by or on behalf of any Seller Party to satisfy AOA requirements relating to addressing such Adverse Events; (ii) any state licensing survey reports with respect to the Hospital for the two (2) year period prior to the date hereof, as well as any statements of deficiencies and plans of correction in connection with such reports; (iii) the fire marshal's surveys for the past two (2) years and list of deficiencies, if any, for the Hospital; and (iv) the boiler inspection reports for the past two (2) years and list of deficiencies, if any, for the Hospital. Desert Valley Operator has taken all reasonable steps to correct all such deficiencies and a description of any uncorrected deficiency is set forth on Schedule 4.10. Except as set forth on Schedule 4.10 attached hereto, each Seller Party (other than Prime and Desert Valley Parent) participates without restriction under Title XVIII of the Social Security Act ("Medicare") and Title XIX of the Social Security Act ("Medi-Cal"), the Medicare and the Medi-Cal programs of the State of California and the TRICARE/CHAMPUS programs (collectively, the "Government Programs"). Desert Valley Operator has received Medicare or Medi-Cal reimbursement with respect to the Hospital and is eligible to receive payment without restriction under Medicare and Medi-Cal. Except as set forth on Schedule 4.10, the Hospital is in compliance with the conditions of participation for the Government Programs, has received all approvals or qualifications necessary for capital reimbursement and has been found by CMS to be in compliance with 42 C.F.R. Sections 489.20 and 489.24 and its medicare provider agreement will not be terminated for failure to so comply. Except as set forth on Schedule 4.10, there is no pending, nor, to the best of the Seller Parties' Knowledge, threatened, proceeding or investigation under the Government Programs involving the Hospital or any of the Assets. Desert Valley

Operator has previously delivered to the Purchaser Parties true, correct and complete copies of the most recent Medicare and Medi-Cal certification survey reports for the Hospital including any statements of deficiencies and plans of correction, and the corrective action plans related thereto. Desert Valley Operator has taken all reasonable steps to correct all such deficiencies and a description of any uncorrected deficiency is set forth on Schedule 4.10. With respect to the operation of the Hospital, except as set forth on Schedule 4.10, neither Desert Valley Operator nor any of its officers, directors or any of the Business Employees (as hereinafter defined), nor any Seller Party (or Equity Constituent thereof) or Service Provider (i) has been excluded, suspended or debarred from, or otherwise adjudicated, deemed or determined ineligible for, participation in any Government Program, including Medicare or Medi-Cal, (ii) has been convicted of a criminal offense related to conduct that would trigger an exclusion from any Government Program, (iii) committed any act or omission which could result in, or form the basis of, any of the actions described in clauses (i) or (ii) of this sentence; and (v) no Medicare funds will be used to make any payment for any items or services furnished by any excluded individual. Desert Valley Operator has timely filed, caused to be timely filed and, as to reports due after the Closing, shall timely file, all cost reports required by third party payors, including, but not limited to, Government Programs and other insurance carriers, and, except as disclosed on Schedule 4.10 all such reports are or will be complete and accurate when filed. Except as disclosed on Schedule 4.10, Desert Valley Operator is and has been in compliance with filing requirements with respect to cost reports of the Hospital, including appropriate allocation of expenses associated with any management or consulting services provided by the Seller Parties or any employees of the Seller Parties and such reports do not claim and the Hospital has not received, payment or reimbursement in excess of the amount provided or allowed by applicable law or any applicable agreement, except where excess reimbursement was noted on the cost report. True and correct copies of the cost reports to third parties for the Hospital for the three (3) most recent fiscal years with respect to which Desert Valley Operator received such cost reports have been made available to the Purchaser Parties. Except as disclosed on Schedule 4.10, no Seller Party has received any written notice of any dispute relating to the Hospital between any Seller Party and any Governmental Entity, including any fiscal intermediary or carrier, federal, state or local governmental body or entity, or the Administrator of the Center for Medicare and Medi-Cal Services, with respect to any Government Program cost reports or claims filed with respect to the Hospital, on or before the date of this Agreement.

SECTION 4.11. HIPAA COMPLIANCE. Each Seller Party is in full compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Schedule 4.11 includes, but is not limited in any manner whatsoever to, any privacy, security or transaction and code set standards compliance plan of each Seller Party in place or in development, and any plans, analyses or budgets relating to information systems, including but not limited to necessary purchases, upgrades or modifications to effect HIPAA compliance.

SECTION 4.12. HEALTHCARE REGULATORY MATTERS.

(a) No Seller Party, or, to the knowledge of any Seller Party, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with the Hospital (i) is a party to, or has received notice of, the

commencement of any investigation or debarment proceedings or any governmental investigation or action (including any civil investigative demand or subpoena) under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (18 U.S.C. 1035), and Patient Inducement Statute and equivalent state statutes or any rule or regulation promulgated by a Governmental Entity with respect to any of the foregoing (collectively, the "Healthcare Fraud Laws") affecting any Seller Party, the Hospital or the Business (and no grounds for any such proceeding, investigation or action exist); and (ii) is not in full compliance with all applicable Healthcare Fraud Laws. The terms and structure of the Tenant Leases currently comply and shall comply in all respects with all Healthcare Fraud Laws.

(b) Except as set forth on Schedule 4.12, no Seller Party, or, to the Seller Parties' Knowledge, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with, the Hospital, has ever been investigated, charged or implicated in any violation of any state or federal statute or regulation involving false, fraudulent or abusive practices relating to participation in state or federally sponsored reimbursement programs, including, but not limited to, false or fraudulent billing practices. No Seller Party, or, to the Seller Parties' Knowledge, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with, the Hospital, has ever engaged in any of the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any applications for any benefit or payment under Medicare or Medi-Cal program; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under Medicare or Medi-Cal program; (iii) failing to disclose knowledge of any event affecting the initial or continued right to any benefit or payment under Medicare or Medi-Cal program on its own behalf or on behalf of another, with intent to secure such payment or benefit fraudulently; (iv) knowingly and willfully soliciting, paying, or receiving any remuneration (including kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (A) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medi-Cal, or (B) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medi-Cal; (v) presenting or causing to be presented a claim for reimbursement for services that is for an item or service that was known or should have been known to be (A) not provided as claimed, or (B) false or fraudulent; or (vi) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact with respect to (A) a facility in order that the facility may qualify for Governmental Entity certification or (B) information to be provided under 42 USC Section 1320a-3.

SECTION 4.13. TAXES. Each Seller Party has filed or caused to be filed all Tax Returns of such Seller Party which have become due (taking into account valid extensions of time to file) prior to the date hereof. Such Tax Returns are accurate and complete in all material respects, and each Seller Party has paid or caused to be paid all Taxes for the periods covered thereby, whether or not shown to be due on such Tax Returns. There are (i) no outstanding Liens for any Taxes that have been filed by any Governmental Entity against the Assets or any other assets of any Seller Party used in the Business (other than for ad valorem taxes not yet due and payable), and (ii) no claims being asserted with respect to any Taxes relating to any Seller Party, the Assets or the Business for which any Purchaser Party could be held liable, and there is no basis for the assertion of any such claim. No Seller Party has made or agreed or offered to make, or revoked or agreed or offered to revoke, a Tax election with respect to or affecting the Assets at any time during the last two (2) years. Except as set forth on Schedule 4.13, no Seller Party is a party to any tax abatement agreement relating to the Assets. Except as disclosed with reasonable specificity on Schedule 4.13, there are no outstanding waivers or agreements extending the statute of limitations for any period with respect to any Tax to which the Assets or any Purchaser Party may be subject following the Closing.

SECTION 4.14. GOOD TITLE TO ASSETS. Except as set forth on Schedule 4.14, each Seller Party has good, absolute and marketable title to, and unrestricted possession of, all of its assets (other than the Real Property, which is addressed in Section 4.15 below), free and clear of all Liens (other than Permitted Encumbrances) and any adverse Claims of third parties.

SECTION 4.15. TITLE AND CONDITION OF THE REAL PROPERTY.

(a) Schedule 2.1(a) sets forth a legal description of the Real Property. Except as set forth on Schedule 4.15, Prime is the sole and exclusive legal and equitable owner of all right, title and interest in the Real Property and at Closing will have and convey to the Acquisition Sub good and marketable title in fee simple to the Real Property, free and clear of any and all Liens, encumbrances, restrictions or easements of any kind whatsoever (other than Permitted Encumbrances).

(b) The location, construction, occupancy, operation, use and sale of the Real Property (including the Improvements) do not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any Governmental Entity or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Real Property, including, without limitation, any applicable zoning or subdivision ordinance or building code, flood disaster law or health and environmental law or regulation.

(c) With regard to the Real Property, except as set forth on Schedule 4.15(c), to the Knowledge of the Seller Parties, there are no (i) encroachments onto or from adjacent properties; (ii) violations of set-back, building or side lines; (iii) encroachments onto any easements or servitudes located on such Real Property; (iv) pending or, to the Knowledge of any Seller Party, threatened boundary line disputes; (v) portions of such Real Property located in a flood plain or in an area defined as a wetland under applicable state or federal law; (vi) cemeteries or gravesites located on the Real Property; or (vii) mine shafts under the Real Property or any other latent defects, such as sinkholes, regarding or affecting the Real Property.

(d) The existing water, sewer, gas and electricity lines, storm sewer and other utility systems are adequate to serve the utility needs of the Real Property. All of said utilities are installed and operating, and all installation and connection charges have been paid in full.

(e) Except as set forth on Schedule 4.15(e), neither the whole nor any portion of the Real Property has been condemned, requisitioned or otherwise taken by any public authority (a "Public Taking"), and no notice of any Public Taking has been received by any Seller Party with regard to any of the Real Property. No Seller Party has any Knowledge of any Public Taking being threatened or contemplated. No Seller Party has any Knowledge of any public improvements which have been ordered to be made and/or which have not heretofore been assessed, and, to the Knowledge of the Seller Parties, there are no special, general or other assessments pending or threatened against or affecting any of the Real Property (except those expressly identified in the Title Commitment).

(f) Except as set forth on Schedule 4.15(f), there are no Claims, actions, suits, proceedings or investigations pending or, to the Knowledge of any Seller Party, threatened, against or affecting all or any portion of the Real Property.

(g) Permanent certificates of occupancy, all licenses, permits, certificates of need (if applicable), authorizations and approvals required by all Governmental Entities having jurisdiction, have been issued for the Improvements, and, as of the Closing, all of the same will be in full force and effect. The Improvements, as designed and constructed, comply with all statutes, restrictions, regulations and ordinances applicable thereto, including but not limited to the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973. No Seller Party either has in its possession or has Knowledge of any studies or reports which specify or suggest the presence of any defects in the design or construction of any of the Improvements.

(h) No Seller Party has Knowledge of any fact or condition which would result in the termination of the current access from the Real Property to any presently existing public highways and/or roads adjoining or situated on the Real Property or to sewer or other utility services to serve the Real Property.

(i) Schedule 4.15(i) attached hereto sets forth an accurate and complete list of all leases, subleases, commitment letters, letters of intent and other rental agreements, whether written or oral, now or hereafter in effect, if any, that grant or will grant a possessory interest in and to any space in the Real Property or that otherwise assign or convey rights with regard to the Real Property or the Improvements (collectively referred to as the "Tenant Leases"). Schedule 4.15(i) designates which of the Tenant Leases described therein are with the referral sources (as determined by any of the Healthcare Fraud Laws) of Desert Valley Operator or any other Seller Party. Schedule 4.15(i) specifies the rent and security deposit, if any, for each Tenant Lease. The Seller Parties have provided the Purchaser Parties with complete, correct and current copies of all Tenant Leases. The Seller Parties shall provide to the Purchaser Parties prior to Closing Tenant Lease estoppels in form satisfactory to the Purchaser Parties from all Tenants under the applicable Tenant Leases. Except for the Tenant Leases and any other items listed on Schedule 4.15(i), there are no purchase contracts, leases of space, options, rights of first refusal or other written or oral agreements of any kind whereby any person or entity will have acquired or will

have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Real Property or the Improvements.

(j) No Seller Party has accepted the payment of rent or other sums due under any of the Tenant Leases for more than one (1) month in advance. As of the Closing, none of the Tenant Leases and none of the rents or other charges payable thereunder, if any, will have been assigned, pledged or encumbered. Except as set forth on Schedule 4.15(j), as of the Closing, no brokerage or leasing commissions or other compensation will be due or payable to any Person with respect to, or on account of, the Lease or any Tenant Lease or any extensions or renewals thereof, if any, excepting those agreements entered into or accepted in writing by the Purchaser Parties.

(k) All tenant improvements, repairs and other work and obligations, if any, then required to be performed by the landlord under each of the Tenant Leases will be fully performed and paid for in full on or prior to the Closing.

(l) Except as set forth on Schedule 4.15(l): (i) the Tenant Leases are freely assignable by the Seller Parties to the Acquisition Sub, have not been modified, amended or assigned, are legally valid, binding and enforceable against the applicable Seller Parties (and, to the best of the Seller Parties' Knowledge, against the other parties to such Tenant Leases) in accordance with their respective terms and are in full force and effect; (ii) there are no monetary defaults and no material nonmonetary defaults by the applicable Seller Party or, to the best of the Seller Parties' Knowledge, any other party to the Tenant Leases; (iii) no Seller Party has received written notice of any default, offset, counterclaim or defense under any of the Tenant Leases; and (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by any Seller Party of the terms of any of the Tenant Leases.

(m) The Real Property constitutes all the land and improvements used by Desert Valley Operator in connection with the operation of the Hospital and the MOB, it being understood that certain administrative activities relating to such operations are not conducted at the Real Property.

SECTION 4.16. CONDITION OF PERSONAL PROPERTY. Schedule 4.16 sets forth a list of all equipment and other items of tangible personal property used by Desert Valley Operator in the operation of the Hospital and the MOB (the "Personal Property"). Except as set forth on Schedule 4.16, Desert Valley Operator has good, clear and indefeasible title to and ownership of all of the Personal Property, free and clear of all Liens, and may grant Acquisition Sub a first priority security interest in and to the Personal Property. Schedule 4.16 sets forth an accurate and complete list of all leases of personal property used in the operation of the Hospital (the "Personal Property Leases"). The Seller Parties have provided the Purchaser Parties with complete, correct and current copies of all of the Personal Property Leases. Except as set forth on Schedule 4.16: (i) Desert Valley Operator may grant a first priority security interest in the Personal Property Leases to the Acquisition Sub, (ii) the Personal Property Leases have not been modified, amended or assigned, are legally valid, binding and enforceable against Desert Valley Operator (and, to the Seller Parties' Knowledge, against the other parties to such Personal Property Leases) in accordance with their respective terms and are in full force and effect; (iii) there are no monetary defaults and no material nonmonetary defaults by Desert Valley Operator,

to the Seller Parties' Knowledge, any other party to the Personal Property Leases; (iv) no Seller Party has received notice of any default, offset, counterclaim or defense under any Personal Property Lease; and (v) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by Desert Valley Operator of the terms of any Personal Property Lease. Except as set forth on Schedule 4.16, all personal property, whether owned by Desert Valley Operator or subject to any Personal Property Lease, is in good operating condition and repair, ordinary wear and tear excepted, and is located on the Real Property.

SECTION 4.17. COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as set forth on Schedule 4.17:

(a) with respect to the ownership and operation of the Real Property and the Hospital, including any operations at or from any real property currently or formerly owned, used, leased, occupied or managed by any Seller Party, each Seller Party is and has at all times been, in compliance with all Environmental Laws;

(b) no Governmental Entity or any nongovernmental third party has notified any Seller Party of any alleged violation or investigation of any suspected violation under the Environmental Laws in connection with the ownership, operation and/or leasing of the Real Property or the Hospital, including any litigation or cause of action alleging personal injury or property damage caused by exposure to, or the disposal, release or migration of, any Hazardous Materials;

(c) with respect to the ownership, operation and/or leasing of the Real Property and the Hospital, no Seller Party has stored, disposed of or arranged for the disposal of any Hazardous Materials, except in compliance with the Environmental Laws;

(d) there have been no actions nor, to the Knowledge of Seller Parties, any activities, circumstances, conditions, events or incidents, including, without limitation, the generation, transportation, treatment, storage, release, emission, discharge, presence or disposal of any Hazardous Materials on or from any of the Real Property or the Hospital that could form the basis of any claim under the Environmental Laws against any Seller Party or any Purchaser Party;

(e) no Seller Party has, whether contractually or by operation of law (including any Environmental Law), assumed or succeeded to any liability of any direct or indirect predecessors or any other Person (including, without limitation, HCP) related or with respect to any Environmental Law;

(f) there are no underground storage tanks located at, on or under the Real Property, and the Real Property does not contain any asbestos-containing building material;

(g) there are no conditions presently existing on, at or emanating from the Real Property, that may result in any liability, investigation or clean-up cost under any Environmental Law; and

(h) no Seller Party, nor to the Seller Parties' Knowledge any other Person, has installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, any Hazardous Materials in, on or under the Real Property, except in compliance with the Environmental Laws. No Seller Party has undertaken any activity, and the Seller Parties have no

Knowledge that any other Person has undertaken any activity, on the Real Property which would cause (i) the Real Property to become a hazardous waste treatment, storage or disposal facility within the meaning of, or otherwise bring the Real Property within the ambit of, any Environmental Law, (ii) a release or threatened release of Hazardous Material from the Real Property within the meaning of, or otherwise bring the Real Property within the ambit of, any Environmental Law, or (iii) the discharge of Hazardous Material into any watercourse, body of, surface or subsurface water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Environmental Law. No activity has been undertaken by any Seller Party with respect to the Real Property which would cause a violation or support a claim under any Environmental Law. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is in existence, or, to the Seller Parties' Knowledge, threatened with respect to the Real Property. No notice has been served on any Seller Party from any Governmental Entity claiming any violation of any Environmental Law, or requiring compliance with any Environmental Law, or demanding payment or contribution for environmental damage or injury to natural resources. No Seller Party has obtained or is required to obtain, and no Seller Party has any Knowledge of any reason Acquisition Sub will be required to obtain, any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Real Property by reason of any Environmental Law.

SECTION 4.18. INSURANCE. Schedule 4.18 sets forth a complete and accurate list and brief description of all insurance policies currently held by any Seller Party with respect to the Real Property, the operation of the Hospital and the professional liability, negligence and other acts of the Physicians and the Service Providers, it being acknowledged that such insurance coverages are, at a minimum, those required by the terms of the Lease. All such Insurance policies are in full force and effect, all premiums due thereon have been paid in full and each Seller Party is in compliance with the terms of such Insurance Policies.

SECTION 4.19. LITIGATION. There is no dispute, suit, action, proceeding, inquiry or investigation (a "Claim") against or involving any of the Seller Parties or any of their properties or rights, pending or, to the Knowledge of the Seller Parties, threatened (including, without limitation any suit, action, proceeding or investigation pursuant to Title 11 of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act of 1993, or any other federal, state or local law regulating employment) nor do the Seller Parties know of any facts which might result in any such Claim. There is no Claim pending, or, to the Seller Parties' Knowledge, threatened, against any Physician or Service Provider which could, by operation of law, through contract or otherwise, result in a Claim against any Seller Party, and no Seller Party has any Knowledge of any facts which could result in such a Claim. Except as set forth on Schedule 4.19, there is no judgment, decree, injunction, rule or order of any Governmental Entity or any other Person (including, without limitation, any arbitral tribunal) outstanding against any Seller Party and no Seller Party is not in violation of any term of any judgment, decree, injunction or order outstanding against it. Furthermore, there is no Claim by or before any Governmental Entity or other Person pending or, to the Knowledge of the Seller Parties, threatened, which questions or challenges the validity of this Agreement or any action taken or to be taken by any Seller Party pursuant to this Agreement or in connection with the transactions contemplated hereby, nor is there any basis for any such Claim.

SECTION 4.20. CONTRACTS, OBLIGATIONS AND COMMITMENTS. Schedule 4.20 sets forth a list of all contractual agreements, whether written or oral, relating to or affecting the Assets, the Hospital, the MOB and/or the operation of the Business to which any Seller Party is a party (the "Contracts"). The Seller Parties have provided to the Purchaser Parties complete and correct copies of all of the Contracts. Except as set forth on Schedule 4.20, (i) the Contracts are legally valid, binding and enforceable against the applicable Seller Party (and, to the Seller Parties' Knowledge, against the other parties thereto) in accordance with their respective terms and are in full force and effect; (ii) there are no defaults by any Seller Party, or to the Seller Parties' Knowledge, any other party to the Contracts; (iii) no Seller Party has received notice of any default, offset, counterclaim or defense under any Contract; and (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by any Seller Party of the terms of any Contract.

SECTION 4.21. INTANGIBLE PROPERTY. A true and complete list of the trademarks, service marks, and other intangible assets of the Seller Parties used in the operation of the Business and the Hospital and the MOB is set forth on Schedule 4.21 (the "Intangible Property"). The Seller Parties own, or possess adequate, enforceable licenses or other rights to use, all of the Intangible Property, and no rights thereto have been granted to others by any Seller Party. Except as set forth on Schedule 4.21, all of the Intangible Property is owned or used by the Seller Parties' free and clear of all assignments, licenses, restrictions, encumbrances, charges or claims for infringement, and none is subject to any outstanding order, decree, judgment, stipulation or charge. There is no unauthorized use, disclosure, infringement or misappropriation of any of the Intangible Property by any third party. The Seller Parties' use of the Intangible Property does not infringe upon or otherwise violate the rights of others. No one has asserted to any Seller Party that the use of the Intangible Property by the Seller Parties infringes upon the patents, trade secrets, trade names, trademarks, service marks, copyrights or other intellectual property rights of any other Person and no Seller Party has any Knowledge of any fact or circumstance which could provide the basis for any such assertion.

SECTION 4.22. EMPLOYEES AND EMPLOYEE RELATIONS.

(a) Schedule 4.22(a) contains a current, correct and complete list of the names and current hourly wage, monthly salary and other compensation of all employees who are or who will provide services at the Hospital or the MOB (collectively, the "Business Employees"), together with a summary (containing estimates to the extent necessary) of the individual's existing bonuses, additional compensation and other benefits (whether current or deferred), if any, accrued, paid or payable to each such individual for services rendered or to be rendered through the fiscal period ending December 31, 2004. Except as set forth on Schedule 4.22(a), all of the Hospital Employees are "at will" employees. Except as set forth on Schedule 4.22(a), no Seller Party is a party to any oral (express or implied) or written: (i) employment agreement, or (ii) agreement that contains any severance or termination pay obligations, with any Business Employee. The Seller Parties have provided true, correct and current copies (or, if not written, accurate descriptions of the parties and terms) of such agreements to the Purchaser Parties.

(b) Except as set forth on Schedule 4.22(b), no Business Employee is represented by any labor union, trade association or other employee organization, no demand for recognition has been made by any labor union with respect to the Business Employees, and there is not and has

not been any labor union organizing activity at the Hospital during the periods it has been operated by any Seller Party. Except as set forth on Schedule 4.22(b), no Seller Party is a party to any collective bargaining agreement or understanding with any labor union, trade association or other employee organization with respect to any Business Employee and no such agreements are currently being proposed and/or negotiated.

(c) Except as set forth on Schedule 4.22(c), there is no labor dispute, work stoppage, strike, slowdown, walkout, lockout, or any other interruption or disruption of operations at the Hospital or the MOB as a result of labor disputes or disturbances with respect to the Business Employees and there is no investigation, grievance, arbitration, complaint, claim or other dispute or controversy (collectively, the "Labor Proceeding") pending or threatened, between any Seller Party and any present or former Business Employee, nor have any discharges or terminations of any former Business Employee occurred which would form the basis for any claim of discrimination against any Seller Party. Except as set forth on Schedule 4.22(c), no Seller Party has any knowledge of any facts or past, current or contemplated event that could form the basis for any such Labor Proceeding, nor has there been any such Labor Proceeding within the past twelve (12) months.

(d) Except as set forth on Schedule 4.22(d), no Seller Party has received any notice that any vice president, director or director-level employee, or higher, of any Seller Party or any group of Business Employees, has any plans to terminate his or her employment or affiliation with any Seller Party.

(e) Each Seller Party has complied with and is currently in compliance with, and no Seller Party has received any notice of noncompliance with, any and all applicable laws relating to the employment of labor, including, without limitation, any provisions relating to wages, hours, equal employment, occupational safety and health, workers' compensation, unemployment insurance, collective bargaining, immigration, affirmative action and the payment and withholding of social security and other taxes. Each Seller Party has withheld all amounts required by law or agreement to be withheld from the wages or salaries of the Business Employees, and no Seller Party is liable for any arrears of any tax or penalties for failure to comply with the foregoing.

(f) Schedule 4.22(f) sets forth each Employee Pension Benefit Plan (as defined in Section 3(2) of ERISA) maintained by any Seller Party (each a "Seller Party Plan") and applicable to the Business Employees. The Seller Parties are in compliance in all material respects with all applicable laws and regulations respecting such Seller Party Plans.

SECTION 4.23. COMPLIANCE WITH LAW. Each Seller Party (a) is in compliance in all material respects with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of the Business and its ownership and use of its assets and no event has occurred or circumstance exists which (with notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree; and (b) has timely made or given all filings and notices required to be made by such Seller Party with the regulatory agencies of any Governmental Entity.

SECTION 4.24. HILL-BURTON OBLIGATIONS.

(a) Except as set forth on Schedule 4.24, neither any Seller Party, nor, to the Knowledge of the Seller Parties, any predecessor in interest of any Seller Party, has received any loans, grants or loan guarantees pursuant to the United States Hill-Burton Act (42 U.S.C. 291a, et seq.) program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Pharmacy and Resources Development Act or the Community Mental Health Centers Act. All of the obligations set forth on Schedule 4.24 have been fully satisfied. The transactions contemplated hereby will not result in any obligation of any Purchaser Party to repay any such loan, grant or loan guarantee or to provide uncompensated care in consideration thereof.

(b) None of the Assets are subject to any liability in respect of amounts received by any Seller Party or others for the purchase or improvement of the Assets or any part thereof under restricted or conditioned grants or donations, including monies received under the Public Health Service Act, 42 U.S.C. Section 291, et seq.

SECTION 4.25. MEDICAL STAFF MATTERS. Except as set forth on Schedule 4.25, there are no pending or, to the Knowledge of the Seller Parties, threatened investigations, appeals, challenges, disciplinary or corrective actions, or disputes involving applicants to the medical staff of the Hospital, current members of the medical staff of the Hospital or affiliated health professionals. Since the Balance Sheet Date, no member of the medical staff of the Hospital has resigned or been terminated therefrom and no Seller Party has received notice that any Physician or medical staff member intends to resign from its medical staff. For confidentiality purposes, all persons identified on Schedule 4.25 are identified by a hospital-assigned number rather than name. True and correct copies of Medical Staff Bylaws of the Hospital, the Hospital's Medical Staff Rules and Regulations, and the Hospital's Medical Staff Hearing Procedures, all as presently in effect, have been previously delivered by the Seller Parties to the Purchaser Parties.

SECTION 4.26. BROKERS. No Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any Seller Party.

SECTION 4.27. RECORDS. True, complete and current copies of each Seller Party's Governing Documents have been delivered to the Purchaser Parties prior to the execution and delivery of this Agreement. The books of account, minute books, stock record books and other records of each Seller Party, all of which have been made available to the Purchaser Parties, are complete and correct. The minute books of each Seller Party contain records of all meetings and other corporate actions of the directors and shareholders of such Seller Party, and have been delivered to the Purchaser Parties prior to the execution and delivery of this Agreement.

SECTION 4.28. REPRESENTATIONS COMPLETE. The representations and warranties made by the Seller Parties in this Agreement and the statements made in or information contained on any Schedules or certificates furnished by any Seller Party pursuant to this Agreement do not contain and will not contain, as of their respective dates and as of the Closing Date, any untrue statement of a material fact, nor do they omit or will they omit, as of their respective dates or as of the

Closing Date, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE V
REPRESENTATIONS AND WARRANTIES BY THE PURCHASER PARTIES

The Purchaser Parties hereby jointly and severally represent and warrant to the Seller Parties as of the date hereof, and as of the Closing Date as follows:

SECTION 5.1. ORGANIZATION. MPT is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware. The Acquisition Sub is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and qualified to do business in the State of California.

SECTION 5.2. AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. Each Purchaser Party has the requisite power and authority to execute, deliver and carry out the terms of this Agreement, to consummate the transactions contemplated hereby and to conduct its businesses as now being conducted. All actions required to be taken by each to authorize the execution, delivery and performance of this Agreement, all documents executed by the Purchaser Parties which are necessary to give effect to this Agreement and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained. No other action on the part of either Purchaser Party is necessary to authorize the execution, delivery and performance of this Agreement, all documents necessary to give effect to this Agreement and all transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of the Governing Documents of either Purchaser Party; (ii) violate any provision of law, statute, rule or regulation to which either Purchaser Party is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to either Purchaser Party; (iv) violate or conflict with any law or regulation applicable to either Purchaser Party; or (v) result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any debt or obligation to which either Purchaser Party is a party or by which either Purchaser Party is bound.

SECTION 5.3. BINDING AGREEMENT. This Agreement and all agreements to which any Purchaser Party will become a party hereunder is and will constitute the valid and legally binding obligations of such Purchaser Party, and are and will be enforceable against such Purchaser Party in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity.

SECTION 5.4. LITIGATION. There is no Claim pending or, to the Knowledge of the Purchaser Parties, threatened against or affecting any Purchaser Party that has or would reasonably be expected to have a material adverse effect on the ability of the Purchaser Parties to perform their respective obligations under this Agreement or any aspect of the transactions contemplated hereby.

SECTION 5.5. BROKERS. No Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser Parties.

SECTION 5.6. COMPLIANCE WITH LAW. The Purchaser Parties, where applicable (a) are in compliance with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of their businesses, and their ownership and use of their assets, except where non-compliance would not prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby or the ability of the Purchaser Parties to perform their respective obligations under this Agreement and, to the Knowledge of the Purchaser Parties, no event has occurred or circumstance exists which (without notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree which would prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby; and (b) have timely made or given all filings and notices required to be made by the Purchaser Parties with the regulatory agencies of any Governmental Entity, except where such failure would not prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby.

ARTICLE VI TITLE AND SURVEY

SECTION 6.1. SURVEY. MPT shall cause to be prepared, at Seller Parties' expense, a current ALTA/ACSM Land Title Survey of the Real Property, prepared by a duly licensed land surveyor. The survey shall be currently dated, shall show the location on the Real Property of any improvements, fences, evidence of abandoned fences, ponds, creeks, streams, rivers, easements, roads, rights-of-way, means of ingress and egress, location of all utilities serving the Real Property, and encroachments, and shall contain a legal description of the boundaries of the Real Property by metes and bounds and the appropriate flood zone designation and the total number of acres constituting the Real Property. The surveyor shall certify to the Purchaser Parties and to the Title Company that the survey is correct and that there are no visible discrepancies, conflicts, encroachments, overlapping of improvements, fences, evidence of abandoned fences, ponds, creeks, streams, rivers, easements, roads or rights-of-way except as are shown on the survey plat. Any and all matters shown on such survey shall be legibly identified by appropriate volume and page recording references with dates of recording noted. If MPT shall disapprove such survey for any reason in MPT's sole discretion, MPT may either (i) treat such objection as a title objection and request that it be cured, or (ii) terminate this Agreement and the parties hereto shall have no further liability or obligations hereunder, except as otherwise expressly set forth herein. If the Seller Parties are unable to cure any objection to the survey within ten (10) days following delivery of notice to Seller Parties thereof, then MPT may terminate this Agreement upon written notice to the Seller Parties.

SECTION 6.2. TITLE INSURANCE. MPT will cause to be prepared, at Seller Parties' expense, a title commitment for the issuance of an ALTA Owner's Policy Form dated October 17, 1992, issued by a title insurance company acceptable to MPT and qualified to insure titles in the State of California (the "Title Company"), in the amount of the Purchase Price, covering title to the Real Property at a date not earlier than the date hereof and showing good and marketable title, subject

only to the Permitted Encumbrances. All of the standard exceptions within the policy and the exceptions for mechanic's and materialmen's liens and the survey exception shall be deleted. If MPT shall disapprove any items stated in the Title Commitment or the Exception Documents, MPT may either (i) treat such objection as a title objection and request that it be cured, or (ii) terminate this Agreement and, upon such termination, the parties hereto shall have no further liability or obligations hereunder, except as otherwise expressly provided herein. If the Seller Parties are unable to cure any exception or objection to title that is not a Permitted Encumbrance within ten (10) days following delivery of notice to the Seller Parties thereof, then MPT may terminate this Agreement upon written notice to Seller Parties.

ARTICLE VII
PRE-CLOSING COVENANTS

From and after the execution and delivery of this Agreement to and including the Closing Date, the applicable party shall observe the following covenants:

SECTION 7.1. NO SHOP. Neither any Seller Party nor any investment banker, attorney, accountant, representative or other Person retained by or on behalf of any Seller Party, shall directly or indirectly, initiate contact with, respond to, solicit or encourage any inquiries, proposals or offers by, or participate in any discussions or negotiations with, enter into any agreement with, disclose any information concerning any Seller Party or the Assets to, afford any access to the properties, books or records of any Seller Party to, or otherwise assist, facilitate or encourage, any Person in connection with any possible proposal regarding a sale, lease, transfer, disposition or other transaction related to or affecting all or any portion of the Assets (including all or any portion of the Real Property). The Seller Parties shall notify MPT immediately if any discussions or negotiations are sought to be initiated, any inquiry or proposal is made, or any such information is requested.

SECTION 7.2. ACCESS; CONFIDENTIALITY.

(a) Between the date hereof and the Closing, the Seller Parties shall (i) afford the Purchaser Parties and their authorized representatives full and complete access to Seller Parties' employees, (including the Business Employees) medical staff, and other agents and representatives and during normal working hours to all books, records, offices and other facilities of the Seller Parties, (ii) permit the Purchaser Parties to make such inspections and to make copies of such books and records as they may reasonably require and (iii) furnish the Purchaser Parties with such financial and operating data and other information related to the Hospital, the Business or the Seller Parties as the Purchaser Parties may from time to time reasonably request. The Purchaser Parties and their authorized representatives shall conduct all such inspections under the supervision of personnel of the Seller Parties in a manner that will minimize disruptions to the business and operations of the Seller Parties and in a manner as to maintain the confidentiality of this Agreement.

(b) The Purchaser Parties and their authorized representatives (including their designated engineer, architects, surveyors and/or consultants) may, upon reasonable notice and at any time enter into and upon all or any portion of the Real Property in order to investigate and assess, as the Purchaser deem necessary or appropriate in their sole and absolute discretion, the condition

(including the structural and environmental condition) of the Assets. The Seller Parties shall cooperate with the Purchaser Parties and their authorized representatives in conducting such investigation, shall allow the Purchaser Parties and their authorized representatives full access to the Assets, together with full permission to conduct such investigation, and shall provide to the Purchaser Parties and their authorized representatives all information maintained by the Seller Parties and related to the condition of the Assets, including the Real Property, and all plans, soil or surface or ground water tests or reports, any environmental investigation results, reports or assessments previously or contemporaneously conducted or prepared by or on behalf of, or in the possession of or reasonably available to the Seller Parties or any of their engineers, consultants or agents and all other information relating to environmental matters in respect of their properties and businesses.

(c) The provisions of that certain Confidentiality Agreement dated November 22, 2004 among the parties (the "Confidentiality Agreement") shall remain binding and in full force and effect until the Closing. Notwithstanding anything to the contrary contained herein or in the Confidentiality Agreement, the confidentiality obligations as they relate to the transactions contemplated by this Agreement shall not apply to the purported or claimed Federal income tax treatment of the transactions (the "Tax Treatment") or to any fact that may be relevant to understanding the purported or claimed Federal income tax treatment of the transactions (the "Tax Structure"), and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the Tax Treatment and Tax Structure of the transactions contemplated by this Agreement and any materials of any kind (including any tax opinions or other tax analyses) that relate to the Tax Treatment or Tax Structure. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to any tax matter or tax idea related to the transactions contemplated by this Agreement. The preceding sentence is intended to ensure that the transactions contemplated by this Agreement shall not be treated as having been offered under conditions of confidentiality for purposes of the Confidentiality Regulations and shall be construed in a manner consistent with such purpose. The information contained herein, in the Schedules hereto or delivered to the Purchaser Parties or its authorized representatives pursuant hereto shall be subject to the Confidentiality Agreement as Information (as defined and subject to the exceptions contained therein) until the Closing and, for that purpose and to that extent, the terms of the Confidentiality Agreement are incorporated herein by reference.

SECTION 7.3. SCHEDULE UPDATES. From the date hereof until the Closing Date, the Purchaser Parties, on the one hand, and the Seller Parties on the other hand, shall immediately advise the other in writing of any additions or changes to any Schedule to reflect any deficiencies or inaccuracies in such Schedule or to reflect circumstances or matters which occur after the date of this Agreement which, if existing prior to such date, would have been required to be described on such Schedule; provided, however, that no additions or changes made to any Schedule by any party to correct deficiencies or inaccuracies on such Schedule shall be deemed to cure any breach or inaccuracy of a representation or warranty, covenant or agreement or to satisfy any condition unless otherwise agreed to in writing by the other party, but provided further, however, that an addition or change made to any Schedule by any Party to reflect circumstances or matters which occur after the date of this Agreement shall be deemed to cure a breach or inaccuracy of a representation or warranty, covenant or agreement, but shall not be deemed to satisfy any condition unless agreed to in writing by the other party.

SECTION 7.4. CONDUCT OF BUSINESS BY THE SELLER PARTIES PENDING THE CLOSING. The Seller Parties covenant and agree that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, unless the Purchaser Parties shall otherwise agree in writing, the Seller Parties shall conduct their businesses only in, and the Seller Parties shall not take any action except in, the ordinary course of business and in a manner consistent with past practice and in compliance in all material respects with all applicable laws and regulations, and that the Seller Parties shall use reasonable best efforts to preserve substantially intact the business organization of each Seller Party, to keep available the services of their current officers, employees and consultants and to preserve the present relationships of each Seller Party with patients, suppliers and other persons with which each Seller Parties have significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement or set forth on Schedule 7.4, no Seller Party shall, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, directly or indirectly do, or propose to do, any of the following without the prior written consent of MPT:

- (a) amend, repeal or otherwise change in any way its Governing Documents;
- (b) make or revoke any Tax election related to or affecting the Assets;
- (c) fail to perform its obligations in all respects under agreements relating to or respecting its assets, properties and rights;
- (d) reduce the coverage of, fail to timely renew or pay the premiums on or cancel any insurance policy;
- (e) cause to lapse or fail to renew any license and certification necessary to conduct its business;
- (f) fail to timely make all applicable filings with Governmental Entities;
- (g) create, assume or, other than those presently in existence, permit to exist any Lien upon any of the Assets;
- (h) purchase, sell, assign, lease or otherwise acquire, transfer or dispose of any material assets, except in the ordinary course of business and consistent with its past practice;
- (i) enter into or agree to enter into any agreement or arrangements granting any rights to purchase any of its assets, properties or rights, except for purchases of inventory in the ordinary course of business and consistent with its past practice;
- (j) engage in any business other than the Business;
- (k) terminate or modify any contract, lease or other agreement to which it is a party (excluding expiration or satisfaction in accordance with the terms of such contract or agreement);
- (l) waive any right of substantial value other than in exchange for reasonable consideration; or

(m) take, agree or offer, in writing or otherwise, to take, any of the actions described in Sections 7.4 (a) through (l) above, or any action which would make any of the representations or warranties of any Seller Party contained in this Agreement untrue, incorrect or incomplete or prevent any Seller Party from performing or cause any Seller Party not to perform its covenants hereunder, in each case, such that the conditions set forth in Sections 8.2(a) or 8.2(b), as the case may be, would not be satisfied.

SECTION 7.5. COOPERATION. Subject to compliance with applicable law, from the date hereof until the Closing Date, (a) the Seller Parties shall confer on a regular and frequent basis with one or more representatives of the Purchaser Parties to report operational matters that are material and the general status of ongoing operations and (b) each of the Purchaser Parties and the Seller Parties shall promptly provide the other or their counsel with copies of all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

SECTION 7.6. HCP PURCHASE. The parties acknowledge that the dispute between Seller Parties and HCP regarding, among other matters, the purchase price to be paid for the Real Property in connection with the exercise of the option under the HCP Lease (the "Dispute") has now been settled. Seller parties shall keep Purchaser Parties apprised, promptly following the occurrence of same, of all developments with respect to the Dispute and the settlement thereof.

SECTION 7.7. REGULATORY AND OTHER AUTHORIZATIONS, NOTICES AND CONSENTS.

(a) Each party hereto shall use all commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all Governmental Entities and officials that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and each such party will cooperate fully with the other parties hereto in promptly seeking to obtain all such authorizations, consents, orders and approvals.

(b) The Seller Parties shall give promptly such notices to third parties and use its commercially reasonable efforts to obtain such third party consents and estoppel certificates as MPT may in its sole and absolute discretion deem necessary or desirable in connection with the transactions contemplated by this Agreement, including, without limitation, all third party consents that are necessary or desirable in connection with the transfer of the Assumed Contracts.

(c) The Purchaser Parties shall cooperate and use commercially reasonable efforts to assist the Seller Parties in giving such notices and obtaining such consents and estoppel certificates; provided, however, that the Purchaser Parties shall have no obligation to give any guarantee or other consideration of any nature in connection with any such notice, consent or estoppel certificate or to consent to any change in the terms of any Assumed Contract which MPT in its sole and absolute discretion may deem adverse to the interests of the Purchaser Parties.

(d) Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Assumed Contract listed on Schedule 7.7(d) if an attempted assignment thereof, without the consent of the other party thereto, would constitute a breach or other contravention thereof, noncompliance by any Seller Party or its affiliates

thereunder or in any way adversely affect the rights of any Purchaser Party thereunder. The Seller Parties and the Purchaser Parties agree that, in the event any consent, approval or authorization necessary or desirable to preserve for the Purchaser Parties any right or benefit under any such Assumed Contract is not obtained prior to the Closing, the Seller Parties will, subsequent to the Closing, cooperate with the Purchaser Parties in attempting to obtain such consent, approval or authorization as promptly thereafter as practicable. If such consent, approval or authorization cannot be obtained, the Seller Parties will use commercially reasonable efforts to provide the Purchaser Parties with the rights and benefits of such affected Assumed Contract for the term of such Assumed Contract, and, if the Seller Parties provide such rights and benefits, the Purchaser Parties shall assume the obligations and burdens thereunder in accordance with this Agreement, including, subcontracting, sublicensing, or subleasing to the Purchaser Parties, or under which the Seller Parties would enforce for the benefit of the Purchaser Parties, with the Purchaser Parties assuming the applicable Seller Party's obligations, any and all rights of the applicable Seller Party against a third party thereto.

SECTION 7.8. MUTUAL COVENANTS. The parties shall use their good faith reasonable efforts to satisfy the conditions to the closing of the transactions contemplated hereby. Without limiting the generality of the foregoing, the respective parties shall execute and/or deliver, or use their respective good faith reasonable efforts to cause to be executed and/or delivered, the documents contemplated to be executed and/or delivered by them at Closing.

SECTION 7.9. PUBLIC ANNOUNCEMENTS. Prior to the Closing Date, the parties agree to consult with each other before any party hereto or any of their respective affiliates issues any press release or makes any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any national securities exchange, will not issue, or permit to be issued, any such press release or make, or permit to be made, any such public statement prior to such consultation.

ARTICLE VIII CLOSING CONDITIONS

SECTION 8.1. CONDITIONS TO THE OBLIGATIONS OF THE SELLER PARTIES. The obligations of the Seller Parties to effect the transactions contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Seller Parties:

(a) All of the representations and warranties of Purchaser Parties set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date.

(b) The Purchaser Parties shall have delivered, performed, observed and complied in all material respects with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by them prior to, or as of, the Closing.

(c) The Purchaser Parties shall have executed, where applicable, and delivered to the Seller Parties the documents referenced in Section 9.3 hereof.

SECTION 8.2. CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER PARTIES. The obligations of the Purchaser Parties to effect the transactions contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Purchaser Parties:

(a) All of the representations and warranties of Seller Parties set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date.

(b) The Seller Parties shall have delivered, performed, observed and complied with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by them prior to, or as of, the Closing.

(c) No Seller Party shall have suffered any change, event or circumstance which has had, or could have, a Material Adverse Effect.

(d) The Purchaser Parties shall have satisfactorily completed their due diligence investigations of the Assets and shall be satisfied with the results of such investigations.

(e) All necessary approvals, consents, estoppel certificates and the like of third parties to the validity and effectiveness of the transactions contemplated hereby have been obtained.

(f) No portion of the Assets shall have been damaged or destroyed by fire or casualty.

(g) No condemnation, eminent domain or similar proceedings shall have been commenced or threatened with respect to any portion of the Assets.

(h) The Purchaser Parties shall have received copies of all permits, licenses and other approvals of governmental authorities required for the operation of the Assets for their intended uses and written evidence satisfactory to the Purchaser Parties that the operation and use of the Hospital and the MOB are in accordance with all applicable governmental requirements.

(i) The Purchaser Parties shall have received evidence that the Seller Parties are maintaining insurance on the Assets and that the Purchaser Parties are named as additional insureds and, where applicable, loss payees.

(j) The Seller Parties shall have executed where applicable, and delivered to Purchaser Parties the documents referenced in Section 9.2 hereof.

(k) There shall not have been instituted by any creditor of any Seller Party, any Governmental Entity or any other third party, any suit, action or proceeding which would affect the Assets or seek to restrain, enjoin or invalidate the transactions contemplated by this Agreement.

(l) Prime shall have purchased and acquired the Real Property pursuant to the terms and conditions of the HCP Lease.

(m) The Appraisal shall have been delivered and shall reflect an Appraised Value that equals or exceeds the Purchase Price.

ARTICLE IX
CLOSING

SECTION 9.1. CLOSING DATE. The closing of the purchase and sale of the Assets pursuant hereto (the "Closing") shall be handled through deliveries by mail into escrow on February 24, 2005 (the actual date of closing being herein referred to as the "Closing Date"), or on such other date (the "Closing Date") and such other place as the parties hereto shall mutually agree.

SECTION 9.2. SELLER PARTIES' CLOSING DATE DELIVERABLES. On the Closing Date, the Seller Parties shall deliver to the Purchaser Parties the documents listed below.

(a) Duly executed bills of sale and assignments transferring all Assets other than the Real Property in form and substance satisfactory to MPT;

(b) A duly executed general warranty deed in substantially the form as Exhibit 9.2(b) (the "Deeds") conveying the Real Property to the Acquisition Sub;

(c) A certified copy of the resolutions of the governing body of each Seller Party dated as of the date hereof and authorizing such Seller Party's execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(d) Certificates of existence and good standing of each Seller Party from the secretary of state of such Seller Party's state of incorporation or organization, dated the most recent practical date prior to the Closing Date;

(e) Certificates of good standing and foreign qualification of each Seller Party from the secretary of state of the State of California dated the most recent practical date prior to the Closing Date;

(f) The Title Commitment and Title Policy in form and substance satisfactory to MPT;

(g) A Survey dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(h) A Phase I Environmental Site Assessment Report dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT (and a Phase II if recommended by the Phase I Report);

(i) Property condition and seismic reports for the Real Property, dated the most recent practical date prior to the Closing Date and in form and substance satisfactory to MPT;

(j) A Zoning Compliance Letter/Certificate dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(k) Tenant Estoppel Certificates in form and substance satisfactory to MPT;

- (l) Owner's Affidavits in form and substance satisfactory to MPT;
- (m) The Search Reports dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;
- (n) A Non-Foreign Affidavit in form and substance satisfactory to MPT;
- (o) The Lease, together with a Memorandum of Lease Agreement in form and substance satisfactory to MPT;
- (p) A Lease Guaranty Agreement substantially in the form of Exhibit 9.2(p)
- (q) The Assignment of Rents and Leases in substantially the form attached hereto as Exhibit 9.2(q);
- (r) The Security Agreement in substantially the form attached hereto as Exhibit 9.2(r);
- (s) The Amendments to the Tenant Leases in form and substance satisfactory to MPT.
- (t) The legal opinion of Robert L. B. Diener as counsel for the Seller Parties, substantially in the form attached hereto as Exhibit 9.2(t);
- (u) At the Closing, each Seller Party shall have furnished to the Purchaser Parties a certificate dated the Closing Date signed by such Seller Party to the effect that all of the representations and warranties of each Seller Party contained in the Agreement (considered collectively) and each of these representations and warranties (considered individually) remain in all respects true and correct as of the Closing Date as if made on such date and that such Seller Party has performed and satisfied in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by such Seller Party on or prior to Closing;
- (v) All necessary approvals, consents, estoppel certificates and the like of third parties or Governmental Entities to the validity and effectiveness of the transactions contemplated hereby;
- (w) The Noncompete Agreements substantially in the form attached as Exhibit 9.2(w);
- (x) The Expansion Commitment Letter in the form attached hereto as Exhibit 9.2(x) (the "Expansion Commitment Letter"); and
- (y) Such other instruments and documents as the Purchaser Parties reasonably deem necessary to effect the transactions contemplated hereby.

SECTION 9.3. PURCHASER PARTIES' CLOSING DATE DELIVERABLES. On the Closing Date, the Purchaser Parties shall deliver to the Seller Parties the documents listed below.

- (a) A certified copy of the resolutions of the governing body of each Purchaser Party dated as of the date hereof authorizing the execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(b) Certificates of existence and good standing of each Purchaser Party from the Delaware Secretary of State of the State of Delaware, dated the most recent practical date prior to the Closing Date;

(c) Certificates of good standing and foreign qualification of the Acquisition Sub from the secretary of state of the State of California, dated the most recent practical date prior to the Closing Date;

(d) The Lease, together with a Memorandum of Lease in form and substance satisfactory to MPT;

(e) The Assignment of Rents and Leases in substantially the form attached hereto as Exhibit 9.2(q);

(f) An Opinion of Baker Donelson, Bearman, Caldwell & Berkowitz, P.C., as counsel for the Purchaser Parties substantially in the form attached as Exhibit 9.3(f);

(g) At the Closing, each Purchaser Party shall have furnished to the Seller Parties a certificate dated the Closing Date signed by such Purchaser Party to the effect that all of the representations and warranties of such Purchaser Party contained in the Agreement (considered collectively) and each of these representations and warranties (considered individually) remain in all respects true and correct as of the Closing Date as if made on such date and that such Purchaser Party has performed and satisfied in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by such Purchaser on or prior to Closing;

(h) The Expansion Commitment Letter;

(i) Any bills of sale and assignments requiring the signature of any Purchaser Party;

(j) The Security Agreement in substantially the form attached hereto as Exhibit 9.2(r); and

(k) The Noncompete Agreements substantially in the form attached as Exhibit 9.2(w).

ARTICLE X TERMINATION

SECTION 10.1. TERMINATION. Notwithstanding anything to the contrary in this Agreement, the remaining obligations of the parties hereunder may be terminated and the transactions contemplated hereby abandoned at any time prior to Closing: (i) by mutual written consent of the parties; (ii) by the Seller Parties if the conditions set forth in Section 8.1 shall not have been satisfied on or before March 31, 2004; or (iii) by the Purchaser Parties if the conditions set forth in Section 8.2 shall not have been satisfied on or before March 31, 2004.

SECTION 10.2. NOTICE AND EFFECT. In the event of the termination of this Agreement pursuant to this Article X, the party terminating this Agreement shall give prompt written notice thereof to the parties, and the transactions contemplated hereby shall be abandoned, without further action by any party. Each filing, application and other submission relating to the transactions contemplated hereby shall, to the extent practicable, be withdrawn from the person to which it

was made. The confidentiality provisions set forth in Article VII of this Agreement shall survive any termination of this Agreement. Notwithstanding any statement contained in this Agreement to the contrary, termination of this Agreement shall not relieve any party from liability for any breach or violation of this Agreement that arose prior to such termination.

ARTICLE XI
CERTAIN POST-CLOSING COVENANTS

SECTION 11.1. POST-CLOSING ACCESS TO INFORMATION. The Parties acknowledge that, subsequent to Closing, each may need access to the Assets and to information, documents or computer data in the control or possession of the other for purposes of concluding the transactions contemplated herein and for audits, investigations, compliance with governmental requirements, regulations and requests, the prosecution or defense of third party claims. Accordingly, the Parties agree that they will make available to the other and their agents, independent auditors and/or governmental entities such documents and information as may be available relating to the Assets and the Hospital and will permit the other to make copies of such documents and information at the requesting party's expense.

SECTION 11.2. PREM REDDY EMPLOYMENT AGREEMENT. So long as the Lease remains in effect, the term of the Employment Agreement dated January 1, 2005 between Desert Valley Operator and Prem Reddy, M.D. shall not be reduced or any other material modification made thereto without the prior written consent of MPT.

ARTICLE XII
INDEMNIFICATION

SECTION 12.1. SELLER PARTIES AGREEMENT TO INDEMNIFY.

(a) Subject to the limitations set forth in this Article, the Seller Parties jointly and severally agree to indemnify, defend and hold harmless the Purchaser Parties, their affiliates and their respective officers, directors, members, (general and limited) partners, shareholders, employees, agents and representatives (collectively, the "Purchaser Indemnified Parties") from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, attorneys' and accountants' fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) asserted against or incurred by the Purchaser Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of any Seller Party; or (ii) any Excluded Liabilities (including Taxes arising prior to Closing and any Purchaser Damages arising out of or relating to the Seller Parties' purchase of the Real Estate from HCP) (collectively, "Purchaser Damages").

(b) The indemnification of the Purchaser Indemnified Parties by the Seller Parties provided for under this Article XII shall be limited in certain respects as follows: (i) the right of the Purchaser Indemnified Parties to seek indemnification under this Section 12.1 shall terminate on the third anniversary of Closing (the "Purchaser's Indemnity Periods"), except that the Purchaser'

Indemnity Period shall terminate on the fifth anniversary of the Closing Date for claims under Sections 4.15 and 4.17 and (ii) the Seller shall not be required to indemnify the Purchaser Indemnified Parties for indemnification claims under this Section 12.1 unless and until the aggregate amount of all losses resulting in Purchaser' Damages exceeds One Hundred Thousand and No/100 Dollars (\$100,000.00) (the "Minimum Aggregate Liability Amount") in which event the foregoing indemnification obligation shall apply to the aggregate amount of Purchaser Damages that exceeds One Hundred Thousand and No/100 Dollars (\$100,000.00); provided, however, that the maximum liability of the Seller Parties under this Agreement shall be an amount equal to the Purchase Price. The foregoing limitations on time and amount shall not apply to any Purchaser Damages arising or resulting from (i) any act or omission of any Seller Party which constitutes fraud, (ii) any breach by any Seller Party of its post-closing covenants; or (iii) the Excluded Liabilities.

SECTION 12.2. THE PURCHASER PARTIES' AGREEMENT TO INDEMNIFY.

(a) Subject to the limitations set forth in this Article, the Purchaser Parties jointly and severally agree to indemnify, defend and hold harmless the Seller Parties, its and representatives (collectively, the "Seller Indemnified Parties") from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, reasonable attorneys' fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) asserted against or incurred by any of the Seller Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of any Purchaser Party; or (ii) the use, ownership or operation of any of the Assets after Closing (collectively, "Seller Damages").

(b) The indemnification of the Seller Indemnified Parties by the Purchaser Parties provided for under this Article XII shall be limited in certain respects as follows: (i) the right of the Seller Indemnified Parties to seek indemnification under this Section 12.2 shall terminate on the first anniversary of Closing (the "Seller Indemnity Period"), and (ii) the Purchaser Parties shall not be required to indemnify the Seller Indemnified Parties for indemnification claims under this Section 12.2 unless and until the amount of all losses resulting in Seller Damages exceeds One Hundred Thousand and No/100 Dollars (\$100,000.00) in which event the foregoing indemnification obligation shall apply to the aggregate amount of Seller Damages that exceeds One Hundred Thousand and No/100 Dollars (\$100,000.00); provided, however, that the maximum liability of the Purchaser Parties under this Agreement shall be an amount equal to the Purchase Price. The foregoing limitation on time and amount shall not apply to any Seller Damages arising or resulting from any act or omission of any Purchaser Party which constitutes fraud, any breach by any Purchaser Party of its post-closing covenants.

SECTION 12.3. NOTIFICATION AND DEFENSE OF CLAIMS.

(a) A party entitled to be indemnified pursuant to Section 12.1 or Section 12.2 (the "Indemnified Party") shall notify the party liable for such indemnification (the "Indemnifying Party") in writing of any claim or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, as soon as possible after

the Indemnified Party becomes aware of such claim or demand; provided, that the Indemnified Party's failure to give such notice to the Indemnifying Party in a timely fashion shall not result in the loss of the Indemnified Party's rights with respect thereto except to the extent the Indemnified Party is materially prejudiced by the delay.

If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to the provisions hereof, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party (a "Third Party Claim"), the Indemnifying Party shall have the obligation either (i) to pay such claim or demand, or (ii) defend any such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. After the Indemnifying Party has assumed the defense of such Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party under this Section 12 for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, provided that the Indemnified Party shall have the right to employ counsel, at the Indemnifying Party's expense, to represent it if (A) in the Indemnified Party's reasonable opinion the Indemnifying Party is not diligently prosecuting the defense of such Third Party Claim, (B) such Third Party Claim involves remedies other than monetary damages and such remedies, in the Indemnified Party's reasonable judgment, could have a material adverse effect on such Indemnified Party, (C) the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more defenses or counterclaims that may be alleged by the Indemnifying Party, or (D) the Indemnified Party believes in its reasonable discretion that a conflict of interest exists between the Indemnifying Party and the Indemnified Party with respect to such Third-Party Claim or action, and in any such event the reasonable fees and expenses of such separate counsel for the Indemnified Party shall be paid by the Indemnifying Party. The Indemnified Party shall make available to the Indemnifying Party or its agents all records and other materials in the Indemnified Party's possession reasonably required by it for its use in contesting any Third-Party Claim or demand.

(b) No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, unless (i) the Indemnifying Party fails to assume and diligently prosecuting the defense of such claim or (ii) such settlement, compromise or consent includes an unconditional release of the Indemnifying Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnifying Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnifying Party or any Affiliate of the Indemnifying Party. An Indemnifying Party may not, without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnified Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnified Party or any of the Indemnified Party's Affiliates.

SECTION 12.4. INVESTIGATIONS. The right to indemnification based upon breaches or inaccuracies of representations, warranties and covenants will not be affected by any investigation conducted with respect to, or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, whether as a result of disclosure by a party pursuant to this Agreement or otherwise, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty or covenant. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, will not affect a party's right to indemnification, payment of damages or other remedies based on such representations, warranties and covenants.

SECTION 12.5. TREATMENT OF INDEMNIFICATION PAYMENTS. All indemnification payments made pursuant to this Article XII shall be treated by the parties for income Tax purposes as adjustments to the Purchase Price, unless otherwise required by applicable Law.

SECTION 12.6. EXCLUSIVE REMEDY. FROM AND AFTER THE APPLICABLE CLOSING, THE PARTIES AGREE AND ACKNOWLEDGE THAT THE INDEMNIFICATION RIGHTS PROVIDED IN THIS ARTICLE XII SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE PARTIES TO THIS AGREEMENT FOR BREACHES OF THIS AGREEMENT AND FOR ALL DISPUTES ARISING UNDER OR RELATING TO THIS AGREEMENT AND ANY ADDITIONAL AGREEMENTS OR DOCUMENTS EXECUTED OR DELIVERED IN OR ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT FOR POST-CLOSING COVENANTS, CASES WHERE SPECIFIC PERFORMANCE IS AVAILABLE AS A REMEDY AND EXCEPT IN CASES OF FRAUD.

ARTICLE XIII
DISPUTE RESOLUTION

SECTION 13.1. GOVERNING LAW, JURISDICTION AND VENUE. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PRINCIPLES. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN JEFFERSON COUNTY, THE CITY OF BIRMINGHAM, STATE OF ALABAMA, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO, THIS AGREEMENT. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, AND IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 14.2 OF THIS AGREEMENT SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PARTY FOR ANY ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT MAY BE ENFORCED IN

ANY OTHER COURT TO WHOSE JURISDICTION ANY OF THE PARTIES IS OR MAY BE SUBJECT.

ARTICLE XIV
MISCELLANEOUS

SECTION 14.1. ASSIGNMENT. This Agreement is not assignable by any party without the prior written consent of the other party hereto. Notwithstanding the foregoing, the Purchasing Parties may at any time and without the consent of any Seller Party assign all of their respective rights and obligations hereunder to one or more of its Affiliates; provided, however, that no such assignment shall relieve or release such Purchaser Parties from their obligations hereunder.

SECTION 14.2. NOTICE. All notices, demands, requests and other communications or documents required or permitted to be provided under this Agreement shall duly be in writing and shall be given to the applicable party at its address or facsimile number set forth below or such other address or facsimile number as the party may later specify for that purpose by notice to the other party:

If to any Seller Party: Desert Valley Health System, Inc.
16850 Bear Valley Road
Victorville, California 93292
Attention: Lex Reddy

With a copy to: Desert Valley Health System, Inc.
16850 Bear Valley Road
Victorville, California 93292
Attention: Richard Hayes, Esq.

If to any Purchaser Party c/o Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242
Attention: Edward K. Aldag, Jr.

With a copy to: Baker, Donelson, Bearman, Caldwell & Berkowitz,
PC
420 20th Street North, Suite 1600
Birmingham, Alabama 35203
Attention: Thomas O. Kolb, Esq.

Each notice shall, for all purposes, be deemed given and received:

(i) if by hand, when delivered;

(ii) if given by nationally recognized and reputable overnight delivery service, the Business Day on which the notice is actually received by the party; or

(iii) if given by certified mail, return receipt requested, postage prepaid, the date shown on the return receipt.

SECTION 14.3. CALCULATION OF TIME PERIOD. When calculating the period of time before which, within which or following which any act is to be done or step taken, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end of the next succeeding Business Day.

SECTION 14.4. CAPTIONS. The section and paragraph headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement, and are not to be considered in interpreting this Agreement.

SECTION 14.5. ENTIRE AGREEMENT; MODIFICATION. This Agreement, including the Exhibits and Schedules attached hereto, and other written agreements executed and delivered at Closing by the parties hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement. This Agreement supersedes any prior oral or written agreements between the parties with respect to the subject matter of this Agreement. It is expressly agreed that there are no verbal understandings or agreements which in any way change the terms, covenants, and conditions set forth in this Agreement, and that no modification of this Agreement and no waiver of any of its terms and conditions shall be effective unless it is made in writing and duly executed by the parties hereto.

SECTION 14.6. SCHEDULES AND EXHIBITS. All Schedules and Exhibits referred to in this Agreement and attached hereto shall be deemed a part of this Agreement and are hereby incorporated herein by reference.

SECTION 14.7. FURTHER ASSURANCES. From time to time after the Closing and without further consideration, the Seller Parties shall execute and deliver to the Purchaser such instruments of sale, transfer, conveyance, assignment, consent or other instruments as may be reasonably requested by the Purchaser Parties in order to vest all right, title and interest of the applicable Seller Parties in and to the Assets conveyed and delivered at the Closing or as otherwise required to carry out the purpose and intent of this Agreement.

SECTION 14.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Executed signature pages to this Agreement may be delivered by facsimile transmission and any such signature page shall be deemed an original.

SECTION 14.9. EXPENSES. The Seller Parties shall pay all costs and expenses incurred by Seller Parties and Purchaser Parties in connection with the transactions contemplated hereby, including, without limitation, all document stamps, transfer, excise, recording, gains, sales, bulk sales, use and similar conveyance Taxes and fees imposed by reason of and associated with the transactions contemplated hereby and by deficiency, interest or penalty asserted with respect thereto, as well as the cost of the survey, the title insurance and all title endorsements required by the Purchaser Parties and its lenders, and all attorneys' fees and expenses. The parties acknowledge that the Seller Parties have already paid MPT the sum of Twenty Five thousand Dollars (\$25,000) which sum shall be credited against the expense reimbursement obligations of Seller Parties set forth herein.

SECTION 14.10. SYNDICATION. Subject to applicable healthcare regulatory requirements, MPT will offer up to twenty percent (20%) of the equity interests in Acquisition Sub to local or area physicians at such time following closing as determined by MPT. MPT and the Seller Parties will work together to decide which physicians receive an opportunity to invest in the Acquisition Sub.

SECTION 14.11. SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, the Seller Parties agree to cooperate with MPT in connection with any securities offerings and filings and, in connection therewith, the Seller Parties shall furnish MPT with such financial and other information as MPT shall request. MPT shall have the right of access, at reasonable business hours and upon advance notice, to all documentation and information relating to the Real Property and Improvements and have the right to disclose any information regarding this Agreement, the Seller Parties, the Real Property and Improvements and all other agreements executed in connection herewith and all other documents in connection with the transactions contemplated hereby, and such other additional information which MPT may reasonably deem necessary

SECTION 14.12. BINDING EFFECT. This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns; provided, however, that this Agreement shall not inure to the benefit of any assignee pursuant to an assignment which violates the terms of this Agreement

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the date first written above.

SELLER PARTIES:

PRIME A INVESTMENTS, L.L.C.

By: /s/ Prem Reddy

Name: Prem Reddy
Title: Manager

DESERT VALLEY HEALTH SYSTEM, INC.

By: /s/ Lex Reddy

Name: Lex Reddy
Title: President

DESERT VALLEY HOSPITAL, INC.

By: /s/ Lex Reddy

Name: Lex Reddy
Title: President

DESERT VALLEY MEDICAL GROUP, INC.

By: /s/ Lex Reddy

Name: Lex Reddy
Title: Secretary

PURCHASER PARTIES:

MPT OPERATING PARTNERSHIP, L.P.

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

Name: Edward K. Aldag, Jr.
Title: President and Chief Executive
Officer

MPT OF VICTORVILLE, LLC

By: MPT Operating Partnership, L.P.
Its: Sole Member

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

Name: Edward K. Aldag, Jr.
Title: President and Chief Executive
Officer

EXHIBIT A

Lease

(See attachment)

A-1

EXHIBIT B

Legal Description of the Land/Real Property

HOSPITAL PARCEL:

Parcel A:

Parcels 1 and 4 of Parcel Map 13742 located in the City of Victorville, County of San Bernardino, State of California, as per Plat recorded in Book 161 of Parcel Maps, Pages 23 and 24, Records of said County.

Parcel B:

A portion of Parcel 1 of Parcel Map No. 9412, in the City of Victorville, County of San Bernardino, State of California, as per Plat recorded in Book 137 of Parcel Maps, Pages 71 and 72, records of said County, lying northerly of the following described line:

Beginning at the Northwest corner of said Parcel 1 of Parcel Map No. 9412; thence along the westerly line of the last mentioned Parcel 1, South 01 degrees 38' 56" West, 28.62 feet to the true point of beginning; thence North 88 degrees 19' 20" East, 605.21 feet to the Easterly line of said last mentioned Parcel 1, pursuant to that certain Lot Merger No. LM-3-92 and Lot Line Adjustment No. LA-5-92, dated February 17, 1992, and recorded March 13, 1992, Instrument Nos. 92-108430, 92-108431 and 92-108432, Official Records.

The aforesaid parcels being more fully described as follows:

Beginning at the Northwesterly corner of Parcel 1 of said Parcel Map 13742; thence North 88 degrees 19' 20" East along the Northerly line of said Parcels 1 and 4, a distance of 604.83 feet to the Northeasterly corner of Parcel 4; thence South 01 degrees 43' 00" East a distance of 322.00 feet to said lot line adjustment line; thence South 88 degrees 19' 20" West along said line a distance of 605.21 feet to the Easterly right of way line of Second Avenue; thence North 01 degrees 38' 56" West along said Easterly right of way line a distance of 322.00 feet to the point of beginning.

MEDICAL OFFICE BUILDING PARCEL:

Parcel C:

Parcel No. 2 of Parcel Map No. 14282, located in the City of Victorville, County of San Bernardino, State of California, as per Plat recorded in Book 176 of Parcel Maps, Pages 38 and 39, records of said County.

The aforesaid Parcel being more fully described as follows:

Beginning at the Southeasterly corner of Parcel 2, said point being on the Northerly right of way line of Bear Valley Road as shown on said Parcel Map; thence South 88 degrees 19' 20" West along said Northerly right of way a distance of 459.80 feet; thence North 01 degrees 40' 40" West a distance of 299.00 feet; thence South 88 degrees 19' 20" West a distance of 145.67 feet to the Easterly right of way line of Second Avenue; thence North 01 degrees 38' 56" West, along said easterly right of way line, a distance of 46.00 feet to the northwesterly corner of Parcel 2; thence North 88 degrees 19' 20" East, along the northerly line of Parcel 2, a distance of 605.21 feet to the Northeasterly corner; thence South 01 degrees 43' 00" East a distance of 345.00 feet to the point of beginning.

TOGETHER WITH ALL RIGHT, TITLE AND INTEREST IN AND TO THE FOLLOWING EASEMENT:

Non-exclusive easements for emergency access, drainage, utility, landscape and sewer purposes, appurtenant to the Hospital Parcel, created by that certain "Reciprocal Easement Agreement" dated November 5, 1992, and recorded on December 11, 1992, as Instrument No. 92-510810, Official Records of the County of San Bernardino, State of California, more particularly set forth in Paragraph 1 of said document.

EXHIBIT 9.2(b)

Deed

(See attachment)

Exhibit 9.2(b) - 1

EXHIBIT 9.2(p)

Lease Guaranty Agreement

(See attachment)

Exhibit 9.2(p) - 1

EXHIBIT 9.2(q)

Assignment of Rents and Leases

(See attachment)

Exhibit 9.2(q) - 1

EXHIBIT 9.2(r)
Security Agreement
(See attachment)

Exhibit 9.2(r) - 1

EXHIBIT 9.2(t)

Legal Opinion of Robert L. B. Diener

(See attachment)

Exhibit 9.2(t) - 1

EXHIBIT 9.2(w)

Noncompete Agreements

(See attachment)

Exhibit 9.2(w) - 1

EXHIBIT 9.2(x)

Expansion Commitment Letter

(See attachment)

Exhibit 9.2(x) - 1

EXHIBIT 9.3(f)

Legal Opinion of Baker, Donelson, Beaman, Caldwell & Berkowitz, P.C.

(See attachment)

Exhibit 9.3(f) - 1

LEASE AGREEMENT

MPT OF VICTORVILLE, LLC,
a Delaware limited liability company

Lessor

AND

DESERT VALLEY HOSPITAL, INC.,
a California corporation

Lessee

DESERT VALLEY HEALTH SYSTEM, INC.
and
DESERT VALLEY MEDICAL GROUP, INC.

Guarantors

Property:

Eighty-Three (83)-Bed Acute Care Hospital Facility
and incorporated Medical Office Building
(Commonly referred to as the Desert Valley Hospital
and Medical Office Building)
16850 Bear Valley Road
Victorville, San Bernardino County, California 93292

February 28, 2005

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LEASE AGREEMENT

This LEASE AGREEMENT (the "Lease") is dated as of the 28th day of February, 2005, and is between MPT OF VICTORVILLE, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and DESERT VALLEY HOSPITAL, INC., a California corporation ("Lessee"), having its principal office at 16850 Bear Valley Road, Victorville, California 93292.

WITNESSETH:

WHEREAS, Lessor is the current owner of that certain real property located in Victorville, San Bernardino County, California, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon; and

WHEREAS, Lessor and Lessee desire to enter into this Lease on the terms and conditions hereinafter provided.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, and subject to the rights of any tenants, subtenants, lessees or sublessees under any Existing Subleases as described in Section 24.1 below, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) the Facility and all buildings, structures, Fixtures (as hereinafter defined) and other improvements of every kind, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently or hereafter situated upon the Land, and Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements;

(d) all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Land and Leased Improvements; and

(e) all permanently affixed non-medical equipment, machinery, fixtures, and other items of real and/or personal property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and

additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for a fixed term (the "Fixed Term") commencing on the date hereof (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month period after the Commencement Date, unless sooner terminated as herein provided.

So long as Lessee is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, a default or breach by Lessee shall occur under this Lease, or under any of the Other Leases, and such default or breach is not cured within the applicable time periods as provided herein, Lessee shall be deemed to have forfeited all Extension Options. If Lessee elects not to exercise its option to extend, all subsequent options to extend shall be deemed to have lapsed.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Adjustment Date: January 1 of each year commencing on January 1, 2006.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

Base Rent: As defined in Section 3.1.

Business: The operation of the Facility and the engagement in and pursuit and conduct of any business venture or activity related thereto.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

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

Commencement Date: The date hereof.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) dated November 16, 2004, and executed by Lessee, Desert Valley Health System, Inc. and Desert Valley Medical Group, Inc. on November 22, 2004.

Condemnation, Condemnor: As defined in Section 15.1.

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

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

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

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

Consumer Price Index: The Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). If the Consumer Price Index is discontinued or revised during the term of this Lease, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

CPI: The Consumer Price Index.

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

Date of Taking: As defined in Section 15.1.

Desert Valley Tenants: The Lessee, the Guarantors and any of their respective Affiliates who are also tenants of Lessor or any of its Affiliates.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Equity Investment: The Purchase Price.

Events of Default: As defined in Section 16.1 and Section 16.2.

Existing Subleases: As defined in Section 24.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Extraordinary Repairs: All repairs to the Facility of every kind and nature, whether interior or exterior, structural or non-structural (including, without limitation, all parking decks and parking lots) which are considered to be extraordinary in nature (as opposed to being ordinary or normal in nature), as Lessee and/or Lessor may determine to be necessary or appropriate from time to time during the Term.

Facility: The licensed eighty-three (83)-bed acute care hospital facility and incorporated medical office building and all improvements (including the trailer located on the Land) in connection therewith operated on the Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of

the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Governmental Entity: Any national, federal, regional, state, local, provincial, municipal, foreign or multinational court or other governmental or regulatory authority, administrative body or government, department, board, body, tribunal, instrumentality or commission of competent jurisdiction.

Guarantors: Jointly and severally, Prime A Investments, L.L.C., a Delaware limited liability company, Desert Valley Health System, Inc., a Delaware corporation, and Desert Valley Medical Group, Inc., a California corporation.

Hazardous Materials: Any substance, including without limitation, asbestos or any substance containing asbestos and deemed hazardous under any Hazardous Materials Law, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic wastes, materials or substances under any Hazardous Materials Laws.

Hazardous Materials Laws: All local, state and federal laws relating to environmental conditions and industrial hygiene, including, without limitation, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

Impositions: Collectively, all civil monetary penalties, fines and overpayments imposed by state and federal regulatory authorities, all taxes (including, without limitation, all capital stock and franchise taxes of Lessor,

all ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes), assessments (including, without limitation, all assessments, charges and costs imposed under the Permitted Exceptions, all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises, tax levies, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property and/or the Rent (including all interest and penalties thereon due to any failure in payment by Lessee), and all other fees, costs and expenses which at any time prior to, during or in respect of the Term hereof may be charged, assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, seismic, engineering and other fees and expenses paid in connection with the inspection of the Leased Property and site visits, and fees paid to advisors and brokers, except to the extent such items are paid by Lessee.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease Assignment: That certain Assignment of Rents and Leases to be effective the Commencement Date executed and delivered by Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease (as this Lease may be amended, modified and/or restated from time to time), the obligations of Guarantors under the Lease Guaranty and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor or any Affiliate of Lessor.

Lease Deposit: As defined in Section 3.4.

Lease Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease (as this Lease may be amended, modified and/or restated from time to time), and any other obligations of Lessee, Guarantors and any Affiliates of Lessee and Guarantors to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lender: As defined in Section 35.1.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least Fifty Million Dollars (\$50,000,000).

Lessee: Desert Valley Hospital, Inc., a California corporation, and its successors and permitted assigns, which, if required by Lessor, shall at all times during the term of this Lease be a Single Purpose Entity created and to remain in good standing as required hereunder for the sole purpose of leasing and operating the Facility.

Lessee's Personal Property: All machinery, equipment, medical equipment (including all medical equipment affixed to the Leased Property), furniture, furnishings, trailers, movable walls or partitions, computers, trade fixtures or other personal property, and consumable inventory and supplies, currently owned and acquired after the execution of this Lease, and used or useful in the operation of the Facility, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses, but excluding Lessee's accounts receivables and any items included within the definition of Fixtures.

Lessor: MPT of Victorville, LLC, a Delaware limited liability company, and its successors and assigns.

Licenses: As defined in Article XXXIX.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property.

Market Value of Desert Valley Tenants: An amount equal to the collective EBITDAR of the Desert Valley Tenants, on a trailing twelve (12) months basis, multiplied by four (4).

Medicaid : The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

Mortgage: As defined in Section 35.1.

MPT: Medical Properties Trust, Inc., an Affiliate of Lessor.

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

MRI Equipment: Magnetic resonance imaging (MRI) equipment used in connection with the operation of the Facility.

MRI Trailer: That certain trailer located on the Land in which the MRI Equipment is used and operated.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer or representative authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: All other leases entered into between Lessor or any Affiliate of Lessor, on the one hand, and Lessee, any Guarantor, or any of their respective Affiliates, on the other hand.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of California.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, or any other sums payable under this Lease.

Permitted Exceptions: As defined in Article I.

Primary Intended Use: As defined in Article VII.

Prime Rate: The annual rate announced by Citibank in New York, New York, to be the prime rate for 90-day unsecured loans to its United States corporate borrowers of the highest credit standing, as in effect from time to time.

Purchase Agreement: That certain Purchase and Sale Agreement dated as of February 28, 2005, by and among Lessor, Lessee, Desert Valley Health System, Inc., Prime A Investments, L.L.C., Desert Valley Medical Group, Inc. and MPT Operating Partnership, L.P.

Purchase Price: The Initial Purchase Price, plus all costs and expenses not included in the Initial Purchase Price incurred or paid in connection with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, seismic, engineering and other fees and expenses paid in connection with the inspection of the Leased Property, and paid to advisors and brokers (except to the extent such items are paid by Lessee), and shall include the costs of Capital Additions financed by Lessor (and Lessor's Affiliates) as provided in Section 10.3 of this Lease (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Removal Notice: As defined in Section 16.2.

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof) and the Additional Charges.

Security Agreement: That certain Security Agreement to be effective the Commencement Date executed and delivered by Lessee to Lessor, pursuant to the terms of which Lessee has granted to Lessor a first lien and security interest in all of Lessee's rights under this Lease (as this Lease may be amended, modified and/or restated from time to time), to all of Lessee's Personal Property (excluding accounts receivable) and to all of the Licenses.

Single Purpose Entity: An entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Facility and conducting the operation of the Business, (ii) conducts business only in its own name, (iii)

does not engage in any business other than the ownership and/or leasing all or any portion of the Facility and the operation of the Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest in the Facility which it owns in the Facility and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by this Lease or arising in the ordinary course of the Business and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, other than as approved by Lessor, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets), (vii) holds itself out as being a company separate and apart from any other entity, and (viii) maintains all corporate formalities independent of any other entity.

Statements of Cash Flow: For any fiscal year or other accounting period for Lessee or Guarantors and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with GAAP.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant Leases: All leases, subleases, pharmacy leases and other rental agreements (written or verbal, now or hereafter in effect), if any, including, without limitation, the Existing Subleases as described in Section 24.1 hereof, that grant a possessory interest in and to any space in or any part of the Leased Property, or that otherwise have rights with regard to the Leased Property, and all Credit Enhancements, if any, held in connection therewith.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Use or Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the terms "Unsuitable for Its Use" or "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, the Facility cannot be operated on a commercially practicable basis for its Primary Intended Use, taking into account, all relevant factors, and the effect of such damage or destruction or partial Taking.

ARTICLE III

RENT

3.1 BASE RENT. Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other

place or to such other person, firm or entity as Lessor from time to time may designate in writing, Base Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in a per annum amount equal to ten percent (10%) multiplied by the Purchase Price, which as of the date hereof is an annual amount of Two Million, Eight Hundred Thousand and 00/100 Dollars (\$2,800,000.00). Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the 10th day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month).

(b) ADJUSTMENT OF BASE RENT: Commencing on January 1, 2006, and on each January 1 thereafter (each an "Adjustment Date") during the term of this Lease, the Base Rent shall be increased, if any, by an amount equal to the greater of (A) two percent (2%) per annum of the prior year's Base Rent, or (B) the percentage by which the CPI on the Adjustment Date shall have increased over the CPI figure in effect on the immediately preceding January 1. If the previous year's Base Rent is for a partial year, Base Rent shall be annualized based on the highest annual rate effective during the preceding year. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent as specified herein have been made by multiplying the Initial Purchase Price by ten percent (10%) per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, and all other amounts, liabilities, obligations and Impositions related to the ownership, use, possession and operation of the Leased Property, including, without limitation, all costs of owning and operating the Facility, all taxes, insurance, maintenance and capital improvements, all licensure violations, violations of and defaults under any of the Permitted Exceptions, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and reimburse Lessor for all such amounts paid by Lessor and promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent. If any installment of Base Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due. Notwithstanding anything contained herein to the contrary, if any Facility Mortgagee requires Lessor to pay into escrows or make deposits relating to any part of the Additional Charges (including, without limitation, the Impositions), Lessee shall pay to Lessor the amounts required by the Facility Mortgagee, as and when required, and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent and the payments of Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Intentionally Omitted.

3.5 ADJUSTMENTS. Lessor and Lessee acknowledge that to the extent Lessee fails to reimburse to Lessor immediately upon demand, any costs and expenses which otherwise would be included in the definition of Purchase Price, then the Lessor shall recalculate the Purchase Price to include such unreimbursed costs and expenses and deliver to Lessee a letter confirming the Base Rent to be paid hereunder and such letter shall constitute an amendment to the provisions of this Lease.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing or assessing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in connection with the Leased Property during the Term, including, without limitation, all impact and tap fees necessary for the operation of the Facility.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee, at its expense, shall install, affix, assemble and place on the Leased Property, the Lessee's Personal Property, which Lessee's Personal Property shall be subject to the security interests and liens as provided in Section 16.8 of this Lease. Lessee shall not, without the prior written consent of Lessor (which consent may be withheld in the event Lessee is in default hereunder) remove any of the Lessee's Personal Property from the Leased Property. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. If removal is authorized by Lessor as provided herein, all of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property and repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee, Lessor, any Lessee lender, or any Lessor lender.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. Lessee warrants and represents that (a) it has been in possession of the Leased Property since approximately 1992, (b) the Leased Property is in compliance with all of the requirements, restrictions and conditions as set forth in the Permitted Exceptions, and (c) the use of the Leased Property for the Primary Intended Use will not violate any of the Permitted Exceptions. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals and Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as an eighty-three (83) bed acute care hospital facility and incorporated medical office building, and as necessary for the operation of the MRI Equipment.

(b) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon only as an eighty-three (83)-bed acute care hospital facility and incorporated medical office building (and use the MRI Trailer only for the operation of the MRI Equipment) and for such other legal ancillary uses as may be necessary in connection with or incidental to such uses, subject to any covenants, restrictions and easements relating to the Facility (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use, nor change the number or type of beds within the Facility, nor reconfigure or rearrange any portion of the Leased Property or the Facility without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only as a provider of healthcare services in accordance with the Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

(f) Lessee agrees that during the entire term of this Lease, Lessor shall have the right and option to erect a sign on the Leased Property stating that the Leased Property is owned by the Lessor. Such sign shall be in a size, and shall be erected in a location, reasonably acceptable to Lessor and approved by Lessee, which approval shall not be unreasonably withheld, conditioned or delayed.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, has occurred and is continuing under this Lease, the Other Leases, at the request of Lessee and at Lessee's cost and expense, but subject to the approval of Lessor (a) grant easements and other rights in the nature of easements, (b) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property, (c) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (d) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (e) execute amendments to any covenants and restrictions affecting the Leased Property and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications and transfers (to the extent of its interest in the Leased Property), but only upon delivery to Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property and all equipment and machinery used in or in connection with the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property, the use of all equipment and machinery used in connection with the Leased Property, and the maintenance, alteration, and operation of the same, and all parts thereof, shall at all times conform to all applicable local, state and federal laws, ordinances, rules and regulations.

8.3 HAZARDOUS MATERIALS. Except for Hazardous Materials generated in the normal course of business regarding the Primary Intended Use (which Hazardous Materials shall be handled and disposed of in compliance with all Hazardous Materials Laws), no Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, stored or disposed of, or otherwise present in, on or under the Leased Property. No activity shall be undertaken on the Leased Property which would cause (i) the Leased Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Leased Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Leased Property within the meaning of, or otherwise bring the Leased Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Leased Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Leased Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Leased Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the above. Lessee shall, at its sole cost, expense, risk and liability, remove or cause to be removed from the Leased Property all Hazardous Materials generated in connection with the Primary Intended Use and as found in hospital and healthcare facilities, including, without limitation, all infectious waste materials, syringes, needles and any materials contaminated with bodily fluids of any type, character or description of whatsoever nature in accordance with all Hazardous Materials Laws. Lessee shall not dispose of any such infectious waste and Hazardous Materials in any receptacles used for the disposal of normal refuse.

8.4 HEALTHCARE LAWS. Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, that in the event it is determined that such agreement and/or sublease is in violation of the Healthcare Laws, such agreement and/or sublease shall be renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations. Lessee hereby agrees to indemnify and defend, at Lessee's sole cost and expense, and hold Lessor, its successors and assigns harmless from and against and to reimburse Lessor and its successors and assigns with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor, its successors and assigns, at any time and from time to time by reason or arising out of any breach by Lessee of any of the representations and warranties set forth in this Section 8.4.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants to Lessor that as of the date hereof: (i) Lessee is a duly organized and existing corporation and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of Lessee, enforceable in accordance with their terms, (ii) neither the entering into this Lease or the other documents referred to herein nor the performance by Lessee of its obligations hereunder or under the other documents referred to herein will violate any provision of law or any agreement, indenture, note or other instrument

binding upon Lessee, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of Lessee, threatened against or affecting Lessee or any of its Affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of Lessee or the ability of Lessee to perform its obligations under this Lease or the other documents referred to herein, (v) Lessee and each of its Affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities, and (vi) Lessee has obtained and delivered copies thereof to Lessor on the Commencement Date all certificates of need, Medicare billing numbers, other licenses and agreements required for the operation of the Facility and the MRI Equipment.

8.6 SINGLE PURPOSE ENTITY. Lessee represents, warrants, covenants and agrees that Lessee is, at the time of the execution of this Lease, and shall remain at all times during the term of this Lease, a Single Purpose Entity created and to remain in good standing for the sole purpose of leasing and operating the Facility in accordance with the terms of this Lease. Simultaneously with the execution of this Lease, and as requested by Lessor at other times during the term of this Lease, Lessee shall provide Lessor evidence that Lessee is a Single Purpose Entity and is in good standing in the state of its organization and in the state in which the Leased Property is located.

8.7 ORGANIZATIONAL DOCUMENTS. Lessee shall not permit or suffer, without the prior written consent of Lessor an amendment or modification of its Organizational Documents (as defined below), or the organizational documents of any constituent entity within the Lessee, which changes Lessee's status as a single purpose entity, (ii) any dissolution or termination of its existence, or (iii) change in its state of formation or incorporation or its name. Lessee has, simultaneously with the execution of this Lease, delivered to Lessor a true and complete copy of its articles of incorporation and by-laws creating Lessee, and all other documents creating and governing the Lessee (collectively, the "Organizational Documents"). Lessee warrants and represents that the Organizational Documents (i) were duly executed and delivered, (ii) are in full force and effect and binding upon and enforceable in accordance with their terms, (iii) constitute the entire understanding among the shareholders, partners and members of Lessee, and (iv) no breach exists under the Organizational Documents and no act has occurred and no condition exists which, with the giving of notice or the passage of time or both would constitute a breach under the Organizational Documents.

ARTICLE IX

REPAIRS; RESERVE; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Notwithstanding anything contained herein to the contrary, Lessee shall make

additions, modifications and remodeling to the Leased Property which are not Capital Additions from time to time which are necessary for the Primary Intended Use and which permit the Lessee to comply fully with its obligations set forth in this Lease, provided that any such action will be undertaken expeditiously, in a workmanlike manner and will not significantly alter the character or purpose or detract from the value or operating efficiency of the Leased Property and will not significantly impair the revenue producing capability of the Leased Property or adversely affect the ability of the Lessee to comply with the provisions of this Lease. Such additions, modifications and remodeling shall, without payment by Lessor at any time, be included under the terms of this Lease and shall be the property of Lessor. Lessee shall notify the Lessor of any and all repairs, improvements, additions, modifications and remodeling made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars (\$25,000.00) and obtain consent from Lessor prior to making such repairs, improvements, additions, modifications and remodeling.

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as improved, repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

9.2 RESERVES FOR EXTRAORDINARY REPAIRS. Commencing on the Commencement Date, Lessee shall make quarterly deposits to a reserve (the "Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on the Commencement Date, shall be prorated. Subject to the immediately preceding sentence, each deposit to be made quarterly thereafter through and including December 31, 2005, shall be equal to the sum of Two Thousand Five Hundred and 00/100 Dollars (\$2,500.00) per bed per annum. For the period commencing on the Commencement Date and ending on December 31, 2005, the number of beds shall be assumed to be eighty-three (83). Beginning on January 1, 2006, and on each January 1 thereafter, the number of beds shall be determined by the actual number of beds placed in service or certified to be available for use in the Facility, which shall not be reduced without the prior written consent of Lessor. The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. Beginning on January 1, 2006, and on each January 1 thereafter during the entire Lease Term, such payment into the Reserve shall be increased by two percent (2%) per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Reserve, including interest, may be used by Lessee with Lessor's approval, which such approval will not be unreasonably

withheld, or by Lessor with Lessee's approval, which such approval will not be unreasonably withheld, to pay for Extraordinary Repairs on the Facility. Lessee hereby grants to Lessor a security interest in all monies deposited into the Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Reserve. Lessor and Lessee agree that the first dollars of all expenditures for Extraordinary Repairs made in each year during the Term shall be funded from the Reserve account to the full extent of such account; provided, however, that if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Reserve account is insufficient to pay in full for the present and future anticipated Extraordinary Repairs on the Facility, Lessor shall retain funds in the Reserve account in an amount sufficient to pay in full for Extraordinary Repairs and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Reserve account and the cost to complete the present and future Extraordinary Repairs so that at all times there is an adequate amount in the Reserve account to pay for such items on a going forward basis. So long as no default has occurred under any of the terms hereof, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default hereunder, any amounts remaining in the Reserve, after the payment of and the reimbursement for the Extraordinary Repairs on the Facility, at the expiration of this Lease shall be returned to Lessee

9.3 ENCROACHMENTS; RESTRICTIONS. If any of the Leased Improvements shall, at any time, encroach upon any property, street or right-of-way adjacent to the Leased Property, or shall violate the agreements or conditions contained in any federal, state or local law, restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility without such violation, encroachment or impairment. Any such alteration shall be made in conformity with the applicable requirements of Article X. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums paid by Lessee and recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) If no Event of Default shall have occurred or be continuing under this Lease, the Other Leases and the Tenant Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) submit to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal

shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect the Leased Property and/or any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall, if Lessee does not purchase the Leased Property as provided herein, compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the

cost of the Capital Additions being made with the proceeds of such loan, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, including, without limitation, Facility Mortgages, (iv) the term of the loan shall not extend beyond the term of this Lease, (v) such lender executes all subordination and other documents and certificates reasonably required by the Facility Mortgagees, and (vi) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation, if the Capital Addition is to be financed through the incurrence of debt;

(ii) any information, certificates of need, regulatory approvals of architectural plans and other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased to take into account an adjustment to the Purchase Price in an amount equal to the equity contributed by Lessor to finance the Capital Addition or, in the case of debt financing, the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a grant deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title

insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition Costs; and

(ix) such other certificates (including, but not limited to, endorsements increasing the insurance coverage, if any, at the time required by Section 13.1), documents, contracts, opinions of counsel, appraisals, surveys, certified copies of duly adopted resolutions of the governing body of Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Lessor and Lessee agree that Lessor shall have the sole right to designate the general contractor, developer, architect, construction company, engineer and other parties which will participate in the development of the Capital Addition. Lessor and Lessee further agree that Lessor shall control the preparation and negotiation of the definitive agreements with such parties and Lessor will give Lessee an opportunity to review such definitive agreements prior to their execution.

(d) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens

and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (g) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, Lessee's Personal Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, after two (2) business days' prior written notice to Lessor, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed necessary by the Lessor and as described below. This insurance shall be written by insurance companies (i) acceptable to the Lessor, (ii) that are rated at least an "A-VII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. Notwithstanding the foregoing or any other provision of this Article XIII, Lessor acknowledges and agrees that the insurance coverages required under subparagraphs (d) and (h) of this Section 13.1 are being handled through a captive insurance company, the identity of which has been disclosed to the Lessee and Lessor. The aggregate amount of coverage by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor, (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In addition, the policies shall name as an additional insured the holder or holders ("Facility Mortgagee") of any mortgage, deed of trust or other security agreement that may be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof ("Facility Mortgage"), if any, by way of a standard form of mortgagee's loss payable endorsement. Any loss adjustment shall require the written consent of Lessor and each affected Facility Mortgagee(s). Evidence of insurance and/or Impositions shall be deposited with Lessor and, if requested, with any Facility Mortgagee(s). If any provision of any Facility Mortgage which constitutes a lien on the Leased Property requires deposits of insurance to be made with such Facility Mortgagee, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee's Personal Property, shall insure against the following risks:

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

(b) Flood and earthquake insurance shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone. Such insurance to be in an amount equal to the Full Replacement Cost value of the Facility, subject to no more than a Twenty-Five Thousand Dollars (\$25,000) per occurrence deductible and such policy shall include coverage for subsidence.

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

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

(e) Commercial General Liability in a primary amount of at least Three Million and 00/100 Dollars (\$3,000,000.00) per occurrence, bodily injury for injury or death of any one person and One Hundred Thousand and 00/100 Dollars (\$100,000.00) for Property Damage for damage to or loss of property of others, subject to a Ten Million and 00/100 Dollars (\$10,000,000.00) annual aggregate policy limit for all bodily injury and property damage claims, occurring on or about the Leased Property or in any way related to the Leased Property, including but not limited to, any swimming pools or other rehabilitation and recreational facilities or areas that are located on the Leased Property otherwise related to the Leased Property. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion, Collapse and Underground (XCU), Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

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

(h) Professional liability insurance for any physician employed or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than Three Million and 00/100 Dollars (\$3,000,000.00) per individual claim and Ten Million and 00/100 Dollars (\$10,000,000.00) annual aggregate.

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

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

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be required from time to time by any Facility Mortgagee and shall further at all times

maintain adequate worker's compensation insurance coverage for all persons employed by Lessee on the Leased Property, in accordance with the requirements of applicable local, state and federal law.

13.3 WAIVER OF SUBROGATION. All insurance policies to be obtained by Lessee as required hereunder, including, without limitation, insurance policies covering the Leased Property, the Fixtures, the Facility, and/or Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the Lessor. Lessee shall obtain insurance policies which will include such a waiver clause or endorsement regardless of whether same is obtainable without extra cost, and in the event of such an extra charge Lessee shall pay the same.

13.4 FORM OF INSURANCE. All of the policies of insurance referred to in this Section shall be written in form satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee shall pay all of the premiums therefor, and shall deliver such original policies, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized agent for the insurance company as a "true and certified" copy of the policy, to the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies (if allowed hereunder) to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor sixty (60) days' prior written notice (at Lessor's notice address as specified in this Lease {the "Lessor's Notice Address"}) before the policy or policies in question shall be altered, allowed to expire or canceled. The parties hereto agree that all insurance policies, endorsements and certificates which provide that the insurer will "endeavor to" give notice before same may be altered, allowed to expire or canceled will not be acceptable to Lessor. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by the Lessee hereunder shall provide (i) that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, LP, Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and (ii) that in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, LP, Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242.

13.5 INCREASE IN LIMITS. In the event that Lessor shall at any time in its reasonable discretion deem the limits of the personal injury, property damage or general public liability insurance then carried to be insufficient, the parties shall endeavor to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Section. If the parties shall be unable to agree thereon, the proper and reasonable limits for such insurance to be carried shall be determined by an impartial third party selected by the parties. Nothing herein shall permit the amount of insurance to be reduced below the amount or amounts required by any of the Facility Mortgages.

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

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

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts acceptable to Lessor.

13.7 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility Mortgagees, are included therein as additional insureds and the loss is payable under said insurance in the same manner as losses are required to be payable under this Lease. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property, or any portion thereof, and shall be paid out by Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuitable for its Use, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) so long as Lessee is not in monetary or payment default of any kind, and no event has occurred which with the giving of notice or the passage of time, or both, would constitute such a default, under this Lease, the Other Leases and the Tenant Leases, purchase the Leased Property from Lessor for a purchase price equal to the Option Price as defined in Section 35.1, or (iii) so long as the damage or destruction was not caused by the negligence of Lessee, its agents, servants, employees or contractors, terminate this Lease and, in this event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith. In the event Lessee purchases the Leased Property pursuant to this Section 14.2(a), the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

(b) If during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same

condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after diligent efforts to do so, in order to be able to perform all required repair and restoration work and to operate the Facility for its Primary Intended Use in substantially the same manner as immediately prior to such damage or destruction, so long as Lessee is not in monetary or payment default of any kind, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, under the terms of this Lease, the Other Leases and the Tenant Leases, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such damage or destruction, to purchase the Leased Property for a purchase price equal to the Option Price as defined in Section 35.1. In the event Lessee purchases the Leased Property pursuant to this Section 14.2(b), the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility Mortgagee if required) to be held in trust together with any other insurance proceeds for application to the cost of repair and restoration.

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

14.3 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION NOT COVERED BY INSURANCE. Except as provided in Section 14.7 below, if during the Term, the Facility is totally or materially destroyed from a risk not covered by the insurance described in Article XIII but that would have been covered if Lessee carried the insurance customarily maintained by, and generally available to, the operators of reputable health care facilities in the region in which the Facility is located, then, whether or not such damage or destruction renders the Facility Unsuited for its Use, Lessee shall, at its sole cost and expense, restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

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

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

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

14.7 DAMAGE NEAR END OF TERM. Notwithstanding any provisions of Sections 14.2 or 14.3 to the contrary but subject to the option of Lessee to purchase the Leased Property as provided in Section 35.1 by giving Lessor written notice within sixty (60) days following the date of such damage or destruction, if damage to or destruction of the Facility occurs during the last twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either

party shall have the right to terminate this Lease by giving notice to the other within sixty (60) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee exercises an available option to extend the Term for one Extended Term within thirty (30) days following receipt of such termination notice.

14.8 TERMINATION OF RIGHT TO PURCHASE AND SUBSTITUTION. Any termination of this Lease pursuant to this Article XIV shall cause any right to purchase under any other provisions of this Lease granted to Lessee under this Lease to be terminated and to be without further force and effect.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) so long as Lessee is not in monetary or payment default of any kind, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, under the terms of this Lease, the Other Leases and the Tenant Leases to acquire the Leased Property from Lessor for a purchase price equal to the Option Price as defined in Section 35.1, in which event this Lease shall terminate upon payment of the Option Price. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessee exercises the option to purchase the Leased Property pursuant to this Section 15.4, the terms set forth in Article XVIII shall apply and the sale/purchase

must be closed within thirty (30) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

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

15.6 AWARD DISTRIBUTION. In the event Lessee exercises the purchase option as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility Mortgagees, its portion of the Award shall be used for such restoration and it shall hold such portion of the Award in trust, for application to the cost of the restoration. Notwithstanding any provision of this Lease to the contrary, any Award retained by Lessor and not used for restoration shall be taken into account as an amount received by Lessor for purposes of calculating the Option Price as defined in Section 35.1.

15.7 TEMPORARY TAKING. The Taking of the Leased Property, or any part thereof, by military or other public authority shall constitute a Taking by Condemnation only when the use and occupancy by the Taking authority has continued for longer than six (6) months. During any such six (6) month period all the provisions of this Lease shall remain in full force and effect and the Base Rent shall not be abated or reduced during such period of Taking.

ARTICLE XVI

DEFAULT

16.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events (individually, an "Event of Default") shall constitute Events of Default or defaults hereunder:

(a) a default or event of default shall occur under any of the Other Leases that is not cured within the applicable cure period as provided therein, or

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

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

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(v) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, or

(vi) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(vii) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(viii) the abandonment or vacation of the Leased Property by Lessee (Lessee's absence from the Leased Property for thirty (30) consecutive days shall constitute abandonment), or Lessee fails to continuously operate the Facility in accordance with the terms of this Lease.

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation

(if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of written notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) if any of the representations or warranties made by Lessee or any of the Sellers named in the Purchase Agreement or in the certificates delivered in connection therewith are or become untrue in any material respect, and which is not cured within ten (10) days after notice from Lessor, or

(j) a default shall occur under the Guaranty, or

(k) a default or event of default shall occur under the Lease Assignment, Purchase Agreement, Assignment of Rents and Leases, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor, on the one hand, and Lessee, any Guarantor, or any of their respective Affiliates, on the other hand, which is not cured within the cure period as provided therein, or

(l) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(m) if a payment default occurs with respect to any of Lessee's or any Guarantor's debt or other leases or is declared to be in material default by any of its lenders and such default is not cured within the applicable cure periods provided therefor.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

A. Without any notice or demand whatsoever, Lessor may take any one or more of the actions permissible at law to insure performance by Lessee of Lessee's covenants and obligations under this Lease. In this regard, it is agreed that if Lessee deserts or vacates the Leased Property, Lessor may enter upon and take possession of such Leased Property in order to protect it from deterioration and continue to demand from Lessee the monthly rentals and other charges provided in this Lease, without any obligation to relet; but that if Lessor does, at its sole discretion, elect to relet the Leased Property, such action by Lessor shall not be deemed as an acceptance of Lessee's surrender of the Leased Property unless Lessor expressly notifies Lessee of such acceptance in writing pursuant to subsection B of this Section 16.1., Lessee hereby acknowledging that Lessor shall otherwise be reletting as Lessee's agent and Lessee furthermore hereby agreeing to pay to Lessor on demand any deficiency that may arise between the monthly rentals and other charges provided in this Lease and that are actually collected by Lessor. It is further agreed in this regard that in the event of any default described in this Section 16.1, Lessor shall have the right to enter upon the Leased Property without being liable for prosecution or any claim for damages therefor, and do whatever Lessee is obligated to do under the terms of this Lease; and Lessee agrees to reimburse Lessor on demand for any expenses which Lessor may incur in thus effecting compliance with Lessee's obligations under this Lease, and Lessee further agrees that Lessor shall not be liable for any damages resulting to the Lessee from such action.

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined by:

(i) The worth at the time of award of the unpaid rent which had been earned at the time of termination;

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided;

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and

(iv) Any other amount necessary to compensate the Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, all reasonable legal expenses and other related costs incurred by Lessor following an event of default, all costs incurred by Lessor in recovering the Leased Property and restoring the Leased Property to good order and condition, and/or in remodeling, renovating or otherwise preparing the Leased Property for reletting, and all costs (including, without limitation, any brokerage commissions and reasonable attorneys' fees) incurred by Lessor in reletting the Leased Premises.

The "worth at the time of award" of the amounts referred to in paragraphs (i) and (ii) above is computed by allowing interest at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. The worth at the time of award of the amount referred to in paragraph (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

C. In addition to other rights and remedies Lessor may have hereunder and at law and in equity, if an Event of Default occurs under this Lease, (i) Lessee is deemed to have assigned to Lessor, at Lessor's sole option, all service agreements (including, without limitation, all medical director agreements); (ii) to the extent permitted by law, Lessee is deemed, at Lessor's sole discretion, to have transferred and assigned to Lessor all Licenses and agreements, including, without limitation, all Medicare and Medicaid provider numbers, and (iii) to the extent permitted by law, if required by Lessor, transfer to the Lessor all of the Licenses, including, without limitation, all Medicare and Medicaid provider numbers. In the event there are legal limitations on any of the foregoing remedies, Lessee further hereby covenants and agrees that it will take all actions necessary to orderly transfer the operations and occupancy of the Leased Property to the Lessor, including cooperating with respect to the transfer to Lessor of Licenses, provider numbers and other agreements.

D. In addition to the above remedies, in the event of any default hereunder by Lessee, Lessor, at its option, may have one or more of the following remedies in addition to all other legal rights and remedies:

(i) Lessor may serve upon Lessee notice that its Lease and the then unexpired term hereof shall terminate and become absolutely void on a date specified in such notice, which shall be the date of such notice or such later date as may be required by law, and the Lease, and well as the

right, title, and interest of Lessee hereunder shall, except as to the rights and remedies of Lessor upon termination as provided herein, terminate and become void in the same manner and with the same force and effect as if the date filed in such notice were the date originally specified for the expiration of the Lease term; and Lessee shall then immediately quit and surrender to Lessor the Leased Property, including any and all buildings and improvements thereon, and Lessor may then or at any time thereafter, without judicial proceedings of any kind, enter into and repossess the Leased Property, and may remove all occupants and any property thereon without being liable for any action or prosecution of any kind for such entry or the manner thereof, or loss of or damage to any property upon the Leased Property. In the event of any such termination of this Lease, and in addition to any other rights and remedies Lessor may have, Lessor shall have all of the rights and remedies of a Lessor provided by Section 1951.2 of the California Civil Code.

(ii) In addition, Lessor shall have all the rights and remedies described in Section 1951.4 of the California Civil Code (Lessor may continue the Lease in effect after Lessee's breach and abandonment and recover rent as it becomes due, if Lessee has the right to sublease or assign subject only to reasonable limitations).

(iii) Lessor may immediately terminate Lessee's right of possession of the Leased Property, but not terminate the Lease, and without notice or demand enter upon the Leased Property or any part thereof and take absolute possession of the same, and at Lessor's sole option may relet the Leased Property or any part thereof for such terms and such rents as Lessor may reasonable elect. In the event Lessor shall elect to so relet, then rent received by Lessor from such reletting shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Lessee to Lessor, second, to the payment of any cost of such reletting, including, without limitation, refurbishing costs and leasing commissions, and third, to the payment of Rent due and unpaid hereunder, and Lessee shall satisfy and pay any deficiency upon demand therefor from time to time. Any entry into and possession of the Leased Property by Lessor shall be without liability or responsibility to Lessee and shall not be in lieu of or in substitution for any other legal rights of Lessor hereunder. Lessee further agrees that Lessor may file suit to recover any sums due under the terms of this Lease and that no recovery of any portion due Lessor hereunder shall be any defense to any subsequent action brought for any amount not therefore reduced to judgment in favor of Lessor. Reletting of the Leased Property shall not be construed as an election on the part of Lessor to terminate this Lease and, notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS.

(a) The occurrence of any one or more of the following shall constitute a default and breach of this Section 16.2(a) and the Lessor shall have the rights and remedies provided for herein:

(i) The Desert Valley Tenants shall, on a consolidated basis, generate a total lease coverage from EBITDAR (based on trailing twelve (12) months), after adding total debt of Lessee and all other Desert Valley Tenants, of at least one hundred seventy-five percent (175%);

(ii) The Desert Valley Tenants' total debt shall not, on a consolidated basis, exceed fifty percent (50%) of the greater of (A) the total capitalization of the Desert Valley Tenants, or (B) market value of the Desert Valley Tenants based on twelve (12) months' trailing EBITDAR times four (4.0);

(iii) The Desert Valley Tenants shall, on a consolidated basis, generate a total lease coverage from EBITDAR (based on trailing twelve (12) months) of at least two hundred fifty percent (250%); or

(iv) The Desert Valley Tenants shall not, on a consolidated basis, experience three (3) consecutive quarters with declines in net revenue and generate a total lease coverage from EBITDAR (based on trailing twelve (12) months) of less than two hundred percent (200%).

Upon the occurrence of any of the items set forth in Section 16.1 or in subparagraph (a) items (i) through (iv) of this Section 16.2(a), Lessor may, at its option, upon five (5) days' written notice to Lessee (any such notice requiring such termination being herein referred to as the "Removal Notice"), require Lessee to terminate the engagement of any Management Company managing the Facility and replace such Management Company with a manager chosen by Lessor (or, if there is no Management Company managing the facility at that time, Lessor may require the Lessee to engage a Management Company acceptable to Lessor and enter into a contract with such Management Company upon terms and conditions acceptable to Lessor), provided, however, that in the event Lessor elects to exercise the foregoing remedy, such exercise shall be subject to the right of Lessee to purchase the Real Estate on the terms described in Article XXXV herein, provided Lessee gives Lessor written notice of its intention to exercise such purchase right within five (5) days following receipt of the Removal Notice. In the event Lessee exercises its right to purchase as allowed in this Section 16.2(a), such purchase shall be closed within the time period and subject to the provisions set forth in Article XXXV.

(b) The failure or breach of any of the following covenants shall constitute a default and breach of this Section 16.2(b) and Lessor shall have the rights and remedies provided for herein:

(i) Lessee's total debt shall not exceed eighty percent (80%) of the greater of (A) the total capitalization of the Desert Valley Tenants, or (B) the Market Value of the Desert Valley Tenants;

(ii) The Desert Valley Tenants shall not, on a consolidated basis, experience six (6) consecutive quarters of falling net revenue and generate a total lease coverage from EBITDAR (based on trailing twelve (12) months) of less than two hundred percent (200%); or

(iii) Lessee shall not be in payment default on any of its corporate debt or other leases or be declared to be in material default by any of its corporate lenders, unless such default is cured within the cure periods provided for therein.

Upon the occurrence of any of the items set forth in Section 16.1 or in subparagraph (b) items (i) through (iii) of this Section 16.2(b), Lessor may, at its option, upon delivery of the Removal Notice, require Lessee to terminate the engagement of the Management Company managing the Facility and replace such Management Company with manager chosen by Lessor (or, if there is no Management Company managing the facility at that time, Lessor may require the Lessee to engage a Management Company acceptable to Lessor and enter into a contract with such Management Company upon terms and conditions acceptable to Lessor), and Lessor may, at its option, proceed with all other remedies Lessor deems necessary, including, without limitation, terminating this Lease and pursuing all other customary remedies available at law and in equity; provided, however, that in the event Lessor elects to require a change in the management of the Facility, such exercise to change management shall be subject to the right of Lessee to purchase the Real Estate on the terms described in Article XXXV herein, provided Lessee gives Lessor written notice of its intention to exercise such purchase right within five (5) days following receipt of the Removal Notice. In the event Lessee exercises its right to purchase as allowed in this Section 16.2(a), such purchase shall be closed within the time period and subject to the provisions set forth in Article XXXV.

(c) Notwithstanding any provision hereof, any breach of items (i) through (iv) of subparagraph (a) of this Section 16.2, or items (i) and (ii) of subparagraph (b) of this Section 16.2 shall not be deemed to be a default or breach permitting Lessor to exercise the remedies set forth in such subparagraphs if, within fifteen (15) days following the date of such breach, Lessee obtains and delivers to Lessor an unconditional and irrevocable letter of credit from a bank acceptable to Lessor (the "Letter of Credit") naming Lessor beneficiary thereunder, in a dollar amount which would result in the various

EBITDAR coverage ratios set forth in such clauses being satisfied and upon terms, conditions and provisions acceptable to Lessor (including, without limitation, provisions allowing Lessor to assign all of its rights under such Letter of Credit to Lessor's lender).

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST. Subject to the Prior Lien of Lessee's Primary Lender (as such terms are defined herein), to secure the payment of all rent due and to become due hereunder and the faithful performance of this Lease by Lessee and to secure all other indebtedness, obligations and liabilities of Lessee to Lessor now existing or hereafter incurred, and all Obligations (as defined in the Security Agreement), Lessee hereby gives to Lessor an express first and prior contract lien and security interest in all property which may be placed on the Leased Property (including trailers and all equipment affixed therein, fixtures, equipment (including medical equipment whether or not affixed to the Leased Property), chattels and merchandise) and also upon all proceeds of any insurance which may accrue to Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment, the MRI Equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Except as limited in favor of the Primary Lender as set forth in this Section 16.7, Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment (including medical equipment whether or not affixed to the Leased Property), MRI equipment, trailers, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such

property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, the MRI Equipment, trailers, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least seven (7) days before the time of sale. Any sale made pursuant to the provision of this paragraph shall be deemed to have been a public sale conducted in commercially reasonable manner if held in the above-described premises or where the property is located after the time, place and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in the county in which the property is located, for five (5) consecutive days before the date of the sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorney's fees and legal expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute (if required by law; provided, however, Lessor shall have the right to file a UCC-1 financing statement (and all amendments, modifications and extensions thereto) at any time as provided in the Security Agreement) and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

As used herein, the term "Primary Lien of Lessee's Primary Lender" means any first priority lien granted by Lessee in any of Lessee's machinery, equipment (including medical equipment whether or not affixed to the Leased Property), furniture, furnishings, tools, movable walls or partitions, computers, signage, trade fixtures, supplies, inventory, or any other tangible personal property placed on the Leased Property and used or useful in Lessee's business conducted at or on the Leased Property (the "Collateral"), which may be given in connection with Lessee's lender (the "Primary Lender") providing financing for Lessee to purchase such items of Collateral or in connection with the refinancing of any such items of Collateral. In the event Lessee obtains financing from a Primary Lender or refinances such items of Collateral, Lessee shall use commercially reasonable efforts to obtain from its Primary Lender a consent to a secondary lien on such Collateral in favor of Lessor, in form and content reasonably acceptable to the Primary Lender and the Lessor. Lessee covenants and agrees not to place or allow any other liens to be placed on the Collateral. Lessee covenants and agrees that all indebtedness (except for the indebtedness owed to the Primary Lender) owed by Lessee under all agreements executed in connection with the Lessee's financing of Lessee's Personal Property to be used in connection with the operation of the Facility shall be subordinate to all monetary obligations under this Lease and Lessee shall not to place or allow any other liens to be placed on the Lessee's Personal Property. At the request of Lessor from time to time, Lessee shall execute and shall obtain from all parties to such financing arrangements executed written confirmation of such subordination (in form and content as is acceptable to Lessor), which shall be delivered to Lessor within ten (10) days from Lessor's request.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make

such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

INTENTIONALLY OMITTED

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE OR SELF INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE OR SELF INSURANCE, LESSEE WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LESSOR FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, IMPOSED UPON OR INCURRED BY OR ASSERTED AGAINST LESSOR BY REASON OF: (A) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF PERCENTAGE TO PROPERTY OCCURRING ON OR ABOUT THE LEASED PROPERTY OR ADJOINING SIDEWALKS, INCLUDING WITHOUT LIMITATION ANY CLAIMS OF MALPRACTICE, (B) ANY USE, MISUSE, NO USE, CONDITION, MAINTENANCE OR REPAIR BY LESSEE OF THE LEASED PROPERTY, (C) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF LESSEE TO PAY PURSUANT TO THE APPLICABLE PROVISIONS OF THIS LEASE), (D) ANY FAILURE ON THE PART OF LESSEE TO PERFORM OR COMPLY WITH ANY OF THE TERMS OF THIS LEASE, AND (E) THE NON-PERFORMANCE OF ANY OF THE TERMS AND PROVISIONS OF ANY AND ALL EXISTING AND FUTURE SUBLEASES OF THE LEASED PROPERTY TO BE PERFORMED BY THE LANDLORD (LESSEE) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY LESSEE UNDER THIS SECTION SHALL BE PAID WITHIN FIFTEEN (15) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LESSOR IS DETERMINED BY LITIGATION OR OTHERWISE AND, IF NOT TIMELY PAID, SHALL BEAR A LATE CHARGE (TO THE EXTENT PERMITTED BY LAW) AT THE OVERDUE RATE FROM THE DATE OF SUCH DETERMINATION TO THE DATE OF PAYMENT. LESSEE, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LESSOR OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS LESSEE SEES FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LESSOR AGAINST ITS OWN NEGLIGENT ACTS OR OMISSIONS OR WILLFUL MISCONDUCT. LESSEE'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION OF THIS LEASE.

ARTICLE XXIV

ASSIGNMENT, SUBLETTING AND SUBLEASE SUBORDINATION

24.1 ASSIGNMENT AND SUBLETTING. Lessee shall not assign this Lease or sublease any portion of the Leased Property without Lessor's prior written consent. Lessor shall not unreasonably withhold its consent to any

subletting or assignment, provided that (a) in the case of a subletting, the sublease and the sublessee shall comply with the provisions of this Article XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the obligations, covenants and conditions to be performed by Lessee hereunder and under all of the other documents executed in connection herewith. Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described on EXHIBIT C attached hereto (collectively the "Existing Subleases"). Any modifications, amendments and restatements of the Existing Subleases must be approved by Lessor in accordance with this Article XXIV. Notwithstanding anything contained herein to the contrary, any proposed assignee of Lessee and any proposed sublessee or subtenant must each have an equal or stronger credit rating than the Lessee on the Commencement Date. Lessor's failure or refusal to approve an assignment to an assignee or a subletting to a sublessee or subtenant without the required credit rating shall be reasonable.

24.2 SUBLEASE LIMITATIONS. In addition to the sublease limitations as set forth in Section 24.1 above, anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee or subtenant thereunder would be based, in whole or in part, on either (a) the income or profits derived by the business activities of the sublessee or subtenant, or (b) any other formula such that any portion of the sublease rental received by Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws. Lessor and Lessee acknowledge and agree that all subleases entered into relating to the Leased Property, whether or not approved by Lessor, shall not, without the prior written consent of Lessor, be deemed to be a direct lease between Lessor and any sublessee or subtenant. Lessee agrees that all subleases submitted for Lessor approval as provided herein must include provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease, to the rights of Lessor hereunder, and to all financing documents relating to any Lessor financing in connection with the Facility, (b) in the event this Lease shall terminate or be terminated before the expiration of the sublease, the sublessee or subtenant will, at Lessor's option, attorn to Lessor and waive any right the sublessee or subtenant may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, (c) at Lessor's option, the sublease may be terminated or left in place by Lessor in the event of a termination of this Lease, (d) the obligations and performance of the sublessee or subtenant must be guaranteed by guarantors acceptable to Lessor, (e) sublessee or subtenant shall from time to time upon request of Lessee or Lessor furnish within ten (10) days from request an estoppel certificate in form and content acceptable to Lessor or its lender relating to the sublease, (f) in the event the sublessee or subtenant receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee is in default under this Lease, the sublessee or subtenant shall thereafter be obligated to pay all rentals accruing under said sublease directly to the party giving such notice, or as such party may direct (all rentals received from the sublessee by Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease), (g) and that such sublease shall at all times be subject to the obligations and requirements as set forth in this Article XXIV, and (h) sublessee or subtenant shall provide to Lessor upon written request such officer's certificates and financial statements as Lessor may request from time to time.

24.3 SUBLEASE SUBORDINATION AND NON-DISTURBANCE. Within ten (10) days after request by Lessor, Lessee shall cause the subtenants or sublessees to execute and deliver to Lessor a subordination agreement relating to the sublease, which subordination agreement shall be in such form and content as is acceptable to Lessor. At the request from time to time by one or more Facility Mortgagee, within ten (10) days from the date of request, Lessee shall cause the subtenants or sublessees of the Leased Property to execute and deliver within such ten (10) day

period, to such Facility Mortgagee a written agreement in a form reasonably acceptable to such Facility Mortgagee whereby such subtenants and sublessees subordinate the sublease and all of their rights and estate thereunder to each such mortgage or deed of trust that encumbers the Leased Property or any part thereof and agree with each such Facility Mortgagee that such subtenants and sublessees will attorn to and recognize such Facility Mortgagee or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such mortgage or deed of trust, as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of the sublease.

ARTICLE XXV

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

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish, or cause to be furnished, the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each fiscal year of Lessee, a copy of the Statements of Cash Flow for the Lessee for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Desert Valley Tenants and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm reasonably acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles for the year then ended (it being agreed that Lessor shall bear the cost of any premium over normal charges that such accounting firm may charge in order to prepare such statements on an expedited basis (so long as Lessee has ordered such statements in a timely manner)), and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Desert Valley Tenants and the operations of the Facility, certified to be true and correct by an officer of Lessee, and

(iv) within thirty (30) days after the end of each month current operating statements of the Facility, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that any license or certification, including, without limitation, the Medicare and/or Medicaid certification and/or managed care contract of the Facility is being

downgraded to a substandard category, revoked, or suspended, or that action is pending or being considered to downgrade to a substandard category, revoke, or suspend such Facility's license or certification, and

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Desert Valley Tenants as Lessor may reasonably request from time to time.

(c) Upon Lessor's request, Lessee will furnish to Lessor a certificate in form acceptable to Lessor certifying that no event of default as defined herein or in any of the Other Leases, then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute a default.

(d) Within two (2) business days of receipt, Lessee shall furnish to Lessor copies of all notices and demands from any third party payor, including, without limitation, Medicare and/or Medicaid, concerning overpayment which will or may result in a repayment or a refund in excess of One Million Dollars (\$1,000,000). Lessee hereby agrees that in the event of receipt of such notices or demands Lessor shall have the right, at Lessor's option, to participate in the appeal of such notices and demands.

(e) Lessee shall furnish to Lessor on a monthly basis ongoing status reports (in form and content acceptable to Lessor) of any governmental investigations of the Lessee, the Guarantors, or any of their respective Affiliates, or the Facility, conducted by the United States Attorney, State Attorney General, the Office of the Inspector General of the Department of Health and Human Services, or any other Governmental Entity.

(f) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices of adverse events or deficiencies as defined by regulations or standards of the American Osteopathic Association or the equivalent of the accrediting body relied upon by the Lessee in the operation of the Facility or any part thereof.

(g) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices that the Lessee and/or the Desert Valley Tenants are not in compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

(h) Lessor reserves the right to (A) require such other financial information from Lessee, and (B) require the Lessee to provide such other financial information from the Desert Valley Tenants, at such other times as it shall deem reasonably necessary. All financial statements and information must be in such form and detail as Lessor shall from time to time, but not unreasonably, request.

Subject to the rights of Lessor as provided in Section 42.7 of this Lease, Lessor and Lessee agree that all financial information disclosed pursuant to this Article XXV shall be kept in strictest confidence and shall not be disclosed to any person or entity.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that the Existing Leases are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Existing Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: Desert Valley Hospital, Inc.
16850 Bear Valley Road
Victorville, California 93292
Attention: Mr. Lex Reddy
Fax: (760) 242-8220

with a copy to: Desert Valley Hospital, Inc.
16850 Bear Valley Road
Victorville, California 93292
Attention: Richard Hayes, Esq.
Fax: (951) 346-3873

(b) if to Lessor: MPT of Victorville, LLC
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn: Michael G. Stewart, Esq.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease or any purchase options contained herein and shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first (1st) appraiser, proceed to appraise the Leased Property to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two (2) appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or

within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitrator Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two (2) determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 LESSEE'S OPTION TO PURCHASE. So long as Lessee is not in monetary or payment default of any kind, or no event has occurred which with the giving of notice or the passage of time or both would constitute such a default (except as otherwise expressly provided in Section 16.2) under the terms of this Lease, the Other Leases and the Tenant Leases, at any time from and after the second anniversary of the Commencement Date, the Lessee shall have the option, to be exercised by ninety (90) days' prior written notice to the Lessor, to purchase the Leased Property at a purchase price sufficient to cause Lessor to receive, on an unleveraged basis, a sum equal to (i) the Purchase Price of the Leased Property, and (ii) an amount sufficient to yield to Lessor an internal rate of return thereon that is equal to ten percent (10%) per year (such percentage to be increased on each anniversary of the Commencement Date by two percent (2%) of such percentage), taking into account all payments of Base Rent received by Lessor to the closing date of such purchase (the "Option Price"). Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, (ii) Lessee shall continue paying Rent as required under this Lease until the purchase is closed, and (iii) the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee. Notwithstanding any other provision of this Lease to the contrary, if Lessor terminates this Lease as a result of a non-monetary or non-payment default prior to said second anniversary of the Commencement Date, the Lessee shall also have the right to exercise the foregoing option on the terms described in this Section 35.1 provided Lessee exercises such option within five (5) business days following the date of such termination.

35.2 LESSOR'S OPTION TO PURCHASE LESSEE'S PERSONAL PROPERTY. Effective on not less than ninety (90) days' prior written notice given at any time within one hundred eighty (180) days prior to the expiration of the Term of this Lease, but not later than ninety (90) days prior to such expiration, or such shorter notice as shall be appropriate if this Lease is terminated prior to its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee's Personal Property, if any, at the expiration or termination of this Lease, for an amount equal to the net sound insurable value thereof (current replacement cost less accumulated depreciation on the books of Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

INTENTIONALLY OMITTED

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR. Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after twenty (20) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more Facility Mortgagees, within ten (10) days from the date of request, Lessee shall execute and deliver within such ten (10) day period, to such Facility Mortgagee a written agreement in a form reasonably acceptable to such Facility Mortgagee whereby Lessee subordinates this Lease and all of its rights and estate hereunder (except for Lessee's purchase options as expressly provided in this Lease) to each Facility Mortgage that encumbers the Leased Property or any part thereof and agrees with each such Facility Mortgagee that Lessee will attorn to and recognize such Facility Mortgagee or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such Facility Mortgage, as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such Facility Mortgagee simultaneously executes and delivers a written agreement consenting to this Lease and agreeing that, notwithstanding any such other mortgage, deed of trust, right, title or interest, or any default, expiration, termination, foreclosure, sale, entry or other act or omission under, pursuant to or affecting any of the foregoing, Lessee shall not be disturbed in peaceful enjoyment of the Leased Property nor shall this Lease be terminated or canceled at any time, except in the event Lessee is in default under this Lease.

ARTICLE XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility (collectively, the "Licenses"), and shall qualify and comply with all applicable laws as they may from time to time exist, including those applicable to certification and participation as a provider under Medicare and Medicaid legislation and regulations.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee has or will extend any right, title, or claim of right whatsoever in and to the Licenses or the right to operate the Facility, all such right, title, or claim of right shall automatically revert to the Lessor or to Lessor's designee upon termination of this Lease, to the extent permitted by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), to the extent permitted by law, Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor's designee upon application therefor to the issuing authority, and to further have the right to have any and all provider and/or third party payor agreements as a provider in the Medicare and/or Medicaid and other federal healthcare programs issued in Lessor's name or in the name of Lessor's designee.

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

It is an integral condition of this Lease that Lessee covenants and agrees not to sell, move, modify, cancel, surrender, transfer, assign, sell, relocate, pledge, secure, convey or in any other manner encumber any License or any governmental or regulatory approval, consent or authorization of any kind to operate the Facility. To the extent permitted by law, Lessee hereby grants to Lessor a landlord's lien on the Licenses.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to sign, acknowledge, provide and deliver to Lessor (and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for such express purposes) any and all documents, instruments or other writings which are or may become

necessary, proper and/or advisable to cause any and all hospital licenses required for the Primary Intended Use, Department of Human Services of the State of California ("DHS") provider agreements, and/or state or federal Title XVIII and/or Title XIX provider agreements to be obtained (either in total or individually) in the name of Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (beyond any applicable grace or cure period) and the issuing government agency has threatened or asserted that such license or provider agreement will terminate or has lapsed or that Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of California, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHSS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its operation of the Primary Intended Use on the Leased Property as a licensed and Medicare and/or Medicaid certified acute care hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality acute care services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

LESSOR'S RIGHT TO SELL AND LESSEE'S RIGHT OF FIRST REFUSAL

41.1 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part at any time, subject to this Lease and the rights of Lessee as expressly provided in this Lease. The Lessee agrees that any purchaser may exercise any and all rights of Lessor as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee.

41.2 LESSEE'S RIGHT OF FIRST REFUSAL. If, during the Term, Lessor shall receive from Health Care Property Investors, Inc., a Maryland corporation (or any affiliate thereof) (the "Transferee") a written, bona fide offer to purchase the Leased Property, and Lessor is willing to accept such offer, so long as Lessee is not in monetary or payment default of any kind, or no event has occurred which with the giving of notice or the passage of

time or both would constitute such a default under the terms of this Lease, the Other Leases and the Tenant Leases, Lessor must first present such offer to Lessee and allow Lessee the right to purchase the Leased Property upon the same price, terms and conditions as set forth in such offer except as otherwise expressly set forth herein; provided, however, in the event Transferee makes a bona fide offer to purchase any time after the second anniversary of the Commencement Date, in lieu of such right of first refusal, Lessee may exercise its option to purchase as provided in Section 35.1. Lessor shall make such offer by delivery of written notice to Lessee (the "Notice") which shall contain the amount to be paid for the Leased Property (including the amount and type of any consideration other than cash), the terms of payment, the date on which the Leased Property is proposed to be sold and all other terms and conditions of such transfer. For a period of ten (10) days following the date of the Notice (the "Option Period"), Lessee shall have the right, option and privilege (but not the obligation) to purchase the Leased Property. If Lessee determines to purchase the Leased Property, it shall deliver written notice of that fact to Lessor within the Option Period and such delivery shall create an agreement between Lessor and Lessee pursuant to which Lessor shall sell and Lessee shall purchase the Leased Property from Lessor (i) at the price and upon the terms and conditions stated in the Notice, and (ii) in accordance with the terms, conditions and provisions set forth in Article XVIII, and the sale/purchase must be closed on the earlier of (A) the closing date as stated in the Notice, or (B) ninety (90) days (the "Closing Period") from the date of the written notice from Lessee to Lessor of Lessee's intent to purchase. If Lessee does not exercise its option to purchase the Leased Property within the Option Period, or if Lessee does not close the purchase within the Closing Period, then Lessee's option and the right of first refusal shall be deemed not to have been exercised and Lessor may thereafter sell the Property to the Transferee or any other party on any terms as Lessor deems acceptable in its sole discretion, subject to this Lease and the rights of Lessee as expressly provided in this Lease.

ARTICLE XLII

MISCELLANEOUS

42.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of California but not including its conflict of laws rules; provided, however, the parties hereto agree that the venue for all actions in connection with this Lease and all matters relating to the Leased Property shall be Jefferson County, Alabama.

42.2 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; (b) requests by Lessor for approval or consent under this Lease and all other documents executed between Lessor and Lessee in connection herewith, (c) any circumstances or developments which give rise to Lessor's right of consent or approval, (d) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions, and (e) a request for changes including, but not limited to, (i) the permitted use of the Leased Property, (ii) alterations and improvements to the Leased Improvements, (iii) subletting or assignment, and (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

42.3 ASSETS PURCHASED PURSUANT TO PURCHASE OPTIONS. In connection with any purchase options granted to Lessee hereunder, in the event Lessee exercises such purchase options, the term "Leased Property" shall also include any "Assets" as such term is defined in the Purchase Agreement.

42.4 ENTIRE AGREEMENT; MODIFICATIONS. This Lease embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior to contemporaneous agreements, understandings, representations and statements (oral or written) are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

42.5 LEASE GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously herewith deliver to the Lessor a Lease Guaranty in form and content satisfactory to Lessor, whereby the Guarantors jointly and severally, absolutely and irrevocably, guarantee the full payment and performance of all of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors and any Affiliate of Lessee and any Affiliate of Guarantors to Lessor. Such Lease Guaranty shall specifically provide that the Lease Guaranty and the obligations of the Guarantors thereunder shall remain in full force and effect during the Term, regardless of whether this Lease has been assigned or any portion of the Leased Property has been subleased.

42.6 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, Lessee shall notify Lessor in writing ("Lessee's Notice") of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee. Lessor shall notify Lessee in writing on or before the expiration of twenty (20) business days after receipt of Lessee's Notice whether Lessor is interested in providing such financing. If Lessor agrees to provide the financing, the terms and conditions of such financing will be contingent upon, among other things, performance benchmarks acceptable to Lessor and the Lessor's satisfaction and approval of other due diligence requirements.

42.7 CHANGE IN OWNERSHIP/CONTROL. So long as this Lease remains in effect, Lessee shall not permit more than fifty percent (50%) of its ownership to be held by persons other than individuals who are licensed physicians or entities comprised of individuals who are licensed physicians actively practicing full time clinical medicine in Victorville, California, some of whom have active staff privileges at the Facility, and the aggregate ownership of the current shareholders shall not be reduced below the aggregate ownership of the current shareholders as of the date hereof.

42.8 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, Lessee shall furnish Lessor with such financial and other information as Lessor shall request and Lessor and MPT shall have the right of access to the Facility at reasonable business hours and upon advance notice and all documentation and information relating to the Facility and have the right to disclose any information regarding this Lease, the Commitment Letter, the Lessee, the Guarantors, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary. Lessor agrees to pay reasonable copying charges associated with copying any of the documentation obtained by Lessor pursuant to this Section 42.7.

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

officers, directors, employees or agents or any predecessor or successor partnership or corporation (or other entity), or (iv) any person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof.

42.10 MANAGEMENT AGREEMENTS. Lessee shall not engage any Management Company or allow any tenants, subtenants or sublessees of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, Lessor's rights relating to any Management Company as set forth in Section 16.2 hereof shall be at Lessor's sole and absolute discretion. Lessee shall, if required by Lessor, assign all of Lessee's rights under the Management Agreements to Lessor and Lessor shall be entitled to assign same to Lessor's lender. At the request of the Lessor from time to time, Lessee shall execute and deliver (and require the tenants, subtenants or sublessees to execute and deliver, if applicable) an assignment and/or subordination agreement relating to the Management Agreements, which assignment and/or subordination agreement shall be in such form and content as reasonably acceptable to Lessor and/or any lender providing financing to Lessor, and shall be delivered to Lessor within ten (10) days after Lessor's request. Lessee hereby agrees that all payments and fees payable under the Management Agreements are and shall be subordinate to the payment of the obligations under this Lease and all other documents executed in connection with this Lease and the Purchase Agreement. Lessee agrees that all Management Agreements entered into in connection with the Leased Property shall expressly contain provisions acceptable to Lessor which (i) require an assignment of the Management Agreements to Lessor upon request by Lessor, (ii) confirm and warrant that all sums due and payable under the Management Agreements are subordinate to this Lease, (iii) grant Lessor the right to terminate the Management Agreement (individually or collectively, if more than one (1)) upon a default hereunder or upon a default under such applicable Management Agreement, (iv) require the Management Company to execute and deliver to Lessor within ten (10) days from Lessor's request an estoppel certificate, assignment and/or subordination agreement as required by Lessor and/or Lessor's lender providing financing to Lessor, in such form and content as is acceptable to Lessor and/or its lender, and (v) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. At the request of the Lessor from time to time, Lessee shall execute and obtain from all parties subject to such Management Agreements executed written confirmation of such assignment or subordination, which shall be delivered to Lessor within ten (10) days from Lessor's request.

42.11 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

ARTICLE XLIII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

MPT OF VICTORVILLE, LLC

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: Sole Member

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

Name: Edward K. Aldag, Jr.
Its: President and
Chief Executive Officer

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LESSEE:

DESERT VALLEY HOSPITAL, INC.

By: /s/ Lex Reddy

Name: Lex Reddy
Its: President

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STATE OF ALABAMA
JEFFERSON COUNTY

On this _____ day of February, 2005, before me, the undersigned authority, a Notary Public of said State, duly commissioned and sworn, personally appeared EDWARD K. ALDAG, JR., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President and Chief Executive Officer of MPT Operating Partnership, L.P., the Sole Member of MPT OF VICTORVILLE, LLC, a Delaware limited liability company, and acknowledged to me that such limited partnership, as the Sole Member of such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name:

My Commission Expires: -----

[AFFIX NOTARY SEAL]

STATE OF CALIFORNIA
SAN BERNARDINO COUNTY

On this _____ day of February, 2005, before me, the undersigned authority, a Notary Public of said State, duly commissioned and sworn, personally appeared LEX REDDY, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of DESERT VALLEY HOSPITAL, INC., a California corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: -----
My Commission Expires: -----

[AFFIX NOTARY SEAL]

EXHIBIT A

HOSPITAL PARCEL:

Parcel A:

Parcels 1 and 4 of Parcel Map 13742 located in the City of Victorville, County of San Bernardino, State of California, as per Plat recorded in Book 161 of Parcel Maps, Pages 23 and 24, Records of said County.

Parcel B:

A portion of Parcel 1 of Parcel Map No. 9412, in the City of Victorville, County of San Bernardino, State of California, as per Plat recorded in Book 137 of Parcel Maps, Pages 71 and 72, records of said County, lying northerly of the following described line:

Beginning at the Northwest corner of said Parcel 1 of Parcel Map No. 9412; thence along the westerly line of the last mentioned Parcel 1, South 01 degrees 38' 56" West, 28.62 feet to the true point of beginning; thence North 88 degrees 19' 20" East, 605.21 feet to the Easterly line of said last mentioned Parcel 1, pursuant to that certain Lot Merger No. LM-3-92 and Lot Line Adjustment No. LA-5-92, dated February 17, 1992, and recorded March 13, 1992, Instrument Nos. 92-108430, 92-108431 and 92-108432, Official Records.

The aforesaid parcels being more fully described as follows:

Beginning at the Northwesterly corner of Parcel 1 of said Parcel Map 13742; thence North 88 degrees 19' 20" East along the Northerly line of said Parcels 1 and 4, a distance of 604.83 feet to the Northeasterly corner of Parcel 4; thence South 01 degrees 43' 00" East a distance of 322.00 feet to said lot line adjustment line; thence South 88 degrees 19' 20" West along said line a distance of 605.21 feet to the Easterly right of way line of Second Avenue; thence North 01 degrees 38' 56" West along said Easterly right of way line a distance of 322.00 feet to the point of beginning.

MEDICAL OFFICE BUILDING PARCEL:

Parcel C:

Parcel No. 2 of Parcel Map No. 14282, located in the City of Victorville, County of San Bernardino, State of California, as per Plat recorded in Book 176 of Parcel Maps, Pages 38 and 39, records of said County.

The aforesaid Parcel being more fully described as follows:

Beginning at the Southeasterly corner of Parcel 2, said point being on the Northerly right of way line of Bear Valley Road as shown on said Parcel Map; thence South 88 degrees 19' 20" West along said Northerly right of way a distance of 459.80 feet; thence North 01 degrees 40' 40" West a distance of 299.00 feet; thence South 88 degrees 19' 20" West a distance of 145.67 feet to the Easterly right of way line of Second Avenue; thence North 01 degrees 38' 56" West, along said easterly right of way line, a distance of 46.00 feet to the northwesterly corner of Parcel 2; thence North 88 degrees 19' 20" East, along the northerly line of Parcel 2, a distance of 605.21 feet to the Northeasterly corner; thence South 01 degrees 43' 00" East a distance of 345.00 feet to the point of beginning.

TOGETHER WITH ALL RIGHT, TITLE AND INTEREST IN AND TO THE FOLLOWING EASEMENT:

Non-exclusive easements for emergency access, drainage, utility, landscape and sewer purposes, appurtenant to the Hospital Parcel, created by that certain "Reciprocal Easement Agreement" dated November 5, 1992, and recorded on December 11, 1992, as Instrument No. 92-510810, Official Records of the County of San Bernardino, State of California, more particularly set forth in Paragraph 1 of said document.

EXHIBIT B

1. All taxes, supplemental taxes, dues and general and special taxes and assessments.
2. Easement shown or dedicated on Parcel Map 9412 for private sewer and drainage easement and incidental purposes. (Affects Parcel B)
3. The City Engineer's Statement of Improvements required, is delineated on Parcel Map No. 9412 as follows: (Affects Parcels B and C)

The following requirements for the construction of off-site and on-site improvements along the street frontages of each Parcel created by this Subdivision are a condition to the approval of this Parcel Map in accordance with provisions of Section 66411.1 of the Subdivision Map Act. The improvements shall be installed at such time as a permit or other grant of approval for development of any or all Parcels created by this Subdivision is issued by the City of Victorville.

A. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall be responsible for any cost incurred in the relocation of existing utility facilities where such facilities conflict with the improvements required when said improvements are installed.

B. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall be required to provide underground electrical and telephone to each Parcel created by this Subdivision.

C. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall provide sewer service to each Parcel created by this Subdivision in accordance with the requirements of the Sanitary Division of the City, and the City Engineer.

D. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install street lights along the street frontages in accordance with the requirements of the Master Street Lighting Plan of the City of Victorville, the Southern California Edison Company and as recommended by the City Engineer.

E. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall provide water service to each parcel created by this Subdivision in accordance with the requirements of the Victor Valley County Water District and the City Engineer.

F. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install fire hydrants and on-site fire protection to serve each Parcel created by this Subdivision in accordance with the requirements of the Victorville Fire Department and the City Engineer.

G. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install curbs, gutters, sidewalks, drive approaches, asphalt pavement and drainage facilities along the street frontages of this Subdivision in accordance with standard specifications of public improvements of the City of Victorville.

H. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall provide gas service to each Parcel created by this Subdivision.

I. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install physically handicapped ramps at all intersections.

J. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall be required to provide underground communication cable to each Parcel created by this Subdivision.

4. An easement shown or dedicated on the Parcel Map 13742 for private access, drainage, utility and landscape easement and incidental purposes. (Affects Parcel A)

5. A Notice of Merger recorded March 13, 1992, Instrument No. 92-108430, Official Records, whereby the property described as follows was merged into one Parcel of land. (Affects Parcels A and C)

Description: Parcels 1 and 4 of Parcel Map No. 13742, as recorded July 23, 1991, in Book 161 of Maps, Pages 23 and 24, inclusive, in the City of Victorville, County of San Bernardino, State of California, per records of said County.

Notice is hereby given to all persons that, pursuant to Section 61.0219(Q) of the County of San Bernardino and 66451.19 of the Government Code of the State of California, the above described real property in the County of San Bernardino, State of California, is merged into one Parcel or Unit of land that any purchasers, his heirs, assigns or successors in the interest of said property, subsequent to (the recording of this Notice of Merger with the county recorder shall be deemed to be notified of said Notice of Merger). Reference is hereby made to the record of said document for further and other particulars.

6. The terms and provisions contained in the document entitled "Reciprocal Easement Agreement" recorded December 11, 1992, as Instrument No. 92-510809 as amended and restated by document entitled "Amended and Restated Reciprocal Easement Agreement" dated June 29,

1993, as recorded July 26, 1993, as Instrument No. 93-316424 of Official Records. (Affects Parcels A, B and C)

7. Terms, covenants, conditions, restrictions and easements, as contained in that certain Reciprocal Easement Agreement by and among Desert Valley Hospital, Inc., a California corporation, Prem N. Reddy, M.D. and Joseph Chirco and Harry Lifschultz and Gloria Lifschultz, recorded December 11, 1992, Instrument No. 92-510810, Official Records. Also, an easement over said land for the hereinafter specific purpose and incidental purpose, as set forth in the document above mentioned. Said easement is for emergency access, drainage, utility, landscape and sewer purposes and is described therein. Reference is hereby made to the record of said document for further and other particulars. (Affects Parcels A, B and C)

8. Covenants, conditions and restrictions in the document recorded December 11, 1992 as Instrument No. 92-510811 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Code or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status. Declarants: D.V.H.-Desert Valley Hospital, Inc., a California corporation; Reddy-Prem IV. Reddy, M.D.; Chirco-Joseph Chirco; Lifschultz-Harry and Gloria Lifschultz. (Affects Parcels A, B and C)

9. An easement for underground conduits and incidental purposes, recorded July 14, 1993 as Instrument No. 93-299465 of Official Records, in favor of Contel of California. (Affects Parcel B)

10. An easement for pipeline, utilities, access and incidental purposes, recorded July 21, 1993 as Instrument No. 93-311083 of Official Records, in favor of Victor Valley County Water District. (Affects Parcel B)

11. An easement for private access, utility, landscape and incidental purposes, recorded October 27, 1993 as Instrument No. 93-459525 of Official Records, in favor of John S. Lawson, Trustee under the Lawson Living Trust, dated May 12, 1989. (Affects Parcel B)

12. An easement for above ground or underground conduits or both and incidental purposes, recorded November 4, 1993 as Instrument No. 93-476813 of Official Records, in favor of Southern California Edison Company. (Affects Parcels A and B)

13. An easement for private access, utility, landscape and incidental purposes in the document recorded November 5, 1993 as Instrument No. 93-479231 of Official Records. (Affects Parcels A, B and C)

14. A document entitled "Landlord's/Mortgagee's Waiver" recorded May 27, 1994 as Instrument No. 94-243883 of Official Records. (Affects Parcels A, B and C)

15. A financing statement recorded September 19, 1994 as Instrument No. 94-387330 of Official Records. Debtor: Desert Valley Hospital, Inc.; Secured Party: Medical Equipment Finance Company. According to the public records, the security interest of the secured party was assigned to Bankers Trust Company of California, N.A., as Custodian by document recorded June 7, 1995 as Instrument No. 95-198334 of Official Records. A continuation statement was recorded March 26, 1999 as Instrument No. 99-126299 of Official Records. A continuation statement was recorded August 23, 1999 as Instrument No. 99-357609 of Official Records. (Affects Parcels A, B and C)

16. The City Engineer's statement of improvements required, is delineated on Parcel Map No. 14282 as follows: (Affects Parcels A and C)

The following requirements for the construction of off-site and on-site improvements along the street frontages of each Parcel created by this Subdivision are a condition to the approval of this Parcel Map in accordance with provisions of Section 66411.1 of the Subdivision Map Act. The improvements shall be installed at such time as a permit or other grant of approval for development of any or all Parcels created by this Subdivision is issued by the City of Victorville.

A. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall be responsible for any cost incurred in the relocation of existing utility facilities where such facilities conflict with the improvements required when said improvements are installed and for the undergrounding of all existing overhead utilities.

B. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall be required to provide underground electrical and telephone to each Parcel created by this Subdivision.

C. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall provide sewer service to each Parcel created by this Subdivision in accordance with the requirements of the Sanitary Division of the City, and the City Engineer.

D. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install street lights along the street frontages in accordance with the requirements of the Master Street Lighting Plan of the City of Victorville. The Southern California Edison Company and as recommended by the City Engineer.

E. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall provide water service to each Parcel created by this Subdivision in accordance with the requirements of the Victor Valley County Water District and the City Engineer.

F. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install fire hydrants and on-site fire protection to serve each Parcel created by this Subdivision in accordance with the requirements of the Victorville Fire Department and the City Engineer.

G. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install curbs, gutters, sidewalks, drive approaches, asphalt pavement and drainage facilities along the street frontages of this Subdivision in accordance with standard specifications of public improvements of the City of Victorville.

H. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall provide gas service to each Parcel created by this Subdivision.

I. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall install physically handicapped ramps at all intersections.

J. The subdivider or any successor in interest of any of the Parcels to be created by this Subdivision shall be required to provide underground communication cable to each Parcel created by this Subdivision.

17. An easement for ingress, egress, public utilities and incidental purposes, recorded September 20, 1994, as Instrument No. 94-388799 of Official Records, in favor of Desert Valley M.O.B., L.P. (Affects Parcel C)

18. A financing statement recorded September 21, 1994 as Instrument No. 94-390050 of Official Records. Debtor: Desert Valley Hospital, Inc.; Secured Party: Medical Equipment Finance Company. According to the public records, the security interest of the secured party was assigned to U.S. Bankers Trust Company by document recorded August 4, 2000 as Instrument No. 00-282687 of Official Records. A continuation statement was recorded March 26, 1999 as Instrument No. 99-126300 of Official Records. (Affects Parcels A, B and C)

19. A document entitled "Landlord's/Mortgagee's Waiver" recorded September 21, 1994 as Instrument No. 94-390051 of Official Records. (Affects Parcels A, B and C)

20. A financing statement recorded September 21, 1994 as Instrument No. 94-390506 of Official Records. Debtor: Desert Valley Hospital, Inc.; Secured Party: Medical Equipment Finance Company. According to the public records, the security interest of the secured party was assigned to The First National Bank of Chicago, as Agent by document recorded May 17, 1995 as Instrument No. 95-173503 of Official Records. According to the public records, the

security interest of the secured party was assigned to The First National Bank of Chicago as Agent by document recorded October 8, 1996 as Instrument No. 96-372490 of Official Records. According to the public records, the security interest of the secured party was assigned to U.S. Bank Trust N.A. as Custodian or Trustee by document recorded June 25, 1999 as Instrument No. 99-270994 of Official Records. A continuation statement was recorded July 21, 1999 as Instrument No. 99-303575 of Official Records. (Affects Parcels A, B and C)

21. A document entitled "Landlord's/Mortgagee's Waiver" recorded October 14, 1994 as Instrument No. 94-421817 of Official Records. (Affects Parcels A, B and C)

22. A financing statement recorded October 27, 1994 as Instrument No. 94-438030 of Official Records. Debtor: Desert Valley Hospital, Inc.; Secured Party: Medical Equipment Finance Company. According to the public records, the security interest of the secured party was assigned to The First National Bank of Chicago, as Agent by document recorded May 17, 1995 as Instrument No. 95-173501 of Official Records. According to the public records, the security interest of the secured party was assigned to U.S. Bank Trust N.A. as Custodian or Trustee by document recorded June 25, 1999 as Instrument No. 99-270993 of Official Records. A continuation statement was recorded August 23, 1999 as Instrument No. 19990357609 of Official Records. (Affects Parcels A, B and C)

23. A financing statement recorded November 21, 1994 as Instrument No. 94-465696 of Official Records. Debtor: Desert Valley Hospital, Inc.; Secured Party: Medical Equipment Finance Company. According to the public records, the security interest of the secured party was assigned to Bankers Trust Company, as Trustee by document recorded December 12, 1995 as Instrument No. 95-425470 of Official Records. A continuation statement was recorded September 22, 1999 as Instrument No. 19990399066 of Official Records. According to the public records, the security interest of the secured party was assigned to U.S. Bank Trust N.A. as Custodian or Trustee by document recorded December 7, 1999 as Instrument No. 19990501959 of Official Records. (Affects Parcels A, B and C)

24. The effect of a map purporting to show the land and other property, filed in Book 94, Page 92 of Record of Surveys.

25. The effect of a map purporting to show the land and other property, filed in Book 176, Page 38 and 39 of Parcel Maps.

26. The effect of a map purporting to show the land and other property, filed in Book 173, Page 63 to 65 of Parcel Maps.

27 The terms and provisions contained in the document entitled "Amended and Restated Reciprocal Easement Agreement" recorded July 26, 1993 as Instrument No. 93-316424 of Official Records.

28. Covenants, conditions, restrictions and easements in the document recorded July 26, 1993, as Instrument No. 93-316425 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status. (Affects Parcel C)

29. Abutter's rights of ingress and egress to or from Bear Valley Road have been dedicated or relinquished on the filed Map. (Affects Parcel C)

30. A financing statement recorded September 6, 1994 as instrument No. 94-390507 of Official Records. Debtor: Desert Valley Hospital Inc.; Secured Party: Medical Equipment Finance Company. According to the public records, the security interest of the secured party was assigned to Bankers Trust Company, as Trustee by document recorded May 17, 1995 as Instrument No. 95-173499 of Official Records.

31. A partial release of a financing statement recorded August 11, 1995 as instrument No. 95-276953 of Official Records. Debtor: Desert Valley Hospital Inc.; Secured Party: Bankers Trust Co.

32. A financing statement recorded November 14, 1994 as instrument No. 94-457501 of Official Records. Debtor: Desert Valley Hospital Inc.; Secured Party: Medical Equipment Finance Company.

33. The fact that the land lies within the boundaries of the City of Victorville Redevelopment Project Area, as disclosed by various documents of record.

34. Water rights, claims or title to water, whether or not shown by the public records.

35. Rights of parties in possession.

36. Any facts, rights, interests or claims which would be disclosed by a current ALTA/ACSM survey.

37. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.

EXHIBIT C

1. Standard Multi-Tenant Office Lease-Gross dated January 1, 2001, between Desert Valley Hospital, Inc., as Lessor, and Desert Valley Medical Group, Inc., as Lessee, as amended by that certain First Amendment to Lease effective October 1, 2004, and that certain Second Amendment to Lease dated February ____, 2005.

2. Lease dated March 4, 1997, between Desert Valley Hospital, Inc., as Lessor, and PrimeMed Pharmacy Services, Inc. D/B/A PrimeMed, as Lessee (which lease is executed by PrimeCare International, Inc., a Delaware corporation), as assigned to Network Pharmaceuticals, Inc. by that certain assignment of lease entered into effective on and as of the 25th day of March, 2001, as amended by that certain First Amendment to Lease dated February ____, 2005.

PURCHASE AND SALE AGREEMENT

BY AND AMONG

MPT OPERATING PARTNERSHIP, L.P.
("MPT"), AND

MPT OF BUCKS COUNTY HOSPITAL, L.P.
("MPT HOSPITAL");

AND

BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC,
(THE "SELLER"),

JEROME S. TANNENBAUM, M.D., ("TANNENBAUM")

AND

M. STEPHEN HARRISON ("HARRISON")
(COLLECTIVELY, THE "PRINCIPALS"), AND

DSI FACILITY DEVELOPMENT LLC,
A DELAWARE LIMITED LIABILITY COMPANY
("DEVELOPER")

DATED AS OF MARCH 3, 2005

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of March 3, 2005, by and among MPT OPERATING PARTNERSHIP, L.P. ("MPT") and MPT OF BUCKS COUNTY HOSPITAL, L.P. ("MPT Hospital"), each a Delaware limited partnership; and BUCKS COUNTY ONCOLPLASTIC INSTITUTE, LLC, a Delaware limited liability company (the "Seller"), JEROME S. TANNENBAUM, M.D. ("Tannenbaum"), and M. STEPHEN HARRISON ("Harrison"), each a resident of the State of Tennessee (each a "Principal" and, collectively, the "Principals"), and DSI FACILITY DEVELOPMENT LLC, a Delaware limited liability company (the "Developer").

WITNESSETH:

WHEREAS, the Seller plans to enter into an Agreement of Sale (the "Real Estate Sales Contract") with Glenview Land Holdings, L.P. ("Glenview"), relating to the purchase and sale of the Hospital Real Property (as hereinafter defined) and the MOB Real Property (as hereinafter defined) (collectively the "Real Property");

WHEREAS, MPT has caused MPT Hospital to be formed for the purpose of acquiring the Real Property and developing, constructing and leasing the same and the Improvements (as hereinafter defined) to the Seller;

WHEREAS, the Seller desires to assign the right to acquire the Real Property pursuant to the Real Estate Sales Contract to MPT Hospital and MPT Hospital desires to accept said assignment and assume the Seller's obligations with respect thereto;

WHEREAS, MPT Hospital desires to engage the Developer to develop the Real Property and construct the Improvements thereon pursuant to the terms of the Development Agreement;

WHEREAS, the Seller desires to lease from MPT Hospital the Real Property and all Improvements now or hereafter located thereon (the "Lease"); and

WHEREAS, the parties desire to provide for the advancement of certain funds by MPT or its Affiliates to Seller pending the Closing (as herein defined) upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I
DEFINED TERMS

SECTION 1.1 CERTAIN DEFINED TERMS. Capitalized terms used herein shall have the respective meanings ascribed to them in this Section 1.1.

"Affiliate" shall have the meaning set forth in Section 13.7(i).

"Agreement" means this Agreement, and all Exhibits and Schedules hereto.

"Assets" shall have the meaning set forth in Section 2.1.

"Balance Sheet Date" shall have the meaning set forth in Section 3.5 hereof.

"Business" means the Seller's lease and operation of the Hospital and the MOB and the engagement in and pursuit and conduct of any business ventures or activities reasonably related thereto.

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

"Claim" shall have the meaning set forth in Section 3.3 hereof.

"Closing" shall have the meaning set forth in Section 8.1 hereof.

"Closing Date" shall have the meaning set forth in Section 8.1 hereof.

"Code" means the United States Internal Revenue Code of 1986, as amended through the date hereof, and all regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Commitment Amount" means the approximate amount of Thirty Eight Million and No/100 Dollars (\$38,000,000); provided however, the total Commitment Amount shall not exceed the lesser of (i) the appraised value of the Real Property and the Improvements, (ii) the replacement cost of the Hospital and the MOB, or (iii) an amount that gives an EBITDAR coverage based on the Base Rent (as defined in the Lease) of at least two hundred percent (200%).

"Commitment Fee" shall have the meaning set forth in Section 8.5 hereof, as amended.

"Commitment Letter" means that certain Commitment Letter dated October 21, 2004, by and among Medical Properties Trust, Inc., MPT and the Seller, as amended.

"Company" means MPT Hospital.

"Company Instruments" shall have the meaning set forth in Section 5.2 hereof.

"Confidentiality Agreement" means that certain Confidentiality Agreement dated August 8, 2004, by and among the Seller, MPT, Medical Properties Trust, Inc. and the Developer.

"Contracts" shall have the meaning set forth in Section 3.14 hereof.

"Conveyance Documents" shall have the meaning set forth in Section 2.5 hereof.

"Damages" means demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, attorneys' and accountants' fees, settlement costs,

arbitration costs and any other reasonable expenses for investigating or defending any Claim or threatened Claim).

"Developer" means DSI Facility Development LLC, a Delaware limited liability company.

"Developer Balance Sheet Date" shall have the meaning set forth in Section 4.4 hereof.

"Development Agreement" means the Development Agreement between MPT Hospital and Developer.

"Effective Date" shall mean the date upon which all of the parties hereto have executed this Agreement.

"EBITDAR" means earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP, or the meaning as set forth in the Lease.

"Environmental Claim" means any claim, action, cause of action, investigation or notice (written or oral) by any Person alleging actual or potential liability for investigatory, cleanup or governmental response costs, or natural resources or property damages, or personal injuries, attorney's fees or penalties relating to (i) the presence, or release into the environment, of any Hazardous Materials at any location owned or operated by the Seller or any Affiliate of the Seller, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Law" means each federal, state, local and foreign law and regulation relating to pollution, protection or preservation of human health or the environment including ambient air, surface water, ground water, land surface or subsurface strata, and natural resources, and including each law and regulation relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacturing, processing, distribution, use, treatment, generation, storage, containment (whether above ground or underground), disposal, transport or handling of Hazardous Materials, or the preservation of the environment or mitigation of adverse effects thereon and each law and regulation with regard to record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials, including, without limitation, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, in each case as amended from time to time and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

"Excluded Liabilities" shall have the meaning set forth I Section 2.3 hereof.

"GAAP" means United States generally accepted accounting principles.

"Glenview" shall have the meaning set forth in the recitals to this Agreement.

"Governing Documents" means, with respect to any Person, such Person's charter, articles or certificate of incorporation, bylaws, limited partnership agreement, limited liability company agreement, stockholders' agreement or other documents or instruments which establish the rules, procedures and rights with respect to such Person's governance, in each case as amended, restated, supplemented and/or modified and in effect as of the relevant date.

"Governmental Entity" means any national, federal, regional, state, provincial, municipal, foreign or multinational court or other governmental or regulatory authority, administrative body or government, department, board, body, tribunal, instrumentality or commission of competent jurisdiction.

"Government Programs" shall have the meaning set forth in Section 3.16 hereof.

"Harrison" shall mean M.Stephen Harrison, a resident of the State of Tennessee.

"Hazardous Materials" means any substance deemed hazardous under any Environmental Law, including, without limitation, asbestos or any substance containing asbestos, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, lead and lead-based paints, radon, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic wastes, materials or substances under any Environmental Law.

"Healthcare Fraud Laws" shall have the meaning set forth in Section 3.17(a) hereof.

"HIPAA" shall have the meaning set forth in Section 10.2 hereof.

"Hospital" means the hospital facility and related Hospital Improvements to be constructed on the Hospital Real Property pursuant to the Development Agreement.

"Hospital Bill of Sale" shall have the meaning set forth in Section 8.2(a) hereof.

"Hospital Development Costs" means any amount or cost required to be invested, contributed, expended, and/or incurred by MPT Hospital, its general and/or limited partners and all of their Affiliates from time to time, including costs overruns, in connection with, as applicable, the acquisition, development, construction and lease of the Hospital Real Property, the Hospital Improvements and the Hospital, whether pursuant to the Hospital Development Agreement or otherwise in connection with the transactions contemplated by this Agreement.

"Hospital Improvements" means all buildings, improvements, structures and fixtures, including, without limitation, landscaping, parking lots and structures, roads, drainage and all above ground and underground utility structures, equipment systems and other so-called "infrastructure" improvements and all other improvements constructed for use or used in connection with the Hospital.

"Hospital Real Property" means those certain parcels of land more particularly described on Exhibit A attached hereto.

"Improvements" means the Hospital Improvements and the MOB Improvements.

"Indebtedness" of any Person means, without duplication, (a) all liabilities and obligations, contingent or otherwise, of any such Person: (i) in respect of borrowed money (whether secured or unsecured), (ii) under conditional sale or other title retention agreements relating to property or services purchased and/or sold by such Person, (iii) evidenced by bonds, notes, debentures or similar instruments, (iv) for the payment of money relating to a capitalized lease obligation, (v) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit, (vi) pursuant to any guarantee, or (vii) secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) a Lien on the assets or property of such Person, and (b) all liabilities and obligations of others of the kind described in the preceding clause (a) and otherwise that (i) such Person is responsible or liable for, directly or indirectly, as obligor, guarantor, surety or otherwise, or (ii) which are secured by a Lien on any of the assets or property of such Person.

"Indemnified Party" shall have the meaning set forth in Section 11.3(a) hereof.

"Indemnifying Party" shall have the meaning set forth in Section 11.3(a) hereof.

"Intangible Property" shall have the meaning set forth in Section 3.21 hereof.

"JCAHO" shall have the meaning set forth in Section 10.1 hereof.

"Knowledge" means, with respect to any Person, such Person's actual or deemed knowledge of a particular fact or matter if (i) any of such Person's officers or directors (or Persons possessing and/or exercising similar authority with respect to such Person) (a Person's "Knowledge Group") has actual knowledge of such fact or matter; or (ii) any of such Person's Knowledge Group would reasonably be expected to discover or otherwise become aware of such fact or matter after conducting a reasonably diligent inquiry.

"Law" means any federal, state or local statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Entity or otherwise, including, without limitation, any judicial or administrative order, consent, decree or judgment.

"Lease" shall mean set forth in the recital of this Agreement.

"Liability Threshold" shall have the meaning set forth in Section 11.5(a) hereof.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, lien (statutory or otherwise) or preference, security interest or other encumbrance of any kind or nature whatsoever.

"LOI Deposit" shall have the meaning set forth in Section 8.5 hereof.

"Loan Documents" shall have the meaning set forth in Section 2.5 hereof.

"Material Adverse Effect" means any changes, event(s), occurrence(s) or effect(s), whether direct or indirect, that, both before and after giving effect to the transactions contemplated by this Agreement, could, individually or in the aggregate, reasonably be expected to have a material adverse effect on (i) the Seller's business, properties, results of operations, assets, revenue, income, condition (financial or otherwise) or ability to timely satisfy its obligations or liabilities (whether absolute or contingent) (ii) the Assets, or (iii) the conduct of the Business or the Seller's ability to perform its obligations under, and/or consummate the transactions contemplated by, this Agreement within the time periods specified herein.

"Medicaid" shall have the meaning set forth in Section 3.16 hereof.

"Medicare" shall have the meaning set forth in Section 3.16 hereof.

"MOB" means the medical office building and related MOB Improvements to be constructed on the MOB Real Property pursuant to the MOB Development Agreement.

"MOB Bill of Sale" shall have the meaning set forth in Section 8.2(b) hereof.

"MOB Development Costs" means any amount or cost required to be invested, contributed, expended and/or incurred by MPT MOB and its general and/or limited partners and all of their Affiliates from time to time, including cost overruns, in connection with, as applicable, the acquisition, development, construction and lease of the MOB Property, the MOB Improvements and the MOB, whether pursuant to the Development Agreement or otherwise in connection with the transactions contemplated by this Agreement.

"MOB Improvements" means all buildings, improvements, structures and fixtures, including, without limitation, landscaping, parking lots and structures, roads, drainage and all above ground and underground utility structures, equipment systems and other so-called "infrastructure" improvements and all other improvements constructed for use or used in connection with the MOB.

"MOB Real Property" means those certain parcels of land more particularly described on Exhibit B.

"MPT" means MPT Operating Partnership, L.P., a Delaware limited partnership.

"MPT Damages" means all Damages which are subject to indemnification by the Seller and the Developer pursuant to Section 11.1 hereof.

"MPT Hospital" means MPT of Bucks County Hospital, L.P., a Delaware limited partnership.

"MPT Indemnified Parties" shall have the meaning set forth in Section 11.1 hereof.

"Mortgage Alternative" shall have the meaning set forth in Section 2.5 hereof.

"Non-Prevailing Party" means, with respect to any claim between any parties to this Agreement, such party determined as the non-prevailing party by a court with proper jurisdiction.

"Obligation" shall have the meaning set forth in Section 6.10 hereof.

"Operational Date" means the date on which the construction of the Hospital is, in accordance with the terms of the Hospital Development Agreement, substantially complete.

"Ordinary Course of Business" means, with respect to any Person, any action that: (a) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person; (b) does not require authorization by the board of directors, shareholders, limited partners or members of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other special authorization of any nature; or (c) is similar in nature, scope and magnitude to actions customarily taken, without any special authorization, in the ordinary course of the normal, day-to-day operations of other Persons that are in the same line of business as such Person.

"Permits" shall have the meaning set forth in Section 3.15 hereof.

"Person" means an individual, a corporation, a limited liability company, a general or limited partnership, an unincorporated association, a joint venture, a Governmental Entity or another entity or group.

"Physicians" shall have the meaning set forth in Section 3.9 hereof.

"Preliminary Advances" shall have the meaning set forth in Section 6.10 hereof.

"Preliminary Fee" shall have the meaning set forth in Section 8.5 hereof.

"Principals" shall mean, collectively, Harrison and Tannenbaum.

"Purchaser" shall mean, collectively, the Company.

"Real Property" means and includes all of the Hospital Real Property described on Exhibit A and all of the MOB Real Property described on Exhibit B upon which the Hospital and the MOB, respectively, will be constructed.

"Review Period" shall have the meaning set forth in Section 6.2 hereof.

"Search Reports" means reports of searches made of the uniform commercial code records of the county in which the Real Property is located, and of the office of the secretary of state of the state in which the Real Property is located and in the state in which the principal office of the Seller is located.

"Seller" means Bucks County Oncoplastic Institute, LLC, a Delaware limited liability company.

"Seller Damages" means all Damages which are subject to indemnification by MPT pursuant to Section 11.2 hereof.

"Seller Indemnified Parties" shall have the meaning set forth in Section 11.2 hereof.

"Seller Instruments" shall have the meaning set forth in Section 3.2 hereof.

"Seller Party" and "Seller Parties" shall have the meaning set forth in Section 3.16 hereof.

"Service Provider" means any Person who has rendered or is rendering services to or on behalf of any of the Seller Parties.

"Special Purpose Entity" means an entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Real Property and conducting the operation of the Business, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership and/or leasing all or any portion of the Real Property and the operation of the Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest which it owns in the Real Property and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by the Lease or arising in the ordinary course of the Business and does not guarantee or otherwise obligate itself with respect to the debts of any other Person, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets) and (vii) holds itself out as being a company separate and apart from any other entity, (viii) maintains all corporate formalities independent of any other entity.

"Subsidiary" means, with respect to any Person, any Person of which fifty percent (50%) or more of the total voting power of the voting securities is owned or controlled (as defined in the definition of "Affiliate" above), directly or indirectly, by such Person.

"Tannenbaum" means Jerome S. Tannenbaum, M.D., a resident of the State of Tennessee.

"Taxes" means any and all taxes, charges, fees, levies or other assessments, including, without limitation, any and all income, gross receipts, excise, real and personal property (including leaseholds and interests in leaseholds), sales, use, occupation, transfer, license, ad valorem, gains, profits, gift, minimum estimated, alternative minimum, social security, unemployment, disability, premium, recapture, credit, payroll, withholding, severance, stamp, capital stock, value added leasing, franchise and other taxes or similar charges of any kind including any interest and penalties on or additions thereto or attributable to any failure to comply with any requirement regarding any Tax Return (as hereinafter defined).

"Tax Return" means any return, declaration, filing, report, claim for refund or information return or other statement relating to Taxes (whether filed with or submitted to, or required to be filed with or submitted to, any Governmental Entity), including any schedule or attachment thereto, and including any amendment or extension thereof.

"Tax Structure" shall have the meaning set forth in Section 6.3 hereof.

"Tax Treatment" shall have the meaning set forth in Section 6.3 hereof.

"Tenant" means the lessees or tenants under the Tenant Leases, if any.

"Tenant Leases" shall have the meaning set forth in Section 3.11(b) hereof.

"Third Party Claim" shall have the meaning set forth in Section 11.3 hereof.

"Total Development Costs" means the aggregate amount invested, contributed, expended and/or incurred in connection with the acquisition, development, construction and lease, as applicable, of the Real Property, the Hospital and the MOB.

ARTICLE II
ASSIGNMENT OF REAL ESTATE SALES CONTRACT

SECTION 2.1 ASSIGNMENT. Based upon the representations and warranties of the Seller and the Developer as set forth herein, and upon the terms and conditions set forth in this Agreement, on the Closing Date (or, in the case of the assignments of the Real Estate Sales Contract described in Sections 2.1(a) and 2.1(b) below, as soon as practicable following the date hereof, the Seller shall sell, assign and transfer certain assets of the Seller as provided in this Section 2.1 (the "Assets"):

(a) The Seller shall sell, assign and transfer to MPT Hospital and MPT Hospital shall purchase from the Seller, all of the Seller's right, title and interest in and to the Real Estate Sales Contract as it relates to the Hospital Real Property, and, in addition, the following assets:

(i) all of the Seller's right, title and interest in and to site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Hospital Real Property or the Hospital Improvements, all warranties and guarantees covering the Hospital Real Property or the Hospital Improvements, and all existing permits, approvals, licenses, contracts and applications which pertain to or affect the Hospital Real Property or the Hospital Improvements (other than any operating permits);

(ii) all of the Seller's right, title and interest in and to all causes of action, claims and rights in litigation (or which could result in litigation against any party) pertaining or relating to the Hospital Real Property or the Hospital Improvements (including, without limitation, any causes of action, claims or rights in litigation or other rights related to or arising under the Real Estate Sales Contract of any other contract respecting the Hospital Real Property or the Hospital Improvements); and

(iii) those assets listed and described on Exhibit C hereto.

(b) The Seller shall sell, assign and transfer to MPT MOB and MPT MOB shall purchase from the Seller, all of the Seller's right, title and interest in and to the Real Estate Sales Contract as it relates to the MOB Real Property, and, in addition, the following assets:

(i) all of the Seller's right, title and interest in and to site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the MOB Real Property or the MOB Improvements, all warranties and guarantees covering the MOB Real Property or the MOB Improvements, and all existing permits, approvals, licenses, contracts and applications which pertain to

or affect the MOB Real Property or the MOB Improvements (other than any operating permits);

(ii) all of the Seller's right, title and interest in and to all causes of action, claims and rights in litigation (or which could result in litigation against any party) pertaining or relating to the MOB Real Property or the MOB Improvements (including, without limitation, any causes of action, claims or rights in litigation or other rights related to or arising under the Real Estate Sales Contract or any other contract respecting the MOB Real Property or the MOB Improvements); and

(iii) those assets listed and described on Exhibit D hereto.

SECTION 2.2 CONSIDERATION. In consideration for the transfer of the Assets, the Company shall assume and agree to perform in accordance with its terms, all of the Seller's obligations under the Real Estate Sales Contract.

SECTION 2.3 NO ASSUMPTION OF LIABILITIES. Notwithstanding anything in this Agreement to the contrary, except for the obligations under the Real Estate Sales Contract, as specifically set forth in Schedule 2.3 attached hereto, MPT and the Company shall not assume or agree to pay, satisfy, discharge or perform, and shall not be deemed by virtue of the execution and delivery of this Agreement or any other document delivered at the Closing pursuant to this Agreement, or as a result of the consummation of the transactions contemplated by this Agreement or such other document, to have assumed, or to have agreed to pay, satisfy, discharge or perform, and shall not be liable for, any liability, obligation, contract or Indebtedness of any Seller Party or any other Person, whether primary or secondary, direct or indirect, including, without limitation, any liability or obligation relating to the ownership, use or operation of the Assets prior to Closing, any liability or obligation arising out of or related to any breach, default, tort or similar act committed by any Seller Party (including, without limitation, any breach, default or violation of the Real Estate Sales Contract by any Seller Party) or for any failure of any Seller Party to perform any covenant or obligation for or during any period prior to Closing (collectively, the "Excluded Liabilities").

SECTION 2.4 SPECIAL PURPOSE ENTITIES. The Seller is a Special Purpose Entity with the meaning described in Section 1.1 of this Agreement.

SECTION 2.5 ALTERNATIVE STRUCTURE. The parties acknowledge and agree that, at MPT's option, in lieu of a lease arrangement from Closing and throughout the construction phase of the transaction, the transaction contemplated hereby shall be structured as a construction loan and mortgage, with Seller owning the Real Property during such construction phase and MPT and the Company acting as mortgage lender during such construction phase. If MPT exercises such option, then all loan agreements, mortgages, security agreements and other documentations (the "Loan Documents") shall be structured in a manner to provide MPT and the Company with the same protection as if the transaction was structured in a lease arrangement during the construction phase (the foregoing alternative structure being referred to herein as the "Mortgage Alternative"). In the event that MPT elects to exercise the Mortgage Alternative option, it shall notify Seller no later than thirty (30) days prior to the Closing Date and, in such event, the parties shall execute at Closing the Loan Documents along with these and other conveyance documents

(the "Conveyance Documents") which Conveyance Documents shall be placed in escrow and shall provide for the conveyance of the constructive Real Property from Seller to the Company in exchange for a purchase price equal to the principal amount of any outstanding indebtedness evidenced by the Loan Documents. The Loan Documents and Conveyance Documents shall be in form and substance mutually acceptable to the parties.

ARTICLE III
REPRESENTATIONS, WARRANTIES AND COVENANTS
OF THE SELLER

With the understanding that MPT and the Company shall rely hereon, and as a material inducement to MPT and the Company to enter into this Agreement and the Development Agreement, the Seller hereby represents, warrants and covenants to MPT and the Company as of the date hereof and as of the Closing Date as follows:

SECTION 3.1 ORGANIZATION. The Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and the Seller is duly registered as a foreign company in good standing under the laws of (i) the Commonwealth of Pennsylvania; and (ii) each jurisdiction in which the nature of the business conducted, or the assets owned, operated and/or leased, by the Seller requires or makes such qualification necessary. Schedule 3.1 attached hereto sets forth the ownership of the Seller and, except as set forth therein, no other Person has, and the Seller has not offered to any Person, any equity interest in the Seller or any option, warrant or other right to acquire the same.

SECTION 3.2 AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. The Seller has the requisite corporate power and authority to conduct its business as it is now being conducted and as proposed to be conducted and to execute, deliver and carry out the terms of this Agreement, all documents and agreements necessary to give effect to the provisions of this Agreement, including the Lease, and to consummate the transactions contemplated hereby and thereby. All corporate actions required to be taken by the Seller to authorize the execution, delivery and performance of this Agreement, the Lease, as well as all documents, agreements and instruments executed by the Seller which are necessary to give effect thereto (collectively, the "Seller Instruments") and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained in accordance and in compliance with the Seller's Governing Documents. No other action on the part of the Seller or the Seller's directors or equity owners is necessary to authorize the execution, delivery and performance of this Agreement, the Lease, the Seller Instruments and all transactions contemplated hereby and thereby. This Agreement, the Seller Instruments and all agreements to which the Seller will become a party hereunder, including the Lease, are and will constitute the valid and legally binding obligations of the Seller, and are and will be enforceable against the Seller in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law) and by agreement of the parties as set forth herein.

SECTION 3.3 ABSENCE OF CONFLICTS. The Seller's execution, delivery and performance of this Agreement, the Lease and the Seller Instruments, and the consummation of the transactions contemplated hereby and thereby (including, without limitation, the assignment of the Real Estate Sales Contract) will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of the Seller's Governing Documents; (ii) violate or conflict with any provision of any Law to which the Seller or any of its equity owners is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to the Seller; (iv) result in or cause the creation of a Lien on the Real Property or any of the Assets; or (v) except as disclosed on Schedule 3.3, result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any indenture, mortgage, deed of trust, contract, agreement or other instrument to which the Seller is a party or by which the Seller or any of the Assets is bound.

SECTION 3.4 CONSENTS AND APPROVALS. Except as set forth on Schedule 3.4 attached hereto, no license, permit, qualification, order, consent, authorization, approval or waiver of, or registration, declaration or filing with, or notification to, any Governmental Entity or other Person is required to be made or obtained by or with respect to the Seller in connection with the execution, delivery and performance of this Agreement, the Lease or the Seller Instruments, or the consummation of the transactions contemplated hereby or thereby (including, without limitation, the assignment of the Real Estate Sales Contract).

SECTION 3.5 FINANCIAL STATEMENTS. The Seller has previously disclosed to MPT the financial condition of the Seller as of March 3, 2005 (the "Balance Sheet Date"), it being understood that Seller is a newly-formed entity with no financial or operating history.

SECTION 3.6 NO UNDISCLOSED LIABILITIES. Except as set forth on Schedule 3.6 attached hereto, the Seller has no liabilities or obligations, whether absolute, accrued, contingent or otherwise, including any potential future liability arising out of acts or omissions which have already occurred, which are not fully and accurately reflected or reserved against in the Balance Sheet except for liabilities or obligations that may have arisen in the Ordinary Course of Business since the Balance Sheet Date (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement or violation of law), and no Seller Party has any knowledge of any fact, condition or circumstance which could form the basis of any Claim in respect of any such liability or obligation.

SECTION 3.7 NO DEFAULT UNDER THE REAL ESTATE SALES CONTRACT. The Seller will provide a true and correct copy of the Real Estate Sales Contract to MPT. The Real Estate Sales Contract, when executed, will be the valid and legally binding obligation of the Seller and Glenview enforceable against them in accordance with its terms. The Real Estate Contract may by its terms be freely assigned by the Seller to the Company in the manner described herein.

SECTION 3.8 ABSENCE OF CHANGES. Except as set forth on Schedule 3.8 attached hereto, since the Balance Sheet Date, the Seller has:

(a) except as otherwise provided in this Agreement, conducted its business only in the Ordinary Course of Business;

(b) not suffered any change, event or circumstance which has had, or would be reasonably expected to have, a Material Adverse Effect;

(c) preserved its legal existence and retained its business organization intact;

(d) paid or satisfied all of its material debts, liabilities or obligations as the same became due;

(e) timely made all applicable filings with Governmental Entities;

(f) not mortgaged, pledged, subjected to Lien, charged, encumbered or granted a security interest in or to any of its assets (including, without limitation, the Real Property);

(g) not suffered any material damage, destruction or loss (whether or not covered by insurance) affecting any of its assets;

(h) not made or suffered any change to its Governing Documents;

(i) maintained its books and records in accordance with GAAP, consistent with past practices;

(j) not agreed or offered, whether in writing or otherwise, to take, and neither the Seller nor its stockholders, directors or officers have authorized the taking of, any action described in Section 3.8(a) through Section 3.8(i) above.

SECTION 3.9 PHYSICIANS. Schedule 3.9 sets forth the names of all of the physicians who are shareholders, directors or officers of the Seller or who will be admitted to the staff of the Hospital (the "Physicians").

SECTION 3.10 TAXES. The Seller has filed or caused to be filed all Tax Returns of the Seller which have become due (taking into account valid extensions of time to file) prior to the date hereof. Such Tax Returns are accurate and complete in all material respects, and the Seller has paid or caused to be paid all Taxes for the periods covered by such Tax Returns, whether or not shown to be due on such Tax Returns. There are (i) no outstanding Liens for any Taxes that have been filed by any Governmental Entity against the Seller or the Business, any of the Assets or the other assets of the Seller (other than for ad valorem taxes not yet due and payable), and (ii) no claims being asserted in writing with respect to any Taxes relating to the Seller, the Real Property, the Business, any of the Assets or any other assets of the Seller for which either of the Company could be held liable, and the Seller knows of no basis for the assertion of any such claim. To the Seller's Knowledge, the Real Property has not been classified under any designation authorized by law to obtain a special low ad valorem tax rate or to receive a reduction, abatement or deferment of ad valorem taxes which, in such case, could result in additional, catch-up or roll-back ad valorem taxes in the future in order to recover the amounts previously reduced, abated or deferred.

SECTION 3.11 REAL PROPERTY.

(a) The Seller has the right to assign all of its right, title and interest in and to the Real Estate Sales Contract, free and clear of any and all liens, mortgages and encumbrances;

(b) Schedule 3.11(b) attached hereto sets forth an accurate and complete list of all leases, subleases, commitment letters, letters of intent and other rental agreements (whether written or oral, now or hereafter in effect), if any, that grant or will grant a possessory interest in and to any space in the Real Property or that otherwise have rights with regard to the Real Property or the Improvements proposed to be constructed thereon (collectively referred to as the "Tenant Leases"). Schedule 3.11(b) designates which of the Tenant Leases described therein are with the Seller's referral sources (as determined by any of the Healthcare Fraud Laws). Schedule 3.11(b) includes amounts of the rent and security deposit, if any, for each Tenant Lease. The Seller has provided MPT with complete and correct copies of all Tenant Leases. The Seller shall provide to the Company prior to Closing Tenant Lease estoppels in form satisfactory to MPT from all Tenants under the applicable Tenant Leases. Except for the Tenant Leases and any other items listed in Schedule 3.11(b), there are no purchase contracts, leases of space, options, rights of first refusal or other written or oral agreements of any kind whereby any Person will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Real Property or the Improvements;

(c) As of the Closing, none of the Tenant Leases and none of the rents or other charges payable thereunder, if any, will have been assigned, pledged or encumbered. Except as set forth on Schedule 3.11(c) attached hereto, as of the Closing, no brokerage or leasing commissions or other compensation will be due or payable to any Person with respect to, or on account of, the Lease or any Tenant Lease or any extensions or renewals thereof, if any, excepting those agreements entered into or accepted in writing by the Company;

(d) Except as set forth in Schedule 3.11(d) attached hereto: (i) the Tenant Leases are freely assignable by the Seller to the Company, have not been modified, amended or assigned, are legally valid, binding and enforceable against the Seller (and, to the Knowledge of the Seller Parties, against the other parties thereto) in accordance with their respective terms and are in full force and effect; (ii) the terms and structure of the Tenant Leases comply with all Healthcare Fraud Laws; (iii) there are no monetary defaults and no material nonmonetary defaults by the Seller or, to the Knowledge of the Seller Parties, any other party to the Tenant Leases; (iv) the Seller has not received written notice of any default, offset, counterclaim or defense under any of the Tenant Leases; and (v) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by the Seller of the terms of any of the Tenant Leases; and

(e) To Seller's Knowledge, the existing water, sewer, gas and electricity lines, storm sewer and other utility systems are adequate to serve the utility needs of the Real Property and the operation of the Hospital and the MOB. To Seller's Knowledge, all utilities required for the operation of the Business enter the Real Property through adjoining public streets or through adjoining private land in accordance with valid public or private easements that will inure to the benefit of the Company. To Seller's Knowledge, no fact or condition exists which would result in the termination of the current access from the Real Property to any presently existing public highways or roads adjoining or situated on the Real Property or to sewer or other utility service needed to serve the Real Property for its intended use in the Business. All approvals, licenses and permits required for said utilities have been obtained and are, and will be as of the Closing, in full force and effect. All of said utilities are or will be installed as necessary during the construction of the Improvements as set forth in the Development Agreement.

SECTION 3.12 COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as set forth in Schedule 3.12 attached hereto:

(a) No Governmental Entity or any nongovernmental third party has notified the Seller, or to the Knowledge of any Seller Party, any other party, of any alleged violation or investigation of any suspected violation under the Environmental Laws in connection with the ownership or operation of the Real Property, including any litigation or cause of action alleging personal injury or property damage caused by exposure to, or the disposal, release or migration of, any Hazardous Materials. To Seller's Knowledge, the Real Property is in compliance with the Environmental Laws;

(b) With respect to the ownership and operation of the Real Property, to the Knowledge of the Seller Parties, no Hazardous Materials have been stored, disposed of or arranged for the disposal thereon, except in compliance with the Environmental Laws and there are no underground storage tanks located at, on or under the Real Property;

(c) To the Knowledge of the Seller Parties, there have been no actions, activities, circumstances, conditions, events or incidents, including, without limitation, the generation, transportation, treatment, storage, release, emission, discharge, presence or disposal of any Hazardous Materials on or from any of the Real Property that could form the basis of any Environmental Claim against the Seller or the Company;

(d) The Seller has not contractually assumed or succeeded to any liability of any direct or indirect predecessors or any other Person related or with respect to any Environmental Law; and

(e) To the Knowledge of the Seller Parties, there are no conditions presently existing on, at or emanating from the Real Property, including, without limitation, any condition created or that came into being prior to the ownership of the Real Property by the Seller, or Glenview that may result in any liability, investigation or clean-up cost under any Environmental Law.

SECTION 3.13 LITIGATION. There is no suit, action, proceeding, inquiry or investigation (a "Claim") against or involving the Seller or any of its properties or rights, pending or, to the Knowledge of the Seller Parties threatened (including, without limitation any suit, action, proceeding or investigation pursuant to Title 11 of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act of 1993, or any other federal, state or local law regulating employment) nor to the Knowledge of the Seller Parties are there any facts which might result in any such Claim. Except as set forth on Schedule 3.13 attached hereto, there is no judgment, decree, injunction, rule or order of any Governmental Entity or any other Person (including, without limitation, any arbitral tribunal) outstanding against the Seller and the Seller is not in violation of any term of any judgment, decree, injunction or order outstanding against it. Furthermore, there is no Claim by or before any Governmental Entity or other Person pending or, to the Knowledge of the Seller Parties, threatened which questions or challenges the validity of this Agreement or any action taken or to be taken by the Seller pursuant to this Agreement or in connection with the transactions contemplated hereby, and, to the Knowledge of the Seller, there is no basis for any such Claim.

SECTION 3.14 CONTRACTS, OBLIGATIONS AND COMMITMENTS. Schedule 3.14 attached hereto sets forth a list of all contractual agreements, whether written or oral, or relating to or affecting the assets or the operation of the Business to which the Seller is a party (the "Contracts"). The Seller has provided to MPT complete and correct copies of all of the Contracts. Except as set forth on Schedule 3.14, (i) the Contracts are legally valid, binding and enforceable against the Seller (and, to the best of the Seller's Knowledge, against the other parties thereto) in accordance with their respective terms and are in full force and effect; (ii) there are no defaults by the Seller, or to the best of the Seller's Knowledge, any other party to the Contracts; (iii) the Seller has not received written notice of any default, offset, counterclaim or defense under any Contract; (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by the Seller of the terms of any Contract; and (v) the Contracts are in compliance with Healthcare Fraud Laws.

SECTION 3.15 LICENSES. Schedule 3.15 attached hereto sets forth a current, complete and accurate list of all licenses, permits, certificates of need and other authorizations of Governmental Entities (the "Permits") which will be required for the construction and development of the Hospital and the MOB and the conduct of the Business. Except as set forth in Schedule 3.15, the Seller possesses all such Permits, such Permits are in full force and effect and true and correct copies of such Permits have been delivered to MPT. No notice from any authority in respect to, as applicable, the threatened, pending or possible denial, revocation, termination, suspension or limitation of any of the Permits has been received by any Seller Party and no Seller Party has any Knowledge of any proposed or threatened issuance of any such notice or of any grounds which would form the basis for any such notice.

SECTION 3.16 ACCREDITATION; MEDICARE AND MEDICAID; THIRD PARTY PAYORS. Except as set forth on Schedule 3.16 attached hereto, the Seller will enroll and become a provider authorized to participate without restriction under Title XVIII of the Social Security Act ("Medicare") and Title XIX of the Social Security Act ("Medicaid"), the Medicare and the Medicaid programs of the Commonwealth of Pennsylvania and the TRICARE/CHAMPUS programs (the "Government Programs"). The Seller expects to receive Medicare or Medicaid reimbursement with respect to the Hospital and to be eligible to receive payment without restriction under Medicare and Medicaid. Neither Seller nor any of the Principals or any other Person who is either an officer or director of, or directly or indirectly owns an equity interest in, the Seller (collectively, the "Seller Parties") nor, to the Seller's Knowledge, any Physician or Service Provider (i) has been excluded, suspended or debarred from, or otherwise ineligible for, participation in any Government Program including Medicare or Medicaid, or (ii) has been convicted of a criminal or civil offense related to conduct that would trigger an exclusion from any Government Program.

SECTION 3.17 HEALTHCARE REGULATORY MATTERS.

(a) Accept as described on Schedule 3.17 hereto, none of the Seller, any Seller Party or, to the Knowledge of any Seller Party, any Physician or Service Provider (i) is a party to or has received notice of the commencement of any investigation or debarment proceedings or any governmental investigation or action (including any civil investigative demand or subpoena) under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn),

the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (18 U.S.C. 1035), and Patient Inducement Statute and equivalent state statutes or any rule or regulation promulgated by a Governmental Entity with respect to any of the foregoing ("Healthcare Fraud Laws") affecting the Seller or the Business (and no grounds for any such proceeding, investigation or action exist); and (ii) is not in full compliance with all applicable Healthcare Fraud Laws.

(b) Accept as described on Schedule 3.17 hereto, none of Seller, any Seller Party or, to the Knowledge of any Seller Party, any Physician or Service Provider has ever been charged or implicated in any violation of any state or federal statute or regulation involving false, fraudulent or abusive practices relating to its participation in state or federally sponsored reimbursement programs, including but not limited to false or fraudulent billing practices. None of Seller, any Seller Party or, to the Knowledge of any Seller Party, any Physician or Service Provider has engaged in any of the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any applications for any benefit or payment under Medicare or Medicaid program; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under Medicare or Medicaid program; (iii) failing to disclose knowledge of any event affecting the initial or continued right to any benefit or payment under Medicare or Medicaid program on its own behalf or on behalf of another, with intent to secure such payment or benefit fraudulently; (iv) knowingly and willfully soliciting, paying, or receiving any remuneration (including kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (a) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (b) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid; (v) presenting or causing to be presented a claim for reimbursement for services that is for an item or service that was known or should have been known to be (a) not provided as claimed, or (b) false or fraudulent; or (vi) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact with respect to (a) a facility in order that the facility may qualify for Governmental Entity certification or (b) information to be provided under 42 USC Section 1320a-3.

(c) The Physicians' investment in and ownership of the Seller, if any, and the referral of patients to the Hospital and the Business by such Physicians do not and shall never violate any applicable Laws, including Healthcare Fraud Laws.

SECTION 3.18 HILL-BURTON OBLIGATIONS. The Seller does not have any patient care or other obligations under the Federal Hill-Burton program with respect to the operation of the Hospital.

SECTION 3.19 MEDICAL STAFF MATTERS. Except as set forth in Schedule 3.19 attached hereto, there are no pending or, to the Knowledge of any Seller Party, threatened appeals, challenges, disciplinary or corrective actions, or disputes involving applicants to the medical staff of the

Hospital. For confidentiality purposes, all persons identified on Schedule 3.19 are identified by a Hospital-assigned number rather than name. True and correct copies of Medical Staff Bylaws of the Hospital, the Hospital's Medical Staff Rules and Regulations, and the Hospital's Medical Staff Hearing Procedures, all as proposed to be in effect following completion of the Improvements, have been previously delivered by the Seller to MPT.

SECTION 3.20 COMPLIANCE WITH LAW. The Seller (a) is in material compliance with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of the Business and its ownership and use of its assets, and no event has occurred or circumstance exists which (without notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree; and (b) has timely made or given all filings and notices required to be made by the Seller with the regulatory agencies of any Governmental Entity.

SECTION 3.21 INTANGIBLE PROPERTY. A true and complete list of the trademarks, service marks, and other intangible assets of the Seller to be used in the operation of the Hospital and the MOB is set forth in Schedule 3.21 (the "Intangible Property") attached hereto. The Seller owns or possesses adequate, enforceable licenses or other rights to use all of the Intangible Property, and no rights thereto have been granted to others by the Seller. Except as set forth in Schedule 3.21, all of the Intangible Property is owned or used by the Seller free and clear of all assignments, licenses, restrictions, encumbrances, charges or claims for infringement, and none is subject to any outstanding order, decree, judgment, stipulation or charge. There is no unauthorized use, disclosure, infringement or misappropriation of any of the Intangible Property by any third party. The Seller's use of the Intangible Property does not infringe upon or otherwise violate the rights of others. No one has asserted to the Seller that its use of the Intangible Property infringes upon the patents, trade secrets, trade names, trademarks, service marks, copyrights or other intellectual property rights of any other Person.

SECTION 3.22 RECORDS. True and complete copies of the Seller's Governing Documents have been delivered to MPT prior to the execution and delivery of this Agreement. The books of account, minute books, stock record books and other records of the Seller, all of which have been made available to MPT, are complete and correct. The minute books of the Seller contain records of all meetings and other corporate actions of the directors and stockholders of the Seller, and have been delivered to MPT prior to the execution and delivery of this Agreement.

SECTION 3.23 SUBSIDIARIES. Except as set forth on Schedule 3.23 attached hereto and except for the Special Purpose Entities, if created, the Seller owns no Subsidiaries.

SECTION 3.24 BROKERS. Except as set forth on Schedule 3.24 attached hereto, no Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Seller or any Seller Party.

SECTION 3.25 REPRESENTATIONS COMPLETE. The representations and warranties made by the Seller in this Agreement and the statements made in or information contained on any Schedules or certificates furnished by the Seller pursuant to this Agreement do not contain and

will not contain, as of their respective dates and as of the Closing Date, any untrue statement of a material fact, nor do they omit or will they omit, as of their respective dates or as of the Closing Date, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE DEVELOPER

With the understanding that MPT and the Company shall rely hereon, and as a material inducement to MPT and the Company to enter this Agreement and the Development Agreement, the Developer hereby represents and warrants to MPT and the Company as of the date hereof and as of the Closing Date as follows:

SECTION 4.1 ORGANIZATION. The Developer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to carry on its business in the Commonwealth of Pennsylvania as it is now being conducted, to own the assets it now owns, and to perform its obligations under this Agreement and all other documents executed by the Developer in connection with the transactions contemplated hereby. Notwithstanding the foregoing, Developer does not represent or warrant that it is licensed in the Commonwealth of Pennsylvania as a general contractor. Schedule 4.1 attached hereto sets forth the ownership of the Developer and, except as set forth therein, no other party has any equity interest in the Developer or any option, warrant or other right to acquire the same.

SECTION 4.2 AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. Provided that the Developer is not required by the Commonwealth of Pennsylvania to be licensed as a general contractor, Developer has the requisite power and authority to execute, deliver and carry out the terms of this Agreement, the Development Agreement, to consummate the transactions contemplated hereby and thereby and to conduct its businesses as now being conducted and as will be conducted in connection with this Agreement and the Development Agreement. All actions required to be taken by the Developer to authorize the execution, delivery and performance of this Agreement and the Development Agreement, all documents executed by the Developer which are necessary to give effect to this Agreement and the Development Agreement and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained. No other action on the part of the Developer is necessary to authorize the execution, delivery and performance of this Agreement or the Development Agreement, all documents necessary to give effect to this Agreement and the Development Agreement and all transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Development Agreement and the consummation of the transactions contemplated hereby and thereby will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of the Developer's Governing Documents, (ii) violate or conflict with any provision of any Law to which the Developer is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to the Developer; or (iv) result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any debt or obligation to which the Developer is a party or by which the Developer is bound.

SECTION 4.3 BINDING AGREEMENT. This Agreement and the Development Agreement constitute or will constitute the valid and legally binding obligations of the Developer, and are and will be enforceable against the Developer in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity.

SECTION 4.4 FINANCIAL STATEMENTS. Developer has previously disclosed to MPT the financial condition of Developer as of March 3, 2005 (the "Developer Balance Sheet Date"), it being understood that he developer is a newly-formed entity with no financial or operating history.

SECTION 4.5 NO UNDISCLOSED LIABILITIES. Except as set forth on Schedule 4.5 attached hereto, the Developer has no liabilities or obligations, whether absolute, accrued, contingent or otherwise, including any potential future liability arising out of acts or omissions which have already occurred, which are not fully and accurately reflected or reserved against in the Developer Balance Sheet except for liabilities or obligations that may have arisen in the Ordinary Course of Business since the Developer Balance Sheet Date (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement or violation of law) and the Developer has no Knowledge of any fact, condition or circumstance which could form the basis of any Claim in respect of any such liability or obligation.

SECTION 4.6 [INTENTIONALLY OMITTED.]

SECTION 4.7 TRADE RELATIONS. Except as set forth on Schedule 4.7 attached hereto, (i) there exists no present condition or state of facts or circumstances known to the Developer which reasonably could be expected to materially adversely affect the Developer or prevent the Developer from (A) conducting its business in substantially the same manner in which it has heretofore been conducted; or (B) timely performing all of its obligations and duties set forth in the Development Agreement; and, (ii) to the best of the Developer's Knowledge, there exists no actual or threatened termination, cancellation or limitation of, or any modification or change in, the business relationship between the Developer and any general contractor, subcontractor, vendor, customer, lender or supplier.

SECTION 4.8 COMPLIANCE WITH LAW. The Developer (a) is in material compliance with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of its business and its ownership and use of its assets, except where noncompliance would not have a material adverse effect upon the Developer's business, properties, assets, financial condition or ability to perform this Agreement or the Development Agreement, and, to the Developer's Knowledge, no event has occurred or circumstance exists which (without notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree; and (b) has timely made or given all filings and notices required to be made by the Developer with the regulatory agencies of any Governmental Entity, except where the failure to file or provide notice would not have a material adverse effect upon the Developer's business, properties, assets, financial condition or ability to perform this Agreement or the Development Agreement.

SECTION 4.9 LITIGATION. There is no Claim pending or, to the Developer's Knowledge, threatened against or affecting the Developer that has or would reasonably be expected to have a material adverse effect upon the Developer's business, properties, assets, financial condition or ability to perform this Agreement or the Development Agreement in accordance with their respective terms, or any aspect of the transactions contemplated hereby or thereby, and, to the Knowledge of the Developer, there is no basis for any such Claim.

SECTION 4.10 RECORDS. True and complete copies of the Developer's Governing Documents will be delivered to MPT prior to the Closing. The books of account, minute books, stock record books and other records of the Developer, all of which have been made available to MPT, are complete and correct. The minute books of the Developer contain records of all meetings and other corporate actions of the directors and stockholders of the Developer, and will be delivered to MPT prior to the Closing of this Agreement

SECTION 4.11 BROKERS. No Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement or the Development Agreement based upon arrangements made by or on behalf of the Developer.

SECTION 4.12 REPRESENTATIONS COMPLETE. The representations and warranties made by the Developer in this Agreement and the statements made in or information contained on any Schedules or certificates furnished by the Developer pursuant to this Agreement do not contain and will not contain, as of their respective dates and as of the Closing Date, any untrue statement of a material fact, nor do they omit or will they omit, as of their respective dates or as of the Closing Date, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF MPT AND THE COMPANIES

MPT and the Company hereby represent and warrant to the Seller as of the date hereof and as of the Closing Date as follows:

SECTION 5.1 ORGANIZATION. MPT is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware. MPT is duly qualified as a foreign limited partnership in good standing under the laws of the jurisdiction(s) in which the nature of the business conducted, or the assets owned, operated and/or leased by MPT requires or makes such qualification necessary. The Company are limited partnerships duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company are duly qualified as foreign limited partnerships in good standing under the laws of the Commonwealth of Pennsylvania.

SECTION 5.2 AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. Each of MPT and the Company has the requisite limited partnership power and authority to conduct their respective businesses as they are now being conducted and as proposed to be conducted and to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement, and to consummate the transactions

contemplated hereby and thereby. All limited partnership actions required to be taken by MPT and the Company to authorize the execution, delivery and performance of this Agreement, as well as all other documents, agreements and instruments executed and delivered by MPT and the Company which are necessary to give effect thereto (all such other documents, agreements and instruments executed and delivered by MPT being referred to herein collectively as the "MPT Instruments"; and, all such other documents, agreements and instruments executed and delivered by the Company being referred to herein collectively as the "Company Instruments") and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained in accordance and compliance with MPT's Governing Documents and the Company' Governing Documents, as applicable. No other action on the part of MPT, MPT's limited and/or general partners, the Company, or the Company' limited and/or general partners, is necessary to authorize the execution, delivery and performance of this Agreement, the MPT Instruments, the Company Instruments and all transactions contemplated thereby. This Agreement, the MPT Instruments and the Company Instruments are and will constitute the valid and legally binding obligations of MPT and the Company, as applicable, and are and will be enforceable against MPT and the Company, as applicable, in accordance with their respective terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 5.3 ABSENCE OF CONFLICTS. The execution, delivery and performance of this Agreement by MPT and the Company, the execution, delivery and performance of the MPT Instruments by MPT, the execution, delivery and performance of the Company Instruments by the Company, and the consummation of the transactions contemplated hereby and thereby will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of the Governing Documents of MPT or either Company; (ii) violate or conflict with any provision of any Law to which MPT or the Company are subject or (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to MPT or the Company.

SECTION 5.4 BINDING AGREEMENT. This Agreement and all agreements to which MPT and the Company will become a party hereunder constitute or will constitute the valid and legally binding obligations of MPT and the Company, as applicable, and are and will be enforceable against them in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity.

SECTION 5.5 LITIGATION. There is no Claim pending or, to MPT's Knowledge, threatened against or affecting MPT that has had or would reasonably be expected to have a material adverse effect on MPT's business, properties, assets, financial condition or ability to perform this Agreement or any aspect of the transactions contemplated hereby and, to the Knowledge of MPT, there is no basis for any such Claim. There is no Claim pending or, to the Company' Knowledge, threatened against or affecting the Company that would or would reasonably be expected to prevent or impede MPT or the Company from consummating the transactions contemplated hereby.

SECTION 5.6 POSSESSION OF PERMITS. MPT and the Company, where applicable, possess all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of any of their properties and assets, except where the failure to possess any of the foregoing would not prevent or impede MPT or the Company from consummating the transactions contemplated hereby.

SECTION 5.7 COMPLIANCE WITH LAW. MPT and the Company, where applicable (a) are in compliance with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of their businesses, and their ownership and use of their assets, except where non-compliance would not prevent or impede MPT or the Company from consummating the transactions contemplated hereby or the ability of MPT or the Company' to perform this Agreement and, to the knowledge of MPT and the Company, no event has occurred or circumstance exists which (without notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree which would prevent or impede MPT or the Company from consummating the transactions contemplated hereby; and (b) have timely made or given all filings and notices required to be made by MPT and the Company with the regulatory agencies of any Governmental Entity, except where such failure would prevent or impede MPT or the Company from consummating the transaction contemplated hereby.

SECTION 5.8 BROKERS. No Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of MPT or the Company.

SECTION 5.9 REPRESENTATIONS COMPLETE. The representations and warranties made by MPT and the Company in this Agreement and the statements made in or information contained on any Schedules or certificates furnished by MPT and the Company pursuant to this Agreement do not contain and will not contain, as of their respective dates and as of the Closing Date, any untrue statement of a material fact, nor do they omit or will they omit, as of their respective dates or as of the Closing Date, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE VI
PRE-CLOSING COVENANTS

From and after the execution and delivery of this Agreement to and including the Closing Date (unless a later date or time is specified), the applicable party shall observe the following covenants:

SECTION 6.1 NO SHOP. Neither the Seller, the Developer, any Seller Party nor any investment banker, attorney, accountant, representative or other Person retained by or on behalf of any of the foregoing, shall directly or indirectly, initiate contact with, respond to, solicit or encourage any inquiries, proposals or offers by, participate in any discussions or negotiations with, enter into

any agreement with, disclose any information concerning the Seller or the Seller's assets to, afford any access to the properties, books or records of the Seller to, or otherwise assist, facilitate or encourage, any person in connection with any possible proposal regarding a sale or lease of all or any material portion of the assets (including all or any portion of the Real Property) of the Seller or any similar transaction. The Seller shall notify MPT immediately if any discussions or negotiations are sought to be initiated, any inquiry or proposal is made, or any such information is requested.

SECTION 6.2 ACCESS. (a) Between the date hereof and the Closing (the "Review Period"), the Seller shall (i) afford MPT and its authorized representatives full and complete access to the Seller's employees, medical staff, and other agents and representatives and during normal working hours to all books, records, offices and other facilities of the Seller, (ii) permit MPT to make such inspections and to make copies of such books and records as it may reasonably require and (iii) furnish MPT with such financial and operating data and other information relating to the Seller and the Real Property as MPT may from time to time reasonably request. MPT and its authorized representatives shall conduct all such inspections under the supervision of personnel of the Seller in a manner that will minimize disruptions to the business and operations of the Seller and in a manner as to maintain the confidentiality of this Agreement. Nothing herein shall require the Seller to disclose any information to the other if such disclosure would: (A) cause significant competitive harm to its competitive position if the transactions contemplated hereby are not consummated; (B) jeopardize any attorney-client or other legal privilege; or (C) contravene any Law, fiduciary duty or binding agreement entered into prior to the date of this Agreement (including any confidentiality agreement to which it or its affiliates is a party); provided, however, that if the Seller relies on this sentence of Section 6.2 as a basis for such non-disclosure, the Seller shall nevertheless inform MPT of the general nature of the information not being disclosed and the basis for such non-disclosure.

SECTION 6.3 CONFIDENTIALITY. The provisions of the Confidentiality Agreement shall remain binding and in full force and effect until the Closing. Notwithstanding anything to the contrary contained herein or in the Confidentiality Agreement, the confidentiality obligations as they relate to the transactions contemplated by this Agreement shall not apply to the purported or claimed Federal income tax treatment of the transactions (the "Tax Treatment") or to any fact that may be relevant to understanding the purported or claimed Federal income tax treatment of the transactions (the "Tax Structure"), and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the Tax Treatment and Tax Structure of the transactions contemplated by this Agreement and any materials of any kind (including any tax opinions or other tax analyses) that relate to the Tax Treatment or Tax Structure. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to any tax matter or tax idea related to the transactions contemplated by this Agreement. The preceding sentence is intended to ensure that the transactions contemplated by this Agreement shall not be treated as having been offered under conditions of confidentiality for purposes of the Confidentiality Regulations and shall be construed in a manner consistent with such purpose. The information contained herein, in the Schedules hereto or delivered to MPT or its authorized representatives pursuant hereto shall be subject to the Confidentiality Agreement as Information (as defined and subject to the exceptions contained therein) until the Closing and, for that purpose and to that extent, the terms of the

Confidentiality Agreement are incorporated herein by reference. All obligations of MPT under the Confidentiality Agreement shall terminate simultaneously with the Closing.

SECTION 6.4 REAL ESTATE SALES CONTRACT. Seller shall not enter into the Real Estate Sales Contract without the prior approval of MPT, such approval not to be unreasonably withheld. The Seller shall provide MPT with true and correct copies of any proposed draft of, or amendment to, the Real Estate Sales Contract which is proposed by any party from and after the date hereof and any such drafts or amendments shall be subject to MPT's prior approval, such approval not to be unreasonably withheld. Subject to the terms and conditions of this Agreement, as soon as practicable following the date hereof, the Seller shall transfer and assign to the Company, and the Company shall accept and assume from the Seller, the Seller's rights and obligations under the Real Estate Sales Contract.

SECTION 6.5 REGULATORY AND OTHER AUTHORIZATIONS, NOTICES AND CONSENTS.

(a) Each party hereto shall use all commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all Governmental Entities and officials that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and each such party will cooperate fully with the other parties hereto in promptly seeking to obtain all such authorizations, consents, orders and approvals.

(b) The Seller shall give promptly such notices to third parties and use its commercially reasonable efforts to obtain such third party consents and estoppel certificates as MPT may in its sole and absolute discretion deem necessary or desirable in connection with the transactions contemplated by this Agreement, as may be or become necessary for its execution and delivery of, and performance of its obligations under, this Agreement.

(c) MPT shall cooperate and use commercially reasonable efforts to assist the Seller in giving such notices and obtaining such third party consents and estoppel certificates; provided, however, that MPT shall not have any obligation to give any guarantee or other consideration of any nature in connection with any such notice, consent or estoppel certificate which MPT in its sole and absolute discretion may deem adverse to the interests of MPT or either or the Company.

SECTION 6.6 MUTUAL COVENANTS. The parties shall use their good faith reasonable efforts to satisfy the conditions to the closing of the transactions contemplated hereby. Without limiting the generality of the foregoing, the respective parties shall execute and/or deliver, or use their respective good faith reasonable efforts to cause to be executed and/or delivered, the documents contemplated to be executed and/or delivered by them at Closing.

SECTION 6.7 SCHEDULE UPDATES. From the date hereof until the Closing Date, MPT and the Company, on one hand, and the Seller and the Developer on the other hand, shall immediately advise the other parties in writing of any additions or changes to any Schedule to reflect any deficiencies or inaccuracies in such Schedule or to reflect circumstances or matters which occur after the date of this Agreement which, if existing prior to such date, would have been required to be described in such Schedule; provided, however, that no additions or changes made to any Schedule to correct deficiencies or inaccuracies in such Schedule shall be deemed to cure any breach or inaccuracy of a representation or warranty, covenant or agreement or to satisfy any

condition unless otherwise agreed to in writing by the other parties, but provided further, however, that an addition or change made to any Schedule to reflect circumstances or matters which occur after the date of this Agreement shall be deemed to cure a breach or inaccuracy of a representation or warranty, covenant or agreement, but shall not be deemed to satisfy any condition unless agreed to in writing by the other party.

SECTION 6.8 CONDUCT OF BUSINESS BY THE SELLER PENDING THE CLOSING. The Seller covenants and agrees that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, unless MPT shall otherwise agree in writing, the Seller shall conduct the Business only in, and the Seller shall not take any action except in, the Ordinary Course of Business and in compliance in all material respects with all applicable laws and regulations, and that the Seller shall use reasonable best efforts to preserve substantially intact the business organization of the Seller, to keep available the services of the current officers, employees and consultants of the Seller and to preserve the present relationships of the Seller with medical staff, suppliers and other persons with which the Seller has significant business relations and the Seller shall not take any actions or omit to take any actions which would cause the representations and warranties described in Section 3.8 to be untrue.

SECTION 6.9 PUBLIC ANNOUNCEMENTS. Prior to the Closing Date, the parties agree to consult with each other before any party hereto or any of their respective affiliates issues any press release or makes any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any national securities exchange, will not issue, or permit to be issued, any such press release or make, or permit to be made, any such public statement prior to such consultation.

SECTION 6.10 ADVANCES. From and after the date hereof, MPT, or its Affiliates, shall make cash advances (the "Preliminary Advances") to the Seller of up to, but in no event in excess of, One Million Six Hundred Thousand and NO/100 Dollars (\$1,600,000.00) to be used for the payment of certain costs and expenses associated or incurred by the Seller in connection with the acquisition and development of the Real Property, including, without limitation, the costs and expenses of surveys, environmental, engineering and other third-party reports related to the Real Property. MPT shall make such Preliminary Advances to the Seller for the foregoing purposes within three (3) Business Days after the Seller's written request therefor, which written requests shall set forth the amount then being requested as well as a reasonably detailed description of intended application of such Preliminary Advance. MPT shall not be required to make any Preliminary Advances to the Seller if any Seller Party is in breach, default or violation of this Agreement or any other agreement to which MPT or any of its Affiliates is a party. In the event that the transactions contemplated hereby close, all Preliminary Advances shall be included within the definition of Total Development Costs under the Development Agreement and the Lease (or if the Mortgage Alternative is elected by MPT, such preliminary advances shall be added to the loan balance under the Loan Documents). In the event that the transactions contemplated hereby do not close for any reason, MPT's covenant to make the Preliminary Advances to the Seller shall terminate and be of no further force or effect, and, after any party's delivery of a notice of termination under Section 9.2, the Seller shall, within ninety (90) days following the date of such notice of termination, reimburse MPT, with interest of 10.75% (ten and seventy-five hundredths percent), with reimburse MPT for all Preliminary Advances which

have been made as of such time (such reimbursement obligation being referred to herein as the "Obligation"). The Principals are guaranteeing the Obligation as provided in Section 6.11 below.

SECTION 6.11 GUARANTEE.

(a) The Principals, jointly and severally, hereby absolutely unconditionally and irrevocably guarantee to and for the benefit of MPT and its Affiliates, the Seller's full and prompt payment and performance of the Obligation, as the same may be amended or modified from time to time, just as if the Obligation was that of the Principals directly. If the Seller does not fully perform the Obligation, the Principals shall, within five (5) Business Days after receipt of written notice from MPT, perform and pay the Obligation, as if it constituted the direct and primary obligation of the Principals. The Principals agree that MPT may, in its sole discretion, seek satisfaction of the Obligation from either or both the Seller and either of the Principals. The Obligation and liabilities of the Principals under this Section 6.11 are continuing, absolute and unconditional, shall not be subject to any counterclaim, recoupment, set-off, reduction or defense based upon any claim that the Principals may have against the Seller, MPT or any of their respective Affiliates, officers, directors, members, shareholders, employees, agents and representatives, and shall remain in full force and effect until the entire Obligation has been paid and performed in full, without regard to, and without being released, discharged, impaired, modified or in any way affected by, the occurrence from time to time of the following events, circumstances or conditions, whether or not the Principals shall have knowledge or notice thereof or shall have consented thereto:

- (i) the failure or refusal to give notice to the Principals;
- (ii) the compromise, settlement, release or termination of the Obligation;
- (iii) any consent, extension or indulgence under or in respect of any exercise or non-exercise of any right, remedy, power or privilege under or with respect to the Obligation;
- (iv) the amendment or modification of the Obligation; or
- (v) the voluntary or involuntary liquidation or dissolution of, sale or other disposition of all or substantially all of the assets of, or the marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Seller or its assets, or any action taken by any trustee or receiver or by any court in any such proceeding, or the disaffirmance, rejection or postponement in any such proceeding, of any of the Seller's, either Principal's, or any other party's covenants, obligations, undertakings or agreements.

(b) Each of the Principals hereby represents and warrants to MPT that (i) he has full legal right, power and authority to enter into this guarantee, to incur the obligations provided for herein, and to execute and deliver this Agreement; (ii) this Agreement has been duly executed and delivered by such Principal and constitutes his valid and legally binding obligation, enforceable against him in accordance with its terms; (iii) no approval or consent of any foreign, federal, state, county, local or other governmental or regulatory body, and no approval or consent of any other person is required in connection with the execution and delivery of this Agreement

or the consummation and performance by such Principal of the guarantee contained in this Section 6.11; (iv) the execution and delivery of this Agreement and the obligations created hereby will not conflict with or result in the breach or violation of any of the terms or conditions of, or constitute (or with notice or lapse of time or both would constitute) a default under any instrument, contract or other agreement to which such Principal is a party or by or to which such Principal or such Principal's assets or properties are bound or subject; or any statute or any regulation, order, judgment or decree of any court or governmental or regulatory body; and (v) such Principal is not a party to or, to the knowledge of such Principal, threatened with any litigation or judicial, administrative or arbitration proceeding which, if decided adversely to such Principal, would restrain, prohibit or materially delay the transactions contemplated hereby.

(c) Each of the Principals waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon Seller and/or the other Principal with respect to the Obligation guaranteed hereunder. Without limiting the other provisions of this Section 6.11, this guarantee shall be construed as a continuing, absolute and unconditional guarantee of performance and payment without regard to the validity, regularity or enforceability of any obligations or any other guarantee thereof or any other circumstance whatsoever (with or without notice to or knowledge of the Principals) which constitutes, or might be construed to constitute, an equitable or legal discharge of the obligations of the Principals under this guarantee, in bankruptcy or in any other instance. The obligations and liabilities of the Principals hereunder shall not be conditioned or contingent upon the pursuit by MPT of any right or remedy against the Seller or against any other person which may be or become liable in respect of all or any part of the Obligation. This guarantee is not merely a guarantee of collection, but rather the obligations of the Principals hereunder are primary and this guarantee constitutes a guarantee of payment.

(d) Notwithstanding any provision of this Section 6.11, the maximum liability of Tannenbaum under the guarantee contained in this Section 6.11 shall be One Million Three Hundred Thousand and No/100 Dollars (\$1,300,000.00) and the maximum liability of Harrison shall be Two Hundred Thousand and No/100 Dollars (\$200,00.00).

ARTICLE VII CLOSING CONDITIONS

SECTION 7.1 CONDITIONS TO THE OBLIGATIONS OF THE SELLER. The obligations of the Seller to effect the transactions contemplated hereby shall be subject to the fulfillment of the following condition(s), any one or more of which may be waived by the Seller:

(a) All of the representations and warranties of MPT and the Company set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date.

(b) MPT and the Company shall have delivered, performed, observed and complied with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by it prior to, or as of, the Closing.

(c) MPT and the Company shall have executed, where applicable, and delivered to the Seller the documents referenced in Section 8.4 hereof.

SECTION 7.2 CONDITIONS TO THE OBLIGATIONS OF MPT AND THE COMPANY. The obligations of MPT and the Company to effect the transactions contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by MPT or the Company:

(a) All of the representations and warranties of the Seller and the Developer set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date;

(b) The Seller, the Developer and the Principals shall have delivered, performed, observed and complied with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by it prior to, or as of, the Closing;

(c) The Seller and the Developer shall not have suffered any change, event or circumstance which has had, or would be reasonably expected to have, a Material Adverse Effect;

(d) MPT and the Company shall have satisfactorily completed the due diligence investigations of the Seller and the Real Property and shall be satisfied with the results of such investigations;

(e) MPT and/or the Company shall have closed the acquisition of the Real Property pursuant to the Real Estate Sales Contract (or Seller shall have closed such acquisition under the Mortgage Alternative);

(f) All necessary approvals, consents, estoppel certificates and the like of third parties to the validity and effectiveness of the transactions contemplated hereby have been obtained, and all required governmental filings or approvals, and lender approvals, have been satisfied;

(g) No portion of the Assets shall have been destroyed by fire or casualty;

(h) MPT and the Company shall have received copies of all permits, licenses, certificates of need and other approvals of governmental authorities required for the operation of the Assets for their intended use and written evidence satisfactory to MPT and the Company that the operation and use of the Hospital and MOB are in accordance with all applicable governmental requirements;

(i) MPT and the Company shall have received evidence that the Seller is maintaining insurance on the Assets as required in the Lease and that MPT and its lenders, if any, are named as additional insureds and, where applicable, loss payees;

(j) The Seller shall have executed where applicable and delivered to MPT and the Company the documents referenced in Section 8.2 hereof;

(k) The Developer shall have executed where applicable and delivered to MPT and the Company the documents referenced in Section 8.3 hereof;

(l) There shall not have been instituted by any creditor of the Seller or the Developer, any Governmental Entity or any other Person (other than any Seller Party, the Developer or any Affiliate of the foregoing), any suit, action, proceeding or investigation which would adversely affect the Assets or seek to restrain, enjoin or invalidate the transactions contemplated by this Agreement; and

(m) MPT shall, after attempting in good faith to work with Seller to resolve any healthcare regulatory issues relating to stock option in Seller proposed to be issued to Best Dupres, M.D., be reasonably satisfied that such proposed options are not problematic under applicable healthcare laws and regulations or, if MPT is not so reasonably satisfied, such, option shall have been terminated.

ARTICLE VIII CLOSING

SECTION 8.1 CLOSING DATE. The closing of the transactions contemplated hereby (the "Closing") shall be held at the offices of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. in Birmingham, Alabama on April 30, 2005, or on such other date and such other place as the parties hereto shall mutually agree (the actual date of closing being herein referred to as the "Closing Date").

SECTION 8.2 THE SELLER'S CLOSING DATE DELIVERABLES. On the Closing Date, the Seller shall deliver, or cause to be delivered, to MPT and the Company the documents listed below dated as of the Closing Date (unless otherwise expressly indicated). In the event any of the documents listed below are not delivered on or before the Closing Date, as required hereunder, MPT or the Company may at any time on or before the Closing Date, at their election, waive the delivery of the required documents; or, MPT at its election, by written notice to the Seller, may terminate this Agreement.

(a) A duly executed bill of sale and assignment transferring all assets relating to the Hospital, other than the Hospital Real Property, in form and substance satisfactory to MPT Hospital (the "Hospital Bill of Sale");

(b) A duly executed bill of sale and assignment transferring all assets relating to the MOB, other than the MOB Real Property in form and substance satisfactory to MPT Hospital (the "MOB Bill of Sale");

(c) A certified copy of the resolutions of the directors and stockholders of the Seller dated as of the date hereof and authorizing the Seller's execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(d) Certificates of existence and good standing of the Seller from the Secretary of State of the State of Delaware, dated the most recent practical date prior to the Closing Date;

- (e) Certificates of good standing and foreign qualification of the Seller from the Secretary of the Commonwealth of the Commonwealth of Pennsylvania, dated the most recent practical date prior to the Closing Date;
- (f) Tenant estoppel certificates in form and substance satisfactory to MPT;
- (g) The Search Reports dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;
- (h) The Lease, in substantially the form mutually acceptable to the parties and consistent with the terms of the Commitment Letter (or, if the Mortgage Alternative is selected, the Loan Documents and Conveyance Documents, in form and substance mutually acceptable to the parties and consistent with the terms of the Commitment Letter);
- (i) Copies of any executed Tenant Leases;
- (j) An unaudited balance sheet of the Seller, dated as of the closing Date and certified as true and correct by the chief financial officer of the Seller and the Principals, indicating that the tangible net worth of the Seller equals or exceeds Five Million and No/100 Dollars (\$5,000,000.00) which is personally guaranteed by Tannenbaum and such other Person as shall be approved by MPT, such approval not to be unreasonably withheld or access to a working capital line of credit of no less than Five Million and No/100 Dollars (\$5,000,000);
- (k) The Noncompete Agreement in form and substance satisfactory to MPT;
- (l) Assignment of Rents and Leases in form and substance satisfactory to MPT;
- (m) Security Agreement in form and substance satisfactory to MPT;
- (n) Assignment of Management Agreement in form and substance satisfactory to MPT;
- (o) Subordination of Management Agreement in form and substance satisfactory to MPT;
- (p) The legal opinions of the law firm of Bone McAllester Norton PLLC, as counsel for the Seller and Developer, in form and substance mutually acceptable to the parties;
- (q) An agreement or certificate executed by or on behalf of the Seller and dated as of the Closing Date stating that (i) the representations and warranties of the Seller made herein are true and correct on the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date and that such representations will survive the Closing, and (ii) that all of the conditions to closing as set forth in this Agreement have been satisfied;
- (r) Such other instruments and documents as MPT reasonably deems necessary to effect the transactions contemplated hereby;

(s) Letters and certifications from all applicable utility companies confirming and verifying that all required utilities are or will be available to the Real Property and will be in sufficient quantities to meet the needs of the use and operation of the Hospital and MOB thereon;

(t) Feasibility studies dated the most recent practical date prior to the Closing Date, at the Seller's expense, in form and substance satisfactory to MPT;

(u) A Closing Statement in form and content acceptable to the Seller and MPT;

(v) All necessary approvals, consents, estoppel certificates and the like of third parties or Governmental Entities confirming and certifying the validity and effectiveness of the transactions contemplated hereby; and

(w) Any other affidavits, certificates, instruments, records, correspondence and other documents relating to the Real Property as MPT or the title company issuing the title policy for the Real Property may reasonably require.

SECTION 8.3 CLOSING DATE DELIVERABLES OF THE DEVELOPER. On the Closing Date, the Developer shall deliver to MPT the documents listed below dated as of the Closing Date (unless otherwise expressly indicated).

(a) A certified copy of the resolutions of the governing body of the Developer dated as of the date hereof authorizing the execution, delivery and performance of this Agreement, the Development Agreement and all other documents to be executed in connection herewith or therewith;

(b) Certificates of existence and good standing of the Developer from the Secretary of State of the State of Delaware, dated the most recent practical date prior to the Closing Date;

(c) Certificates of good standing and foreign qualification of the Developer from the Secretary of the Commonwealth of the Commonwealth of Pennsylvania, dated the most recent practical date prior to the Closing Date;

(d) The Development Agreement in the form and substance mutually acceptable to the parties;

(e) INTENTIONALLY OMITTED;

(f) Affidavits or certifications in form, substance and content acceptable to MPT confirming and verifying that as of the Closing Date there are no executed or pending contracts, agreements or offers of any kind with regard to the development and construction of the Hospital, the MOB and the Improvements; and

(g) Copies of all permits, licenses and other authorizations and copies of all applications for such permits, licenses and other authorizations, relating to the development and construction of the Hospital, the MOB and the Improvements.

(h) An agreement or certificate executed by or on behalf of the Developer and dated as of the Closing Date stating that (i) the representations and warranties of the Developer made herein are true and correct on the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date and that such representations will survive the Closing, and (ii) that all of the conditions to closing as set forth in this Agreement have been satisfied;

SECTION 8.4 CLOSING DATE DELIVERABLES OF MPT AND/OR THE COMPANY. On the Closing Date, MPT, as appropriate, shall deliver to the Seller and/or the Developer, as appropriate, the documents listed below dated as of the Closing Date (unless otherwise expressly indicated).

(a) A certified copy of the resolutions of the governing body of MPT dated as of the date hereof authorizing the execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(b) Certificates of existence and good standing of each of MPT and the Company from the Delaware Secretary of State, dated the most recent practical date prior to the Closing Date;

(c) Certificates of good standing and foreign qualification of the Company from the Secretary of the Commonwealth of the Commonwealth of Pennsylvania, dated the most recent practical date prior to the Closing Date;

(d) The Development Agreement in form and substance mutually acceptable to the parties;

(e) INTENTIONALLY OMITTED;

(f) The Lease or other documentation described in Section 8.2(h) hereof;

(g) The Noncompete Agreement;

(h) A Closing Statement in form and content acceptable to the Seller and MPT; and

(i) An agreement or certificate executed by or on behalf of MPT and the Company and dated as of the Closing Date stating that (i) the representations and warranties of MPT and the Company made herein are true and correct on the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date and that such representations will survive the Closing, and (ii) that all of the conditions to closing as set forth in this Agreement have been satisfied.

SECTION 8.5 COMMITMENT FEE. The Seller shall pay to MPT a commitment fee equal to one percent (1%) of the Commitment Amount (the "Commitment Fee"). As an inducement for MPT to commit to make the Preliminary Advances, Seller has paid MPT the sum of Fifteen Thousand and No/100 Dollars (\$15,000.00) (the "Preliminary Fee") contemporaneously herewith and shall pay the remaining Commitment Fee at Closing. In the event the Seller paid to MPT the Twenty Thousand and No/100 Dollars (\$20,000.00) deposit (the "LOI Deposit") as required under the Commitment Letter, such LOI Deposit shall be credited against the Commitment Fee to be paid to MPT at Closing. In the event the transaction contemplated by this Agreement fails to close for

any reason, the Preliminary Fee and LOI Deposit shall be considered a fee earned by MPT and MPT shall not be required to refund any portion of the Preliminary Fee or the LOI Deposit.

ARTICLE IX
TERMINATION

SECTION 9.1 TERMINATION PRIOR TO CLOSING. Notwithstanding anything to the contrary in this Agreement, the remaining obligations of the parties hereunder may be terminated and the transactions contemplated hereby abandoned at any time prior to Closing: (i) by mutual written consent of the Seller and MPT; (ii) by the Seller if the conditions set forth in Section 7.2 shall not have been satisfied on or before May 31, 2005; or (iii) by MPT if the conditions set forth in Section 7.1 shall not have been satisfied on or before May 31, 2005.

SECTION 9.2 NOTICE OF TERMINATION PRIOR TO CLOSING. In the event of the termination of this Agreement pursuant to Section 9.1, the party terminating this Agreement shall give prompt written notice thereof to the other party, and the transactions contemplated hereby shall be abandoned, without further action by any party. Each filing, application and other submission relating to the transactions contemplated hereby shall, to the extent practicable, be withdrawn from the person to which it was made. The confidentiality provisions set forth in this Agreement shall survive any termination of this Agreement. Notwithstanding any statement contained in this Agreement to the contrary, termination of this Agreement shall not relieve any party from liability for any breach or violation of this Agreement that arose prior to such termination.

ARTICLE X
POST CLOSING COVENANTS

SECTION 10.1 JCAHO COMPLIANCE. The Seller shall, as of the Operational Date or as soon as reasonably practicable thereafter, apply for and obtain accreditation by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO").

SECTION 10.2 HIPAA COMPLIANCE. The Seller shall use commercially reasonable efforts to be in compliance, upon the Operational Date, with the standards for privacy of individually-identifiable health information which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

SECTION 10.3 NECESSARY PERMITS. Except as set forth in Schedule 10.3, the Seller either has or has begun applying for, and will have, as of the Operational Date, obtained all Permits from all applicable federal, state and local authorities and any other regulatory agencies necessary or proper in order to operate the Hospital and the MOB and to conduct the Business.

SECTION 10.4 PARTICIPATION IN GOVERNMENT PROGRAMS. The Seller shall take all actions necessary to cause the Hospital to be in compliance with the conditions of participation for the Government Programs and to receive all approvals or qualifications necessary for capital reimbursement.

SECTION 10.5 COMPLIANCE WITH WHOLE HOSPITAL EXCEPTION. The Seller shall operate in compliance with the Stark Law whole hospital exception as set forth in 42 C.F.R. Section 411.356(c) and will not operate as a specialty hospital as defined in 42 C.F.R. Section 351. In addition, the Seller

will not cease providing any services as relied upon by counsel in issuing the opinion attached hereto as Exhibit H without obtaining written approval of MPT which will not be required if 42 C.F.R Section 411.356(c)(3)(ii) has been repealed.

SECTION 10.6 POST-CLOSING ACCESS TO INFORMATION. The Seller, MPT and the Company acknowledge that, subsequent to Closing, each may need access to the Assets and to information, documents or computer data in the control or possession of the other for purposes of concluding the transactions contemplated herein and for audits, investigations, compliance with governmental requirements, regulations and requests, the prosecution or defense of third party claims. Accordingly, the Seller, MPT and the Company agree that they will make available to the other parties and their agents, independent auditors and/or governmental entities such documents and information as may be available relating to the Assets, the Hospital and the MOB and will permit the other parties to make copies of such documents and information at the requesting party's expense.

ARTICLE XI INDEMNIFICATION

SECTION 11.1 INDEMNIFICATION OF MPT AND COMPANY. Subject to the limitations set forth in this Article, the Seller agrees to indemnify, defend and hold harmless MPT and the Company, their Affiliates and its respective officers, directors, members, (general and limited) partners, shareholders, employees, agents and representatives (collectively, the "MPT Indemnified Parties") from and against all Damages asserted against or incurred by the MPT Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of the Seller, or (ii) any liability relating to the operation of the Business prior to Closing, other than the liabilities described on Schedule 2.3 hereto. Subject to the limitations set forth in this Article, the Developer agrees to indemnify, defend and hold harmless MPT Indemnified Parties from and against all Damages asserted against or incurred by the MPT Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of the Developer, or (ii) any liability relating to the operation of the Business prior to Closing, other than the liabilities described on Schedule 2.3 hereto.

SECTION 11.2 MPT'S AGREEMENT TO INDEMNIFY. Subject to the limitations set forth in this Article, MPT hereby agrees to indemnify, defend and hold harmless the Seller, Developer, Seller's Affiliates and their respective officers, directors, members, (general and limited) partners, shareholders, employees, agents and representatives (collectively, the "Seller Indemnified Parties") from and against all Damages asserted against or incurred by the Seller Indemnified Parties or any of them arising out of or in connection with or resulting from any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of the MPT.

SECTION 11.3 NOTIFICATION AND DEFENSE OF CLAIMS.

(a) A party entitled to be indemnified pursuant to Section 11.1 or Section 11.2 (the "Indemnified Party") shall notify the party liable for such indemnification (the "Indemnifying Party") in writing of any claim or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, as soon as possible after the Indemnified Party becomes aware of such claim or demand; provided, that the Indemnified Party's failure to give such notice to the Indemnifying Party in a timely fashion shall not result in the loss of the Indemnified Party's rights with respect thereto except to the extent the Indemnified Party is materially prejudiced by the delay.

If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to the provisions hereof, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party (a "Third Party Claim"), the Indemnifying Party shall have the obligation either (i) to pay such claim or demand, or (ii) defend any such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. After the Indemnifying Party has assumed the defense of such Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party under this Section 11.3 for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, provided that the Indemnified Party shall have the right to employ counsel, at the Indemnifying Party's expense, to represent it if (A) in the Indemnified Party's reasonable opinion the Indemnifying Party is not diligently prosecuting the defense of such Third Party Claim, (B) such Third Party Claim involves remedies other than monetary damages and such remedies, in the Indemnified Party's reasonable judgment, could have a material adverse effect on such Indemnified Party, (C) the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more defenses or counterclaims that may be alleged by the Indemnifying Party, or (D) the Indemnified Party believes in its reasonable discretion that a conflict of interest exists between the Indemnifying Party and the Indemnified Party with respect to such third party claim or action, and in any such event the reasonable fees and expenses of such separate counsel for the Indemnified Party shall be paid by the Indemnifying Party. The Indemnified Party shall make available to the Indemnifying Party or its agents all records and other materials in the Indemnified Party's possession reasonably required by it for its use in contesting any third party claim or demand.

(b) No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, unless (i) the Indemnifying Party fails to assume and diligently prosecuting the defense of such claim pursuant to Section 11.3(a) or (ii) such settlement, compromise or consent includes an unconditional release of the Indemnifying Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnifying Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnifying Party or any Affiliate of the Indemnifying Party. An Indemnifying Party may not, without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising

out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnified Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnified Party or any of the Indemnified Party's Affiliates.

SECTION 11.4 EXCLUSIVE REMEDY. FROM AND AFTER CLOSING, THE PARTIES AGREE AND ACKNOWLEDGE THAT THE INDEMNIFICATION RIGHTS PROVIDED IN THIS ARTICLE XI SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE PARTIES TO THIS AGREEMENT FOR BREACHES OF THIS AGREEMENT AND FOR ALL DISPUTES ARISING UNDER OR RELATING TO THIS AGREEMENT AND ANY ADDITIONAL AGREEMENTS OR DOCUMENTS EXECUTED OR DELIVERED IN OR ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT FOR POST-CLOSING COVENANTS, CASES WHERE SPECIFIC PERFORMANCE IS AVAILABLE AS A REMEDY AND EXCEPT IN CASES OF FRAUD.

SECTION 11.5 LIMITATIONS ON CLAIMS.

(a) Notwithstanding anything in this Article XI to the contrary, no Seller Damages or MPT Damages shall be payable pursuant to this Article XI unless and until the aggregate amount of Damages asserted against such applicable Indemnifying Party under this Article XI with respect to such Claims equals or exceeds Fifty Thousand Dollars (\$50,000) (the "Liability Threshold") and then only to the extent of such excess.

(b) Following full indemnification as provided for hereunder, the Indemnifying Party shall be subrogated to all rights of the Indemnified Party with respect to all Persons relating to the matter for which indemnification has been made.

(c) The representations and warranties set forth in this Agreement shall survive the Closing and shall expire twenty-four (24) months after the Effective Date. Except as provided in Section 11.4, no claim for indemnification arising out of a breach of representations and warranties in this Agreement may be brought after the applicable time provided for in this Section 11.5(c).

(d) Notwithstanding any provision of this Agreement to the contrary, in the event any claim is made by one party to this Agreement against another party to this Agreement, the Non-Prevailing Party, and only the Non-Prevailing Party, shall be responsible for paying the reasonable legal fees, costs and expenses of the other party to the claim and the term "Damages," as used herein with respect to a Non-Prevailing Party, shall be deemed not to include the legal fees and expenses of such Non-Prevailing Party.

SECTION 11.6 INSURED LOSSES. The amount of any damages for which indemnification is provided under this Article XI shall be net of any duplicative amounts recovered by the Indemnified Party under insurance policies or from unaffiliated third Persons with respect to such damages; provided, however, such Indemnified Party shall have no duty or obligation to seek recovery of any available insurance proceeds in advance of exercising its rights or remedies under this Article XI to seek indemnification by the Indemnifying Party.

ARTICLE XII
DISPUTE RESOLUTION

SECTION 12.1 GOVERNING LAW, JURISDICTION AND VENUE. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PRINCIPLES. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN JEFFERSON COUNTY, THE CITY OF BIRMINGHAM, STATE OF ALABAMA, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO, THIS AGREEMENT. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, AND IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 13.2 OF THIS AGREEMENT SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PARTY FOR ANY ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT MAY BE ENFORCED IN ANY OTHER COURT TO WHOSE JURISDICTION ANY OF THE PARTIES IS OR MAY BE SUBJECT.

ARTICLE XIII
MISCELLANEOUS

SECTION 13.1 ASSIGNMENT. This Agreement is not assignable by any party without the prior written consent of the other party hereto. Notwithstanding the foregoing, MPT and the Company may at any time and without the consent of the Seller assign all of their respective rights and obligations hereunder to one or more of its affiliates; provided, however, that no such assignment shall relieve or release MPT or the Company from their obligations hereunder.

SECTION 13.2 NOTICE. All notices, demands, requests and other communications or documents required or permitted to be provided under this Agreement shall duly be in writing and shall be given to the applicable party at its address set forth below or such other address as the party may later specify for that purpose by notice to the other party:

If to any Seller Party: Bucks County Oncoplastic Institute, LLC
511 Union Street Suite 1800
Nashville, Tennessee 37219
Attention: Jerome S. Tannenbaum, Chief Manager

With a copy to: Bone McAllester Norton PLLC
511 Union Street, Suite 1600
Nashville, Tennessee 37219
Attention: Rachel C. Nelley, Esq.

If to the Developer: DSI Facility Development, LLC
511 Union Street, Suite 1800
Nashville, Tennessee 37219
Attention: Jerome S. Tannenbaum, Chief Manager

With a copy to: Bone McAllester Norton PLLC
511 Union Street, Suite 1600
Nashville, Tennessee 37219
Attention: Rachel C. Nelley, Esq.

If to MPT or the Company: c/o Medical Properties Trust, Inc.
1000 Urban Center Drive
Suite 501
Birmingham, AL 35242
Attn: Edward K. Aldag, Jr.

With a copy to: Baker, Donelson, Bearman, Caldwell &
Berkowitz, P.C.
420 20th Street North, Suite 1600
Birmingham, Alabama 35203
Attention: Thomas O. Kolb, Esq.

Each notice shall, for all purposes, be deemed given and received:

(i) if by hand, when delivered;

(ii) if given by nationally recognized and reputable overnight delivery service, the Business Day on which the notice is actually received by the party; or

(iii) if given by certified mail, return receipt requested, postage prepaid, the date shown on the return receipt as having been received or refused.

SECTION 13.3 SYNDICATION. Subject to applicable healthcare regulatory requirements, MPT will permit up to twenty percent (20%) of the Company to be owned by local or area physicians. MPT and the Seller will work together to decide which physicians receive an opportunity to invest in the Company. The physicians will invest on an equal basis with MPT.

SECTION 13.4 SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, the Seller Parties and the Developer agree to cooperate with MPT in connection with any securities offerings and filings and, in connection therewith, the Seller Parties shall furnish MPT with such financial and other information as MPT shall request. MPT shall have

the right of access, at reasonable business hours and upon advance notice, to the Real Property and all documentation and information relating to the Real Property and have the right to disclose any information regarding this Agreement, the Commitment Letter, the Seller Parties, the Developer, the Real Property and all other agreements executed in connection herewith and all other documents in connection with the transactions contemplated hereby, and such other additional information which MPT may reasonably deem necessary.

SECTION 13.5 EXPENSES. The Seller shall pay all costs and expenses incurred by the Seller, MPT and the Company in connection with the transactions contemplated hereby, including, without limitation, the cost of survey, appraisal, environmental, title and other third-party reports and all document stamps, transfer, excise, recording, gains, sales, bulk sales, use and similar conveyance Taxes and fees imposed by reason of and associated with the transactions contemplated hereby (including any other expenses incurred by MPT or its Affiliates in connection with the Real Estate Sales Contract) and by deficiency, interest or penalty asserted with respect thereto, as well as the cost of the survey, the title insurance and all title endorsements required by MPT and its lenders, and all attorneys' fees and expenses.

SECTION 13.6 CAPTIONS. The section and paragraph headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement, and are not to be considered in interpreting this Agreement.

SECTION 13.7 INTERPRETATION. In this Agreement, unless the context otherwise requires:

- (a) References to this Agreement are references to this Agreement and to the Schedules and Exhibits hereto;
- (b) References to Articles and Sections are references to articles and sections of this Agreement;
- (c) References to any party to this Agreement shall include references to its respective successors and permitted assigns;
- (d) References to a judgment shall include references to any order, writ, injunction, decree, determination or award of any court or tribunal;
- (e) The terms "hereof," "herein," "hereby," and any derivative or similar words will refer to this entire Agreement including the recitals and the preamble;
- (f) References to any document (including this Agreement) are references to that document as amended, consolidated, supplemented, negated or replaced by the parties from time to time;
- (g) References to any law are references to that law as of the Closing Date, unless clearly indicated otherwise, and shall also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise;
- (h) The word "including" shall mean including, without limitation; and

(i) The word "Affiliate" shall mean, as to the entity in question, any person or entity that directly or indirectly controls, is controlled by, or is under common control with, the entity in question and any successors or assigns of such entities; and the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity whether through ownership of voting securities, by contract or otherwise.

SECTION 13.8 ENTIRE AGREEMENT; MODIFICATION. This Agreement, including the Exhibits and Schedules hereto, and other written agreements executed and delivered at Closing by the parties hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement. This Agreement supersedes any prior oral or written agreements between the parties with respect to the subject matter of this Agreement. It is expressly agreed that there are no verbal understandings or agreements which in any way change the terms, covenants, and conditions set forth in this Agreement, and that no modification of this Agreement and no waiver of any of its terms and conditions shall be effective unless it is made in writing and duly executed by the parties hereto.

SECTION 13.9 SCHEDULES AND EXHIBITS. All Schedules and Exhibits referred to in this Agreement and attached hereto shall be deemed a part of this Agreement and are hereby incorporated herein by reference.

SECTION 13.10 SEVERABILITY. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

SECTION 13.11 CONSTRUCTION. The parties hereby agree that each has played an equal part in the negotiations and drafting of this Agreement, and in interpreting the provisions hereof, therefore, there shall be no construction or interpretation of this Agreement for or against either party based upon who drafted the same.

SECTION 13.12 FURTHER ASSURANCES. From time to time after the Closing and without further consideration, the Seller shall execute and deliver to the Company such instruments of sale, transfer, conveyance, assignment, consent or other instruments as may be reasonably requested by MPT in order to vest all right, title and interest of the Seller in and to the assets conveyed and delivered at the Closing or as otherwise required to carry out the purpose and intent of this Agreement.

SECTION 13.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Executed signature pages to this Agreement may be delivered by facsimile transmission and any such signature page shall be deemed an original.

SECTION 13.14 BINDING EFFECT. This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns; provided, however, that this Agreement shall not inure to the benefit of any assignee pursuant to an assignment which violates the terms of this Agreement.

[Signatures appear on the following pages.]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed by their duly authorized officers on the date first written above.

MPT:

MPT OPERATING PARTNERSHIP, L.P.

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

Name: Edward K. Aldag, Jr.
Title: Chairman, President and CEO

MPT HOSPITAL:

MPT OF BUCKS COUNTY HOSPITAL, L.P.

BY: MPT OF BUCKS COUNTY HOSPITAL, LLC
ITS: GENERAL PARTNER

BY: MPT OPERATING PARTNERSHIP, L.P.C
ITS: ITS SOLE MEMBER

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

Name: Edward K. Aldag, Jr.
Title: Chairman, President and CEO

SELLER:

BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC

By: /s/ Jerome S. Tannenbaum, M.D

Name: Jerome S. Tannenbaum, M.D.
Its: Chief Manager

PRINCIPALS:

/s/ Jerome S. Tannenbaum, M.D

Jerome S. Tannenbaum, M.D.

/s/ M. Stephen Hrrison

M. Stephen Harrison

DEVELOPER:

DSI FACILITY DEVELOPMENT LLC,
A DELAWARE LIMITED LIABILITY COMPANY

By: /s/ Jerome S. Tannenbaum, M.D

Name: Jerome S. Tannenbaum, M.D.
Title: Chief Manager

EXHIBIT A

Bucks County Hospital/MOB site, Proposed Lot 'A'
Portion of Tax Map Parcel 2-35-1

2 March 2005

All the certain tract of land situate on the Westerly side of Tillman Drive, Bensalem Township, Bucks County, Penna. as shown on a Record Plan (not yet recorded), 'Bucks County Hospital/MOB DSI Corporation, Proj. No. 04001, Glenview Corporate Center' prepared by Taylor Wiseman & Taylor dated Feb 11, 2005.

Beginning at a common corner of Bucks County Hospital/MOB and the 'ITT' property (tax parcel 2-35-1-8) on the Westerly legal right-of-way of Tillman Drive, 60' wide.

- 1) Thence along the ITT property South 16 degrees 03'24" West 80.60' to a concrete monument found
- 2) Thence still along the ITT property South 09 degrees 39'43" West 403.74' to a point
- 3) Thence still along the ITT property South 80 degrees 20'17" East 171.88' to a point
- 4) Thence still along the IT property South 44 degrees 27'04" East 80.00' to a corner in line of the boundary of Glenview Corporate Center and along various adjoining property owners
- 5) Thence along the boundary of Glenview Corporate Center South 45 degrees 32'56" West 344.95' to a point
- 6) Thence still along the boundary of Glenview Corporate Center South 30 degrees 16'44" West 676.09' to a point, a corner of remaining lands of tax parcel 2-35-1, of which this was a part
- 7) Thence along tax parcel 2-35-1 North 59 degrees 43'16" West 26.82' to a point
- 8) Thence still along parcel 2-35-1 North 04 degrees 53'26" East 99.20' to a point
- 9) Thence still along parcel 2-35-1 North 28 degrees 05'21" East 36.24' to a point
- 10) Thence still along parcel 2-35-1 North 01 degrees 18'13" West 19.91' to a point
- 11) Thence still along parcel 2-35-1 North 23 degrees 51'58" East 501.50' to a point
- 12) Thence still along parcel 2-35-1 North 80 degrees 05'18" West 217.44' to a point
- 13) Thence still along parcel 2-35-1 North 01 degrees 18'13" West 182.67' to a point

- 14) Thence still along parcel 2-35-1 North 12 degrees 22'52" West 136.82' to a point
- 15) Thence still along parcel 2-35-1 South 62 degrees 45'33" West 47.59' to a point
- 16) Thence still along parcel 2-35-1 North 05 degrees 32'12" West 140.76' to a point
- 17) Thence still along parcel 2-35-1 North 13 degrees 45'44" West 377.69' to a point
- 18) Thence still along parcel 2-35-1 North 32 degrees 14'28" East 550.47' to a point
- 19) Thence still along parcel 2-35-1 South 73 degrees 10'35" East 250.00' to a point on the Westerly side of Tillman Drive
- 20) Thence along the Westerly side of Tillman Drive South 16 degrees 47'24" West 182.15' to a point of curvature
- 21) Thence still along Tillman Drive and a curve to the left having a radius of 235.00' the arc distance of 372.15' to the point of beginning

Containing 15.000 Acres

EXHIBIT B

Bucks County Hospital/MOB site, Proposed Lot 'A'
Portion of Tax Map Parcel 2-35-1

2 March 2005

All the certain tract of land situate on the Westerly side of Tillman Drive, Bensalem Township, Bucks County, Penna. as shown on a Record Plan (not yet recorded), 'Bucks County Hospital/MOB DSI Corporation, Proj. No. 04001, Glenview Corporate Center' prepared by Taylor Wiseman & Taylor dated Feb 11, 2005.

Beginning at a common corner of Bucks County Hospital/MOB and the 'ITT' property (tax parcel 2-35-1-8) on the Westerly legal right-of-way of Tillman Drive, 60' wide.

- 22) Thence along the ITT property South 16 degrees 03'24" West 80.60' to a concrete monument found
- 23) Thence still along the ITT property South 09 degrees 39'43" West 403.74' to a point
- 24) Thence still along the ITT property South 80 degrees 20'17" East 171.88' to a point
- 25) Thence still along the IT property South 44 degrees 27'04" East 80.00' to a corner in line of the boundary of Glenview Corporate Center and along various adjoining property owners
- 26) Thence along the boundary of Glenview Corporate Center South 45 degrees 32'56" West 344.95' to a point
- 27) Thence still along the boundary of Glenview Corporate Center South 30 degrees 16'44" West 676.09' to a point, a corner of remaining lands of tax parcel 2-35-1, of which this was a part
- 28) Thence along tax parcel 2-35-1 North 59 degrees 43'16" West 26.82' to a point
- 29) Thence still along parcel 2-35-1 North 04 degrees 53'26" East 99.20' to a point
- 30) Thence still along parcel 2-35-1 North 28 degrees 05'21" East 36.24' to a point
- 31) Thence still along parcel 2-35-1 North 01 degrees 18'13" West 19.91' to a point
- 32) Thence still along parcel 2-35-1 North 23 degrees 51'58" East 501.50' to a point
- 33) Thence still along parcel 2-35-1 North 80 degrees 05'18" West 217.44' to a point
- 34) Thence still along parcel 2-35-1 North 01 degrees 18'13" West 182.67' to a point

- 35) Thence still along parcel 2-35-1 North 12 degrees 22'52" West 136.82' to a point
- 36) Thence still along parcel 2-35-1 South 62 degrees 45'33" West 47.59' to a point
- 37) Thence still along parcel 2-35-1 North 05 degrees 32'12" West 140.76' to a point
- 38) Thence still along parcel 2-35-1 North 13 degrees 45'44" West 377.69' to a point
- 39) Thence still along parcel 2-35-1 North 32 degrees 14'28" East 550.47' to a point
- 40) Thence still along parcel 2-35-1 South 73 degrees 10'35" East 250.00' to a point on the Westerly side of Tillman Drive
- 41) Thence along the Westerly side of Tillman Drive South 16 degrees 47'24" West 182.15' to a point of curvature
- 42) Thence still along Tillman Drive and a curve to the left having a radius of 235.00' the arc distance of 372.15' to the point of beginning

Containing 15.000 Acres

EXHIBIT C

Ancillary Hospital Assets.

None.

EXHIBIT D

Ancillary MOB Assets.

None.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), dated as of October 25, 2004 (the "Effective Date"), among Medical Properties Trust, Inc. (the "REIT"), MPT Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership") (the REIT and the Operating Partnership being herein referred to collectively as the "Company"), and Michael G. Stewart (the "Employee"):

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

WHEREAS, the Employee has experience serving as general counsel for healthcare companies; and

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

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

1. EMPLOYMENT.

(a) POSITION. The Company hereby employs the Employee, as an at-will employee, to serve as the Company's general counsel.

(b) DUTIES. During the term of his employment hereunder, the Employee shall report to the Chief Executive Officer of the Company and his principal employment duties and responsibilities shall be those duties and responsibilities customary for the position of general counsel, along with such other duties and responsibilities as the Chief Executive Officer shall from time to time reasonably assign to the Employee.

(c) EXTENT OF SERVICES. Except for illnesses and vacation periods, during the term of his employment hereunder, the Employee shall devote substantially all of his business time and attention and his good faith reasonable efforts to the performance of his duties and responsibilities under this Agreement. Notwithstanding the foregoing, the Employee (i) may make any passive investment where he is not obligated or required to, and shall not in fact, devote any material managerial efforts, (ii) may participate in charitable, academic or community activities, and in trade or professional organizations, and (iii) may hold directorships in other companies consistent with the Company's conflict of interest policies and corporate governance guidelines as in effect from time to time.

2. AT WILL EMPLOYMENT. The employment of the Employee hereunder is "at will" and may be terminated by either party, with or without cause, immediately upon notice to the other party.

3. BASE SALARY. During the term of his employment hereunder, the Company shall pay the Employee a Base Salary that shall be payable in periodic installments according to the Company's normal payroll practices, but no less frequently than monthly. The initial Base Salary shall be Two Hundred Twenty-Five Thousand Dollars (\$225,000) per year and may be increased from time to time by agreement of the parties, provided that the Base Salary will be increased at a minimum by a positive amount equal to the Base Salary in effect on January 1 of the previous year multiplied by the percentage increase in the Consumer Price Index for such previous year. The amount of increase shall be determined before March 31 of each year and shall be retroactive to January 1 of such year. The Base Salary, including increases, shall not be decreased during the term of employment. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 3.

4. INCENTIVE AWARDS: ANNUAL INCENTIVE BONUS. The Employee shall be entitled to receive an annual cash incentive bonus for each fiscal year of the Company during the term of his employment hereunder consistent with such bonus policy as may be adopted by the Board of Directors (the "Board") or its Compensation Committee (the "Bonus Policy") in an amount of not less than 40% of the Employee's Base Salary (the "Minimum Bonus"), or more than 100% of the Employee's Base Salary unless in the opinion of the Compensation Committee, the Employee deserves a higher amount (the "Maximum Bonus"). If the Employee or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Policy for a fiscal year, the Employee shall receive an annual incentive bonus (the "Incentive Bonus"), consistent with the provisions relating to the Minimum Bonus and the Maximum Bonus, in an amount determined by the Compensation Committee and subject to ratification by the Board, if required. If the Employee or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Policy for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to the Employee for that year other than the Minimum Bonus, subject to ratification by the Board, if required. Beginning January 1, 2005, the Bonus Policy shall contain both individual and group goals.

5. BENEFITS. During the term of his employment hereunder, the Employee shall be entitled to the following benefits:

(a) VACATION. The Employee shall be entitled to three (3) weeks of vacation per full calendar year. Any accrued but unused vacation time may be taken by the Employee during the first quarter of the following year.

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

(c) EMPLOYEE BENEFITS.

(i) The Employee and his spouse and eligible dependents, if any, and their respective designated beneficiaries, where applicable, will be eligible for and entitled to participate, at the Company's expense, in any Company-sponsored employee benefit plans, including, but not limited to, benefits such as group health, dental, accident, disability insurance and group life insurance as such benefits may be offered from time to time, in each case subject

to the eligibility requirements under the terms of the applicable benefit plan. In addition, Employee shall be entitled to participate, on the same basis as other employees of the Company, in any 401(k) or other retirement plan sponsored by the Company.

(d) OTHER BENEFITS.

(i) CAR ALLOWANCE. In lieu of mileage reimbursement and repairs and maintenance expense, the Company shall pay the Employee a monthly car allowance of Seven Hundred Fifty Dollars (\$750).

(ii) LIFE INSURANCE. The Company will reimburse the Employee an amount of up to Ten Thousand Dollars (\$10,000) per calendar year for premiums on life insurance policies for his benefit and beneficiaries of his choosing. Such amount shall increase on January 1st of each year under the term hereof by multiplying by the percentage increase in the Consumer Price Index for the previous year. The amount shall be paid by the Company promptly upon presentation by the Employee of evidence of the premium payments. The amount of such premium reimbursement paid by the Company shall be imputed as income to the Employee, and the Company will pay to the Employee such additional amount as necessary to pay any federal, state or local tax liability with respect to such imputed income.

(iii) EXPENSES, OFFICE AND SECRETARIAL SUPPORT. The Employee shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time, including, without limitation, telephone, travel and entertainment expenses incurred by the Employee in connection with the business of the Company, promptly upon the presentation by the Employee of appropriate documentation. The Employee shall also be entitled to appropriate office space, administrative support, and such other facilities and services as are suitable to the Employee's position and adequate for the performance of the Employee's duties.

6. EFFECTS OF TERMINATION. Upon any termination of the Employee's employment hereunder, the Company shall pay any Base Salary, Incentive Bonus, expense reimbursements and other compensation-related payments that are payable as of the effective date of the termination of his employment, including pay in lieu of accrued, but unused, vacation. Immediately upon the Employee terminating or being terminated from his employment with the Company for any reason, notwithstanding anything else appearing in this Agreement or otherwise, the Employee will stop serving the functions of his terminated or expired positions, and shall be without any of the authority or responsibility for such positions.

7. CONFIDENTIAL INFORMATION. The Employee recognizes and acknowledges that certain assets of the Company constitute Confidential Information. The term "Confidential Information" as used in this Agreement shall mean all proprietary information relating to the Company's business, including, without limitation, proprietary information regarding tenants, acquisition policies, methods of operation, Company programs, profits, costs, markets, key personnel, technical processes and trade secrets, as such information may exist from time to time, which the Employee acquired or obtained by virtue of work performed for the Company, or which the Employee may acquire or may have acquired knowledge of during the performance of said work. The Employee shall not, during the Term and for a period of three (3)

years thereafter, (i) disclose any part of the Confidential Information to any person, firm, corporation, association, or any other entity, or (ii) use any part of the Confidential Information, for any reason or purpose whatsoever, directly or indirectly, except as may be required pursuant to his employment hereunder, or as otherwise required by law, unless and until such Confidential Information becomes publicly available other than as a consequence of the breach by the Employee of his confidentiality obligations hereunder by law or in any judicial or administrative proceeding (in which case, the Employee shall provide the Company with notice). In the event of the termination of his employment, whether voluntary or involuntary and whether by the Company or the Employee, the Employee shall deliver to the Company all documents and data pertaining to the Confidential Information and shall not retain any documents or data of any kind or any reproductions (in whole or in part) or extracts of any items relating to the Confidential Information.

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

8. NON-COMPETITION AND NONSOLICITATION. During the Term and for a period of eighteen (18) calendar months after the termination of the Employee's employment (the "Non-Compete Period"), the Employee shall not, directly or indirectly, either as a principal, agent, employee, employer, stockholder, partner or in any other capacity whatsoever: (a) engage or assist others engaged, in whole or in part, in any business which is engaged in a business or enterprise involving the ownership, leasing or management of healthcare real estate (it being understood that engaging in the activity of operating a healthcare operating company which owns its own healthcare real estate is not so prohibited and that serving as general counsel for any entity is not so prohibited), or (b) without the prior consent of the Company, solicit the employment of, or assist others in soliciting the employment of, any individual employed by the Company (other than the Employee's personal assistant or Employee's secretary) at any time while the Employee was also so employed.

Nothing in this Section 8 shall prohibit Employee from making any passive investment in a public company, where he is the owner of five percent (5%) or less of the issued and outstanding voting securities of any entity, provided such ownership does not result in his being obligated or required to devote any managerial efforts.

The Employee agrees that the restraints imposed upon him pursuant to this Section 8 are necessary for the reasonable and proper protection of the Company and its subsidiaries and affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. The parties further agree that, in the event that any provision

of this Section 8 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

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

10. DISPUTES.

(a) EQUITABLE RELIEF. The Employee acknowledges and agrees that, upon any breach by the Employee of his obligations under Sections 7, 8, or 9 hereof, the Company will have no adequate remedy at law and, accordingly, will be entitled to specific performance and other appropriate injunctive and equitable relief in addition to any other remedy available, without the necessity of showing actual damages or furnishing a bond or other security.

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

12. GENERAL.

(a) NOTICES. All notices and other communications hereunder shall be in writing or and shall be deemed to have been duly given when delivered personally or, if sent by United States mail, when deposited in the United States mail, by registered or certified mail, return receipt requested, and addressed to the relevant address set forth below, or to such other address as the recipient of such notice or communication shall have specified in writing to the other party hereto, in accordance with this Section 12(a).

If to the Company, to: Medical Properties Trust, Inc.
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242

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

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

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

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

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

(f) ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties, supersedes all prior agreements and understandings, whether

written or oral, relating to the subject matter hereof and may not be amended except by a written instrument hereafter signed by the Employee and a duly authorized representative of the Company (other than the Employee).

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

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

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

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

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

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

(m) SURVIVAL. The provisions of Sections 6, 7, 8, 9, 10 and 11 shall survive the termination of this Agreement.

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

OPERATING PARTNERSHIP:

EMPLOYEE:

MPT OPERATING PARTNERSHIP, L.P.

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

/s/ Michael G. Stewart

Name: Edward K. Aldag, Jr.
Title: President and CEO
Dated: December 17, 2004

Michael G. Stewart

REIT:

MEDICAL PROPERTIES TRUST, INC.

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

Name: Edward K. Aldag, Jr.
Title: President and CEO
Dated: December 17, 2004

(MEDICAL PROPERTIES TRUST LOGO)

February 28, 2005

Kamal Tiwari, MD
Monroe Hospital. LLC
P. O. Box 5635
Bloomington, IN 47407

Re: Commitment Letter for Development of Monroe Hospital in Bloomington,
Indiana

Dear Dr. Tiwari:

MPT Operating Partnership, L.P., and its designated affiliates ("MPT") are pleased to extend a commitment to Monroe Hospital Operating Company or its affiliates (collectively, "Monroe" or "LESSEE") to enter into a sale/leaseback transaction regarding the development of a general acute care hospital (sometimes the "Facility") on certain land (the "Land") located in the Bloomington, Indiana area. (The Land and the Facility are collectively referenced herein as the "Real Estate.") The foregoing commitment and the closing of the transactions described in this Commitment Letter (the "Transaction") are subject to: (i) MPT being satisfied, in its sole discretion, with the results of its due diligence investigation of LESSEE and the Real Estate; (ii) the execution of definitive agreements relating to the Transaction, which are consistent with the terms set forth herein (the "Definitive Documents"); (iii) MPT's receipt of a current title insurance policy and survey respecting the Land, provided at LESSEE's expense, which are in form and substance satisfactory to MPT in its sole discretion; (iv) MPT's receipt of a recent phase one environmental study for the Land, provided at LESSEE's expense, which is in form and substance satisfactory to MPT in its sole discretion; (v) MPT's receipt of a recent engineering (soil condition) report respecting the condition of the Land, provided at LESSEE's expense, which is in form and substance satisfactory to MPT in its sole discretion; (vi) the acquisition of any governmental filings or approvals, requirements of any LESSEE lender or other third-party consents or agreements required for the Transaction; (vii) the approval of the Transaction by the Board of Directors of Medical Properties Trust, Inc.; (viii) the Appraised Value (as hereinafter defined) of the Real Estate being equal to or greater than the Purchase Price (as herein defined) and (ix) such other conditions to such closing as are described herein or as are customary in similar transactions.

Medical Properties Trust, Inc.
1000 Urban center drive, Suite 1 501 Birmingham, Alabama 35242
205.969.3755. Fax 205.969.3756. www.medicalpropertiestrust.com

ARTICLE I

BASIC TERMS

SECTION 1.1 BASIC TRANSACTION: Subject to the terms and conditions herein, MPT shall develop the Facility and will lease the Real Estate to LESSEE from the Closing Date (as herein defined). MPT shall not assume any liabilities of the LESSEE (as hereinafter defined) in connection with the Transaction.

SECTION 1.1.1 CONVEYANCE OF REAL ESTATE: On the Closing Date, MPT shall acquire the Land for an agreed upon purchase price (the "Purchase Price") and upon the terms and conditions set forth in the Definitive Documents. The conveyance of the Land shall be by general warranty deed and such other documents and instruments necessary to convey the Land, free and clear of any liens and encumbrances, except for liens and encumbrances as may be agreed to by MPT in the Definitive Documents (the "Permitted Exceptions") and LESSEE shall be responsible for all recording costs and fees related to such conveyance.

SECTION 1.1.2 DEVELOPMENT: MPT shall be responsible for funding the Total Development Costs (as defined in Section 1.2. below) for the Facility. MPT shall approve the general contractor, developer, architect, construction company, engineer, and other parties that will participate in the development of the Facility and shall control the preparation and negotiation of the definitive agreements with such parties, however, such approvals will not be unreasonably withheld. MPT will give LESSEE an opportunity to review such definitive agreements prior to their execution.

SECTION 1.2 TOTAL DEVELOPMENT COSTS: The total development costs for the Facility shall include all costs and expenses incurred by MPT in connection with the purchase, development, and lease of the Real Estate, including, but not limited to, the Purchase Price of the Land, legal, appraisal, title, survey, environmental, engineering, and other fees paid to advisors and or brokers, expenses of site visits, and all other development costs of the Real Estate (the "Total Development Costs"). A preliminary Project Cost Analysis indicating the currently anticipated development costs is attached hereto as Schedule 1.2. The Total Development Costs are estimated to be Twenty Eight Million Dollars (\$28,000,000). In no event shall the Total Development Costs exceed the lesser of (i) the appraised value of the Real Estate, (ii) the replacement cost of the Real Estate, or (iii) an amount that gives an EBITDAR coverage based on the Base Rent (as hereinafter defined) of at least Two Hundred percent (200%) for the Facility based on pro forma's acceptable to MPT. During the term of the development of the Facility, funds will be advanced pursuant to requests made by LESSEE in accordance with the terms and conditions of a development agreement entered into by MPT in connection with the Facility (the "Development Agreement"). The Development Agreement will provide that, prior to any advance of funds, the developer must provide the following to MPT:

(a) TITLE INSURANCE: Satisfactory evidence in the form of an endorsement to the original title insurance policy that no intervening liens have been placed on the Real Estate since the date of the previous advance:

(b) ARCHITECT'S CERTIFICATE: A certificate executed by the architect of record (the "Architect's Certificate") approved by MPT that indicates that all construction work completed

on the Facility conforms with the requirements of the plans, specifications, and any change orders previously approved by MPT; and

(c) CONTRACTOR'S CERTIFICATE; LIEN WAIVER: A certificate executed by the general contractor or construction manager that all work requested for reimbursement has been completed and a lien waiver that all bills have been paid.

SECTION 1.3 LEASE: On the Closing Date, the parties shall execute a lease agreement for the Real Estate in a form mutually satisfactory to the parties (the "Lease") generally in accordance with the terms set forth herein. If requested by MPT, LESSEE shall form, and lease the Facility through, a special purpose entity. The term of the Lease shall be for the Construction Period (defined as that period beginning on the Closing Date and ending when LESSEE is issued a certificate of occupancy for the Facility) and a period of fifteen (15) years following the Construction Period and (so long as there is no default under the Lease) the Lease shall provide for three (3) options exercisable by LESSEE, in its sole discretion, to extend for five (5) years so long as the options are exercised at least six (6) months prior to the expiration of the Lease. The Lease shall provide that at the expiration of the initial term of the Lease, and at the expiration of each extended term thereafter, so long as there is no default under the Lease, LESSEE shall have the option to purchase the Real Estate at a purchase price equal to the greater of (i) the appraised fair market value of the Real Estate (which appraisal shall assume that the Lease remains in effect for a term of fifteen (15) years and shall not take into account any purchase options contained therein), or (ii) the amount of the Total Development Costs for the Facility increased by an amount equal to the greater of (A) Two and One Half Percent (2.5%) per year from the Closing, or (B) the rate of increase in the Consumer Price Index on each Adjustment Date. As used herein, the term "Consumer Price Index" means the Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). As used herein, the term "Adjustment Date" means January 1st of each year commencing on January 1, 2006.

SECTION 1.4 RENTS: The Lease for the Real Estate shall provide for the following rent:

SECTION 1.4.1 CONSTRUCTION PERIOD RENT: During construction. LESSEE will be charged rent at a rate equivalent to the Initial Rate (as defined in Section 1.4.2) multiplied by the cumulative amount of funds advanced. The Construction Period Rent shall commence on the first (1st) day of the month following the month in which the first disbursement of funds are disbursed under the Development Agreement, and shall continue to be paid by LESSEE to MPT on the first (1st) day of each month.

SECTION 1.4.2 BASE RENT: LESSEE will pay an initial lease rate of Ten and One-Half Percent (10.5%) (the "Initial Rate"). Following the Construction Period, the aggregate annual base rent ("Base Rent") for the Real Estate shall be an amount equal to the Initial Rate multiplied by the Total Development Costs. The Base Rent shall be payable in twelve (12) equal monthly installments.

SECTION 1.4.3 RENT INCREASE: Commencing on January 1, 2006 and on each January 1st thereafter (each such date an "Adjustment Date") the Base Rent shall be increased, if any, by an amount equal to the greater of (i) Two and One Half percent (2.5%) of the prior year's Base Rent, or (ii) the percentage by which the Consumer Price Index on the Adjustment Date shall

have increased over the Consumer Price Index figure in effect on the then just previous January 1st. If the previous year's Base Rent is for a partial year, it shall be annualized. If the previous year's Base Rent changed for any reason during the year, then all calculations of Base Rent increases shall be based on the annualized value of the highest monthly rent paid.

SECTION 1.4.4 REPAIR AND REPLACEMENT RESERVE: Commencing on the date that construction has been completed and on each January 1st thereafter, LESSEE will be required to make annual deposits into a repair and replacement reserve (the 'Repair and Replacement Reserve'), at a financial institution of MPT's choosing, in the amount of Two Thousand Five Hundred Dollars (\$2500) per bed, increasing each January 1st by Two and One-Half Percent (2.5%). Such reserve shall be under the joint control of MPT and LESSEE and used for the repair and replacement of capital items on the Real Estate, as shall be expressly provided in the Lease. Any funds remaining in the Repair and Replacement Reserve upon the expiration of the lease shall be returned to LESSEE.

SECTION 1.5 ABSOLUTE NET LEASE: The Real Estate will be leased to LESSEE on an absolute net or fully netted basis. LESSEE will be responsible for all costs of maintaining the Real Estate, including, but not limited to, taxes, insurance, maintenance, and capital improvements.

SECTION 1.6 ADDITIONAL SECURITY: As additional security for the performance of LESSEE's obligations under the Lease, MPT shall be granted a security interest in LESSEE's personal property (excluding accounts receivable and the proceeds thereof) and shall receive from LESSEE an assignment of any rents and leases. The Lease shall be cross-defaulted with any other lease between LESSEE, or its affiliates, and MPT, or its affiliates. LESSEE shall not place or allow any other liens to be placed on the personal property without MPT's approval, which approval shall not be unreasonably withheld.

SECTION 1.7 COMMITMENT FEE: On February 17, 2005, upon the execution of its Letter of Intent with MPT, Monroe paid to MPT a refundable commitment fee of Fifty Thousand Dollars (\$50,000). Upon the execution of this Commitment Letter (i) all commitment fees previously paid by Monroe to MPT shall become nonrefundable, and (ii) Monroe shall pay a second, nonrefundable commitment fee to MPT of Fifty Thousand Dollars (\$50,000). Additionally, if the Commitment Letter is executed before March 1, 2005 and the closing occurs before June 1, 2005, Monroe shall pay at closing a nonrefundable commitment fee equal to One-Half of One Percent (0.5%) of the Total Development Costs, as estimated under Section 1.2, less the One Hundred Thousand Dollars (\$100,000) previously paid in commitment fees. If the Commitment Letter is executed after February 28, 2005 or the closing occurs after May 31, 2005, MPT may in its sole discretion increase the required total commitment fee to Three-Quarters of One Percent (0.75%)

SECTION 1.8 CLOSING DATE: MPT and LESSEE agree that time is of the essence and that the parties will prepare, negotiate, and execute Definitive Documents consistent with the terms hereof and will use their good faith reasonable efforts to close the Transaction (the "Closing") as soon as possible with a goal of closing by April 30, 2005. However, in no event shall the Closing occur any later than May 31, 2005, without an extension in writing of this Commitment Letter by MPT. The actual date upon which the Closing occurs shall be referred to as the "Closing Date."

SECTION 1.9 FINANCIAL INFORMATION AND COVENANTS: MPT must receive, at least thirty (30) days prior to the Closing, audited financial statements of Monroe since Monroe's inception and any current year-to-date interim, unaudited, management-generated financial statements of Monroe, together with a five-year forecast of operations for the Facility. The Lease will require that MPT receive on a continuing basis during the term of the Lease, within the times as hereinafter set forth, the following:

(a) Within ninety (90) days after the end of each year, audited GAAP-basis financial statements of Monroe and the Facility by a nationally-recognized accounting firm or an independent certified public accounting firm reasonably acceptable to MPT: plus

(i) Within forty-five (45) days after the end of each quarter, current financial statements of Monroe and the Facility, on a quarterly, year-to-date, and prior year comparable basis, certified to be true and correct:

(ii) Within thirty (30) days after the end of each month, current operating statements of the Facility certified to be true and correct; and

(iii) Such other financial and operating statements and analyses as MPT may reasonably request.

(b) Upon request, a certificate, in form acceptable to MPT and Monroe, that no event of default as defined in the Lease or in any other lease between Monroe, or its affiliates, and MPT, or its affiliates (a "Default"), then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute a Default.

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

(d) MPT reserves the right to require such other financial information from Monroe at such other times as it shall deem reasonably necessary. All financial statements must be in such form and detail as MPT shall from time to time, but not unreasonably, request.

SECTION 1.10 COVENANTS AND EVENTS OF DEFAULT: In addition to all other customary defaults and remedies, the Lease shall provide for financial covenants to be mutually agreed upon by LESSEE and MPT. MPT and LESSEE agree that the Lease terms will provide for limited forbearance of the enforcement of these covenants during a period in which operations at the Facility are normalized.

SECTION 1.11 SUBLEASE AND ASSIGNMENT: LESSEE shall not sublease or assign (which will be broadly defined) the Lease; provided, however, that any such assignee shall have, in MPT's sole discretion, credit and operating characteristics equal to or stronger than LESSEE's. Any such assignment shall not release the LESSEE. Any sublease shall be subordinate to the Lease and may be terminated or left in place by MPT in the event of a termination of the Lease.

SECTION 1.12 CAPITALIZATION: On the Closing Date, Monroe shall have received from its equity owners at least Six Million Dollars (\$6,000,000) in cash contributions, and Monroe will maintain at all times during the Lease a tangible net worth, the amount of which shall be negotiated by the parties prior to Closing. Capitalization shall include the required letter of credit.

SECTION 1.13 LETTER OF CREDIT: Simultaneously with the execution and delivery of the Lease by Monroe, Monroe shall obtain and deliver to MPT an unconditional and irrevocable letter of credit from a bank (or similar collateral) acceptable to MPT, naming MPT as beneficiary and in an amount equal to one (1) year or Base Rent under the Lease. Once operations have sustained EBITDAR coverage of at least two (2) times Base Rent for two (2) consecutive fiscal years, the letter of credit may be reduced to an amount equal to six (6) months of Base Rent.

SECTION 1.14 SYNDICATION: MPT will allow up to 30% of the Real Estate to be owned by local or area physicians. MPT and Monroe will decide together which physicians are offered the opportunity to invest in the Real Estate. The physicians will invest on an equal basis with MPT. With MPT's approval and in accordance with, and as permitted by, Stark II and all other applicable laws and regulations. MPT will finance such purchases for the physicians (separate from the Twenty Eight Million Dollars (\$28,000,000) proposed under this commitment). MPT in its sole discretion will provide up to One Hundred Percent (100%) financing to the physicians at a rate equal to the Base Rent rate as defined herein. Such physician financing shall be for a fixed term of up to seven (7) years and shall be subject to fixed payment schedules, but shall be repayable at any time.

SECTION 1.15 CONSTRUCTION FEE: On the Closing Date. LESSEE shall pay to MPT a construction fee of Fifty Thousand Dollars (\$50,000).

ARTICLE II

THE FACILITY

SECTION 2.1 ACCESS TO INFORMATION: From the date hereof, LESSEE will provide MPT and its representatives (including architects, engineers, surveyors, attorneys, accountants, investment bankers, and other representatives) with reasonable and available access to the Real Estate and the officers, agents, and employees of LESSEE, and LESSEE shall furnish or cause to furnish such representatives with all financial, operating, and other data or information relating to the LESSEE and the Real Estate as may be reasonably requested in connection with MPT's due diligence review.

SECTION 2.2 APPROVAL OF THE FACILITY: MPT shall have the right to review and approve all aspects of Facility, including the final configuration of the Real Estate, the location of any improvements on the Real Estate, the location of all roads and interchanges in relation to the Real Estate, the location of all property lines, utilities, easements, rights of way, common areas, and amenities affecting the Facility, and the soil and subsurface engineering studies, investigations, and reports that support and justify the location of the Facility. The Real Estate shall have such easements, rights-of-way, and other privileges as are necessary to operate the Facility. MPT acknowledges that it will be provided with preliminary design and development plans for the Facility. Such plans must be acceptable to MPT but MPT's approval shall not be unreasonably withheld.

SECTION 2.3 INSPECTIONS OF FACILITY:

(a) Beginning on the Closing Date and continuing throughout construction, the Lease period, and any extensions of the Lease. LESSEE shall pay to MPT an annual inspection fee equal to Five Thousand Dollars (\$5,000) increased each January 1st at the greater of Two and One-Half Percent (2.5%) or the rate of CPI increase

(b) LESSEE shall maintain the Facility in a first class manner and shall be required to respond to any deficiencies reported as a result of these annual inspections.

SECTION 2.4 MPT'S RIGHT TO INSPECT THE REAL ESTATE: MPT and its representatives shall have the right to make periodic inspections of the Real Estate from time to time upon reasonable prior notice to LESSEE. MPT shall use reasonable efforts to not disrupt the patient care being provided at the Facility.

SECTION 2.5 EXPANSIONS AND RENOVATIONS: So long as MPT is the owner of the Real Estate, MPT shall have a right of first opportunity to fund any expansions or material renovations requested by LESSEE at the Facility. The lease term for the expansions or renovations shall be identical to the term of the Lease.

ARTICLE III

CONDITIONS PRECEDENT

Prior to the Closing and in addition to any conditions addressed elsewhere in the Commitment Letter, MPT shall have been furnished with the following, each of which must be in form and substance satisfactory to MPT in its sole discretion:

SECTION 3.1 CONTRACTS, CONSENTS, AND LIEN WAIVERS: Fully executed counterparts of any previously executed contracts with architects, engineers, contractors, and material subcontractors and lien waivers and subordinations pursuant to which such parties release all liens for work performed by them prior to the Closing.

SECTION 3.2 GOVERNMENTAL APPROVALS AND LICENSES: Copies of all permits, licenses, and other approvals of governmental authorities required for the operation of the Facility for its intended use and written evidence satisfactory to MPT that the operation and use of the Facility are in accordance with all applicable governmental requirements.

SECTION 3.3 TITLE INSURANCE: At LESSEE's expense, a title insurance policy conforming to the requirements set forth in Exhibit A, and issued by a title insurance company satisfactory to MPT, insuring the Real Estate. The title policy shall contain no exceptions other than Permitted Exceptions and shall contain a general comprehensive endorsement (ALTA 9), on ALTA 3.0 zoning endorsement, and such other endorsements as MPT may require. LESSEE will provide any customary affidavits and certifications required by the title company.

SECTION 3.4 INSURANCE: LESSEE must provide evidence to MPT that LESSEE is maintaining insurance on the Facility as set forth in Exhibit B, and that MPT and any lender of MPT are named as additional insureds and, where applicable, loss payees.

SECTION 3.5 SURVEY: At LESSEE's expense, a current survey of the Real Estate prepared and certified by a duly registered land surveyor licensed and in good standing in the State of Indiana and acceptable to MPT, The survey shall comply with ALTA requirements and shall show all improvements and encroachments located on the Real Estate and all recorded or visible easements, rights-of-way, and similar encumbrances affecting the title to the Real Estate, shall contain a certification in the form shown on Exhibit C, and shall state whether or not the Real Estate lies within a designated flood hazard zone.

SECTION 3.6 UCC SEARCHES: UCC searches.

SECTION 3.7 ZONING: Evidence that the Real Estate, and the use and occupancy thereof, will comply with all applicable governmental requirements related to planning, zoning, and land use.

SECTION 3.8 PLANS: To the extent LESSEE has them, LESSEE will provide MPT with one complete set of final plans and specifications for the Facility.

SECTION 3.9 ATTORNEY'S OPINION: An opinion of counsel for the LESSEE addressed to MPT covering such matters as MPT may reasonably require.

SECTION 3.10 ENVIRONMENTAL MATTERS: An environmental indemnity agreement, mutually acceptable to LESSEE and MPT, executed by LESSEE in favor of MPT. Pursuant to that agreement, LESSEE shall make various environmental representations and warranties to MPT and shall indemnify and hold harmless MPT from environmental claims and liabilities, including, without limitation, claims and liabilities arising from any hazardous or toxic materials present on the Real Estate and from any violations of environmental laws and regulations.

SECTION 3.11 ORGANIZATIONAL DOCUMENTS: Certified copies of the organizational documents of the LESSEE, together with such resolutions, consents, and similar documents evidencing the authorization of the Transaction contemplated by this Commitment Letter as MPT may require.

SECTION 3.12 APPRAISAL: MPT acknowledges, that in order to facilitate a timely closing, LESSEE, at its expense, has ordered an appraisal of the Real Estate showing the fair market value thereof (the "Appraised Value"). The appraisal must meet all applicable governmental requirements. The Appraised Value shown by such appraisal must be equal to or exceed Total Development Costs. The appraiser will provide a reliance letter addressed to MPT that expressly states that MPT may rely on such appraiser's statement and determination of the Appraised Value of the Real Estate.

SECTION 3.13 OTHER: Such other documents, certificates, and the like as may be customary in comparable transactions or as MPT may otherwise reasonably require.

ARTICLE IV

ADDITIONAL REQUIREMENTS

SECTION 4.1 EXPENSES: LESSEE shall reimburse MPT for all expenses incurred in connection with this Commitment Letter, the Total Development Costs, and the lease of the Real Estate: provided, however, that LESSEE will not be required to reimburse any such expenses if Closing does not occur as a result of MPT's failure to perform (unless such failure is as a result of LESSEE's failure to perform). Reimbursable expenses shall be included in the Total Development Costs. Such expenses shall include, but not be limited to, third party reports and legal costs.

SECTION 4.2 MANAGEMENT: LESSEE, or a management company approved by MPT, will at all times manage the Facility unless written approval is obtained from MPT or unless removed by MPT as provided for herein or in the Definitive Documents.

SECTION 4.3 SIGNS: MPT shall have the right to erect a sign approved by LESSEE, which such approval shall not be unreasonably withheld, at the Facility stating that the Real Estate is owned by MPT.

SECTION 4.4 NON-COMPETE: Monroe will enter into a non-compete agreement in favor of MPT in a form mutually acceptable to the parties.

ARTICLE V

GENERAL CONDITIONS

SECTION 5.1 REPRESENTATIONS OF THE LESSEE: MPT's obligations under this Commitment Letter are subject to and contingent upon the accuracy and completeness of all information, representations, and materials submitted with or in support of this Transaction and LESSEE's strict and timely compliance with all terms, conditions, and requirements set forth herein.

SECTION 5.2 RIGHT TO SELL: LESSEE understands MPT may sell its interest in the Real Estate in whole or in part. LESSEE agrees that any purchaser may exercise any and all rights of the landlord, as fully as if such had made the purchase directly from the LESSEE. MPT may divulge to any purchaser all information, reports, financial statements, certificates, and documents obtained by it from the LESSEE.

SECTION 5.3 ENTIRE AGREEMENT, MODIFICATIONS, AND AMENDMENTS: This Commitment Letter and the Confidentiality Agreement described in Section 5.7 contain the entire agreement of LESSEE and MPT with respect to the Transaction and supersede any prior or contemporaneous understanding or commitment. MPT has made no representations to LESSEE that are not set forth in this Commitment Letter. No changes in this Commitment Letter shall be binding unless in writing and executed by the party against whom enforcement of the change is sought.

SECTION 5.4 TIME: Time is of the essence with respect to all dates and periods of time set forth in this Commitment Letter.

SECTION 5.5 ACCEPTANCE OF COMMITMENT: Upon return by Monroe to MPT of a fully-executed copy of this Commitment Letter by the time set forth below, this Commitment Letter will constitute an agreement of Monroe to consummate the Transaction in accordance with the terms and conditions set forth herein. If said executed copy of this Commitment Letter is not received by MPT by 5:00 p.m. Central Time on February 28, 2005, this Commitment Letter shall be null and void and of no further force and effect unless extended in writing by MPT.

SECTION 5.6 NO SHOP. In consideration of the substantial expenditures of time, effort, and expense to be undertaken by MPT and its representatives in connection with its due diligence investigation and review of the Facility, from the date hereof until March 31, 2005, neither Monroe nor any officer, director, employee, or agent of Monroe shall, directly or indirectly, enter into any agreement with any prospective person or entity other than MPT regarding the acquisition, transfer, financing or leasing of the Facility, whether through purchase, merger, assignment, mortgage, or otherwise. If MPT delivers Definitive Documents prior to April 1, 2005. Monroe will be obligated to execute with MPT the transaction described in such Definitive Documents. Moreover, if MPT fails to deliver Definitive Documents prior to April 1, 2005, and such failure results in whole or in part from the actions or inactions of Monroe, then Monroe shall continue to be obligated to execute with MPT the transaction described in such Definitive Documents for a period of thirty (30) days following Monroe's cure of any such actions or inactions that resulted in a delay of the Closing. MPT and Monroe will endeavor in good faith to close the transaction in a timely manner.

SECTION 5.7 CONFIDENTIALITY: The parties reaffirm the existence and validity of that certain confidentiality agreement between MPT and LESSEE dated February 3, 2005 (the "Confidentiality Agreement") and agree to continue to comply with all of the terms and provisions thereof.

SECTION 5.8 ASSIGNMENT: This Commitment Letter and all rights of the parties hereunder shall not be assigned by any party without the prior written approval of the other parties; provided, however, that any party may assign its rights and obligations hereunder to any entity controlling, controlled by or under common control with the other: provided, however, that no such assignment shall relieve any party of any liability hereunder.

SECTION 5.9 PERMITTED DISCLOSURES: Notwithstanding any other agreement of the parties, in connection with its public offering or the private placement of its securities or MPT's efforts to obtain financing for the Real Estate, MPT may disclose that it has entered into this Commitment Letter with Monroe respecting the Facility and may provide other information regarding LESSEE and the Real Estate to its proposed investors in such public offering or private offering of its securities or any prospective lenders with respect to such financing of the Real Estate. LESSEE shall cooperate with MPT by providing financial and other information reasonably requested by MPT in connection with such offering of its securities or financing.

SECTION 5.10 EXHIBITS: The exhibits indicated below are attached hereto and by this reference made a part hereof:

- Exhibit A - Title insurance policy requirements.
- Exhibit B - Insurance Requirements

Exhibit C. Surveyor's Certificate requirements

Please indicate acceptance of the terms and conditions set forth in this Commitment Letter by signing a copy of this Commitment Letter below. This Commitment Letter may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same agreement.

Sincerely,

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ Emmett E. Mclean

Emmett E. McLean
Executive Vice President and
Chief Operating Officer

Accepted and Agreed to:

MONROE HOSPITAL OPERATING COMPANY

By: /s/ Kamal Tiwari, M.D.

/s/ R. Daniel Crossman, M.D.

Its: -----

Dated: 2/28/05

EXHIBIT A

TITLE INSURANCE REQUIREMENTS

MPT Operating Partnership, L.P. as Purchaser
Title Insurance Requirements

1. "Title Policy" means a title insurance policy in American Land Title Association ("ALTA") 1992 form, or such other form as may be approved by MPT, issued by a title insurer approved by MPT with reinsurance as required by MPT to be on ALTA Facultative Reinsurance Agreement (rev 4/6/90) such that the maximum single risk assumed by any single title insurer may not exceed 25% of that company's capital, surplus, and statutory reserves. Each title insurer issuing insurance required hereby must be licensed to insure properties in the jurisdiction in which the Facility is located.
2. The amount of the owner's title insurance policy on each Facility must equal the Purchase Price. The policy must insure against all standard exceptions (e.g., parties in possession, matters shown on public records, matters which an accurate survey would show, and real estate taxes currently due) and must be effective as of the date of the Closing. The title policy must include such affirmative insurance endorsements as MPT may require, to the extent not prohibited by the laws or insurance regulations of the state where the facility is located, including, without limitation, a zoning compliance endorsement, a street access endorsement, a comprehensive (ALTA Form 9) endorsement, a "Fairways" (change of partners) endorsement, an endorsement negating imputation of knowledge to MPT, an endorsement that the Facility is assessed for real estate taxes separate from any other property (i.e., the property consists of a single tax lot and is not part of a larger tax lot).

EXHIBIT B

INSURANCE REQUIREMENTS

I. GENERAL REQUIREMENTS

The General Requirements set forth herein shall be applicable to the insurance requirements outlined below in Paragraphs II and III throughout the term of this Commitment Letter.

(A) RELATING TO INSURER.

All insurance coverages required by the Commitment Letter must be provided by insurance companies acceptable to MPT that are rated at least an "A. VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better. The aggregate amount of coverage provided by a single company must not exceed 5% of the company's policyholders' surplus. All insurance companies must be licensed and qualified to do business in the state where the insured collateral is located.

Each insurance policy must (i) provide primary insurance without right of contribution from any other insurance carried by MPT. (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including MPT, (iii) permit MPT to pay premiums at MPT's discretion and (iv) as respects any third party liability claim brought against MPT, obligate the insurer to defend MPT as an additional insured thereunder.

(B) RELATING TO DOCUMENTATION OF COVERAGE

The original copy of each insurance policy required hereunder shall be furnished to MPT, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized Agent for the insurance company as a "true and certified" copy of the policy. LESSEE shall not submit a Certificate of Insurance, in lieu of the certified copy of the policy. The original policy(ies) or certified copy of the policy(ies) must be delivered to MPT. effective with the commencement of each of the Facilities and furnished annually thereafter, prior to the expiration date of the preceding policy(ies).

(C) CANCELLATION AND MODIFICATION CLAUSE.

1. The insurer hereby agrees that its policy will not lapse, terminate, or be canceled, or be amended or modified to reduce limits or coverage terms unless and until MPT has received not less than sixty (60) days prior written notice thereof at the following address:

MPT Operating Partnership, LP
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

2. Notwithstanding the foregoing, in the event of cancellation due to non-payment of premium, the insurer shall provide not less than ten (10) days' Notice of Cancellation to:

MPT Operating Partnership, LP
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

II. TYPES OF INSURANCE

LESSEE will at all times keep the Facilities insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar Facilities. Without limiting the generality of the foregoing, LESSEE will obtain and maintain in effect the following amounts and types of insurance on each of the Facilities throughout the term of the Leases:

(A) "ALL RISKS" or "SPECIAL" FORM PROPERTY INSURANCE.

All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Facility. The deductible amount thereunder shall be borne by LESSEE in the event of a loss and the deductible must not exceed \$10,000 per occurrence. Further, in the event of a loss, LESSEE shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and LESSEE further agrees it will notify MPT of any loss in the amount of \$25,000 or greater and that no claim at or in excess of \$25,000 thereunder shall be settled without the prior written consent of MPT, which consent shall not be unreasonably withheld or delayed by MPT.

(B) FLOOD AND EARTHQUAKE INSURANCE (Required only in the event that the property is in a flood plain or earthquake zone).

Insurance in an amount equal to the full replacement cost value of the Facility, subject to no more than a \$25,000 per occurrence, deductible. The policy shall include coverage for subsidence.

(C) LOSS OF EARNINGS INSURANCE.

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

(D) WORKERS COMPENSATION INSURANCE.

Workers Compensation insurance covering all employees in amounts that are customary for LESSEE's industry.

(E) LIABILITY INSURANCE.

COMMERCIAL GENERAL LIABILITY: Commercial General Liability in a primary amount of at least \$5,000,000 per occurrence, Bodily Injury for injury or death of any one person and \$100,000 for Property Damage for damage to or loss of property of others, subject to a \$10,000,000 annual aggregate policy limit for all Bodily Injury and Property Damage claims, occurring on or about the Land or in any way related to the Project, including but not limited to, any swimming pools or other recreational Facility or areas that are located on the Land or otherwise related to the Facility. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion, Collapse and Underground (XCU), Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

VEHICLE LIABILITY: Automobile and Vehicle Liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of \$1,000,000 per occurrence for Bodily Injury: \$100,000 per occurrence for Property Damage: subject to an annual aggregate policy limit of \$1,000,000.

UMBRELLA LIABILITY: Umbrella Liability insurance in the minimum amount of \$10,000,000 for each occurrence and aggregate combined single limit for all liability, with a \$10,000 self-insured retention for exposure not

covered in underlying primary policies. The Umbrella Liability policy shall name in its underlying schedule the policies of Professional Liability, Commercial General liability, Garage Keepers Liability, Automobile/Vehicle Liability and Employer's Liability under the Workers Compensation Policy.

PROFESSIONAL LIABILITY: Professional Liability insurance for LESSEE and any physician or other employee or agent of LESSEE providing services at the Facility in an amount not less than five million dollars (\$5,000,000) per individual claim and ten million dollars (\$10,000,000) annual aggregate.

(F) COMMERCIAL BLANKET FIDELITY BOND INSURANCE.

A Commercial Blanket Bond covering all employees of the LESSEE, including its officers, and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity against loss as a result of their dishonesty. Policy limit shall be in an amount of at least \$1,000,000, subject to a deductible of no more than \$10,000 per occurrence.

EXHIBIT C

SURVEYOR'S CERTIFICATE

The undersigned hereby certifies to MPT Operating Partnership, L.P and _____ (the "Title Insurance Company"); (a) that he is a duly registered land surveyor in the State of _____ ; (b) that the plat to which this certificate is affixed (The "Plat") is a true, complete and correct survey of the property described therein (the "Property") being approximately _____ acres as further described by the Property Description on the Plat;(c) the Plat is based upon a field survey made _____, _____ by me or directly under my supervision in accordance with the minimum standards established by the State of _____ by surveyors and with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA and ACSM in 1992 and meets the Accuracy Standards (as adopted by ALTA and ACSM in 1992 and in effect on the date of this certification) of an Urban Survey, and contains items 1, 2, 3, 4, 7(a), 8, 9, 10, 11(a), and 11(b) of Table A thereto; (d) that the Plat correctly shows the location of all buildings, structures and other improvements on the Property; (e) that the Plat correctly shows the location of all easements, restrictions and rights-of-way described in title insurance commitment number _____ effective as of _____, _____ 1997, issued by the Title Insurance Company (the "Title Commitment"); (f) that the legal description set forth in the Title Commitment is identical in all respects to "the Property Description set forth on the Plat; (g) except as shown on the Plat there are no discrepancies between the boundary lines of the Property as shown on the Plat and as described in the legal description of record; (h) that the Plat casements indicate existing surface and underground transmission lines or utilities, such as natural gas, telephone, telegraph, TV cable water sewage and electrical power, including pipeline type and sizes with all utility pole locations with overhead wires indicated and the nearest available services clearly shown and dimensional; (i) that, except as shown on the Plat, there are (1) no visible easements or rights-of-way on the Property or any other easements or rights-of-way thereon of which the undersigned has knowledge. (2) no party walls on the Property. (3) no encroachments from the Property over adjoining premises, streets or roads by any buildings, structures or other improvements located on the Property, and (4) no encroachments on the Property by any buildings, structures or other improvements located on adjoining property; (j) that the boundary line dimensions as shown on the Plat form a mathematically closed figure within +\ - 0.01 foot; (k) that the boundary lines of the Property are contiguous with the boundary lines of all adjoining parcels, roads, highways, streets or alleys as described in their most recent respective legal description of record; (l) that the buildings, structures and other improvements located on the Property do not violate any building or setback lines; (m) that adequate ingress to and egress from the Property is provided by _____, the same being paved, dedicated public rights-of-way maintained by _____ (name of maintaining authority); and (n) that the undersigned has consulted the National Flood Insurance Program Maps and has found that, in accordance with said maps. Panel Number _____, dated _____, no portion of the Property lies within a flood hazard area, except as depicted on the Plat.

(Name of Surveyor, Registration No.)

SCHEDULE 1.2

PROJECT COST ANALYSIS

(PRELIMINARY - FOR DISCUSSION & BUDGET PURPOSES ONLY)

_____ GROSS
_____ RENTABLE

Date Printed _____

PRO FORMA ITEM	LOAN BUDGET	% OF TOTAL	COST PER SF GROSS
-----	-----	-----	-----
LAND _____ Acres S _____			
HARD COSTS:			
HOSPITAL* _____ S.F @ S _____			
LTAC BEDS _____ S.F @ S _____			
FINISHED ACUTE BEDS _____ S.F @ S _____			
CONNECTOR TO MOB (3 FLS) _____ S.F @ S _____			
IMAGING CENTER TI ALLOWANCE _____ S.F @ S _____			
SITE WORK* _____ S.F @ S _____			
ADDITIONAL PARKING _____ SPACES			
MATERIAL COST INCREASE ALLOWANCE (3%)			
CONSTRUCTION MANAGEMENT FEE			
CONSTRUCTION CONTINGENCY			
TOTAL HARD COST			
SOFT COSTS:			
ARCHITECTURAL & ENGINEERING			
DEVELOPER OVERHEAD & COSTS			
GD LEASE PAYMENTS			
CITY PERMITS, IMPACT FEES & UTILITY CONNECTIONS			
INSPECTIONS--MPT			
SOILS, ENVIRONMENTAL & APPRAISAL REPORTS CLOSING COSTS			
ADVERTISING S SIGNAGE			
LEGAL			
INSURANCE & TAXES			
MPT FINANCING FEE			
INTERIOR DESIGN			
PRE-OPENING COSTS			
BROKER FEE			
CONTINGENCY			
TOTAL SOFT COSTS			
TOTAL HOSPITAL LAND, HARD(NET) & SOFT COSTS			
ESTIMATED LEASE PAYMENTS DURING CONSTRUCTION			
TOTAL HOSPITAL PROJECT COST			

* ACTUAL CONSTRUCTION COSTS TO BE ADJUSTED TO THE FINAL COST OF CONSTRUCTION AS CONTAINED IN GUARANTEE NOT TO EXCEED CONSTRUCTION CONTRACT.

(MEDICAL PROPERTIES TRUST LOGO)

March 14, 2005

S. Chris Herndon
Chief Financial Officer
Lazard Group
15958 City Walk
Suite 260
Sugar Land, TX 77479

RE: COMMITMENT LETTER FOR COVINGTON, LOUISIANA AND DENHAM SPRINGS,
LOUISIANA LONG-TERM ACUTE CARE HOSPITALS

Dear Mr. Herndon:

MPT Operating Partnership, L.P.. or an affiliated entity ("MPT"), is pleased to extend its commitment to Covington Healthcare Properties, LLC and Denham Springs Healthcare Properties, LLC and/or certain of their designated affiliates (collectively, the "SELLERS") respecting the acquisition of certain real estate and improvements (the "Real Estate") relating to that certain hospital located in the Covington, Louisiana area on approximately ten (10) acres and that certain hospital located in the Denham Springs, Louisiana area on approximately six (6) acres (the "Facilities") and the leaseback of the Real Estate to Gulf States LTACH of Covington, LLC. Gulf States LTACH of Denham Springs, LLC and/or certain of their designated affiliates (collectively, the "LESSEES"), on an absolute net basis. The closing of the transactions described in this Commitment Letter (the "Transaction") is contingent upon and subject to: (i) MPT being satisfied, in its sole discretion, with the results of its due diligence investigation of SELLERS, LESSEES, the Real Estate and the Facilities, (ii) the execution of mutually-acceptable definitive agreements relating to the Transaction; (iii) MPT's receipt of a title insurance policy and survey respecting the Real Estate, provided at SELLERS' expense, which are in form and substance satisfactory to MPT; (iv) MPT's receipt of a recent phase one environmental study, provided at SELLERS' expense, which is in form and substance satisfactory to MPT; (v) MPT's receipt of an engineering report respecting the condition of the Real Estate and the Facilities, provided at SELLERS' expense, which is in form and substance satisfactory to MPT. (vi) the receipt of any consents and approvals of governmental entities or third parties required for SELLERS' conveyance of the Real Estate to MPT; (vii) the approval of the Transaction by the Board of Directors of Medical Properties Trust, Inc.; and (viii) such other conditions to such closing as are described herein or as are customary in similar transactions.

Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 1 501 Birmingham, Alabama 35242
205.969.3755. Fax 205.969.3756. www.medicalpropertiestrust.com

ARTICLE 1

BASIC TERMS

SECTION 1.1 BASIC TRANSACTION: MPT has committed Seventeen Million One Hundred and Fifty Thousand Dollars (\$ 17,150,000) (the "Commitment Amount") to acquire the Real Estate. Subject to the terms and conditions herein, MPT shall purchase the Real Estate from SELLERS and MPT shall lease the Real Estate back to LESSEES from the Closing Date (as herein defined). MPT shall not assume any liabilities of SELLERS in connection with the Transaction.

SECTION 1.1.1 CONVEYANCE OF REAL ESTATE: Upon the Closing Date, MPT shall acquire the Real Estate for a purchase price (the "Purchase Price") equal to Seventeen Million One Hundred and Fifty Thousand Dollars (\$17,150,000) plus other costs and charges which may be capitalized. The conveyance of the Real Estate shall be by general warranty deed and such other documents and instruments necessary to convey the Real Estate free and clear of any liens, restrictions and encumbrances whatsoever, except for liens, restrictions and encumbrances as may be agreed to in definitive agreements related to the transaction (the "Permitted Exceptions"). SELLERS shall be responsible for all recording fees related to such conveyances.

SECTION 1.1.2 SYNDICATION: MPT agrees that up to Thirty Percent (30%) of the equity in the MPT entity which will hold title to the Real Estate may be owned by the owners, operators and practicing physicians of LESSEES. MPT and LESSEES shall work together to determine which persons shall have an opportunity to invest in such MPT entity. Any such investors shall invest on an equal economic basis with MPT.

SECTION 1.1.3 UPREIT TRANSACTION: Upon request of SELLERS, MPT will structure the Transaction as a contribution of real estate to an MPT affiliate for consideration comprised of cash and limited partnership units of the MPT affiliate. The number of such units are subject to mutual determination by the parties, the aggregate value of such units is not expected to exceed \$1,000,000.

SECTION 1.2 LEASES: The parties shall execute on the Closing Date lease agreements for the Real Estate in a form mutually satisfactory to the parties (the "Leases") generally in accordance with the terms set forth herein. The term of the Leases shall be for a period of fifteen (15) years commencing on the Closing Date and shall provide for three (3) options to extend the Leases for five (5) years so long as there are no uncured defaults and the options are exercised at least twelve (12) months prior to any expiration of the Leases. The respective Leases shall be cross-defaulted and cross-collateralized. The Leases shall contain subordination and non-disturbance clauses, to such transactions. The Leases will provide that, so long as there are no uncured defaults under the Leases, LESSEES shall, at the end of the initial lease term and each extension term and within 90 days of notification from MPT of MPT's intention to terminate the engagement of LESSEES or affiliates as the management company managing the Facilities as the result of an event of default, have the right and option to repurchase the Real Estate from MPT at the greater of (i) the appraised fair market value of the Real Estate (which appraisal shall assume that the Leases remain in effect for a term of fifteen (15) years and shall not take into account any purchase options contained therein), or (ii) the Purchase Price increased annually by

the greater of (A) Two and One-Half Percent (2.5%) or (B) the rate of increase in the Consumer Price Index on each Adjustment Date. As used herein, the term "Consumer Price Index" shall mean the Consumer Price Index, all urban consumers, all items. U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). Such purchase option will include provisions for notice and closing periods.

SECTION 1.3 RENTS: The Leases for the Real Estate shall provide for the following rent:

SECTION 1.3.1 BASE RENT: The aggregate base rent ("Base Rent") for the Real Estate shall be an initial annual rate of Ten and One-Half Percent (10.50%) (the "Base Rent Rate") of the Purchase Price plus any costs and charges that may be capitalized.

SECTION 1.3.2 RENT INCREASE: On each January 1st (each such date an "Adjustment Date"), the Base Rent Rate shall be increased by an amount equal to the greater of (i) Two and One-Half Percent (2.5%), or (ii) the percentage by which the Consumer Price Index on the Adjustment Date shall have increased over the Consumer Price Index figure in effect on the previous January 1st. However, on the initial Adjustment Date, the adjustment shall be prorated.

SECTION 1.3.3 REPAIR AND REPLACEMENT RESERVE: Commencing on the Closing Date and on each January 1st thereafter. LESSEES will be required to make annual deposits into a repair and replacement reserve (the "Repair and Replacement Reserve"), at a financial institution of MPT's choosing, in an amount to be agreed upon by MPT and LESSEES. Such reserve shall be used for the repair and replacement of capital items related to the Real Estate, as shall be expressly provided in the Leases. Any funds remaining in the Repair and Replacement Reserve upon the expiration of the Leases shall be returned to LESSEES.

SECTION 1.4 ABSOLUTE NET LEASE: The Real Estate will be leased to LESSEES on an absolute net or fully netted basis. LESSEES will be responsible for all costs of maintaining the Real Estate, including, but not limited to taxes, insurance, maintenance, and capital improvements.

SECTION 1.5 ADDITIONAL SECURITY: As additional security for the performance of LESSEES' obligations under the Leases. MPT shall be granted a security interest in LESSEES' personal property (excluding accounts receivable and the proceeds thereof) and shall receive from LESSEES an assignment of any rents and leases. The Leases, together with any other agreements between MPT and LESSEES, shall be cross-defaulted and cross-collateralized. LESSEES shall not place or allow any other liens to be placed on the personal property without MPT's approval, which approval shall not be unreasonably withheld. MPT acknowledges and approves of LESSEES' current hospital bed financing and working capital financing. Additionally, Team Rehab, LLC. Jamestown Properties, LLC. and Gulf States Health Services, Inc. shall jointly and severally guarantee the Leases.

SECTION 1.6 COMMITMENT FEE: Upon the execution of this Commitment Letter SELLERS and LESSEES shall pay a commitment fee to MPT of Twenty Five Thousand Dollars (\$25,000). The commitment fee will be non-refundable, provided, however, that SELLERS and LESSEES will be paid a full refund (\$25,000) if Closing does not occur as a result of MPT's failure to perform (unless such failure is as a result, of SELLERS and/or LESSEES failure to perform). If Closing does not occur as a result of an appraisal value unacceptable to MPT, the commitment fee will be refunded less any

expenses incurred by MPT. Additionally, upon the Closing, SELLERS and LESSEES shall pay a nonrefundable commitment fee equal to One Percent (1.0%) of the Purchase Price, less the Twenty Five Thousand Dollars (\$25,000) previously paid in commitment fees.

SECTION 1.7 CLOSING DATE: MPT, SELLERS, and LESSEES agree that time is of the essence and that the parties will prepare, negotiate, and execute Definitive Documents consistent with the terms hereof and will use their good faith reasonable efforts to close the Transaction (the "Closing") as soon as possible with a goal of closing by April 30, 2005. However, in no event shall the Closing occur any later than May 31, 2005. without an extension in writing of this Commitment Letter by MPT. The actual date upon which the Closing occurs shall be referred to as the "Closing Date."

SECTION 1.8 FINANCIAL INFORMATION AND COVENANTS: MPT must receive, prior to the Closing, financial statements of SELLERS and LESSEES for the three most recent fiscal years (or such shorter period of SELLERS or LESSEES existence) and any current year-to-date interim, management-generated financial statements of SELLERS and LESSEES and certified by SELLERS and LESSEES, together with five-year forecasts of operations for the facilities. The Leases will require that MPT receive on a continuing basis during the term of the Leases, within the times as hereinafter set forth, the following:

(a) Within ninety (90) days after the end of each year beginning for the year ending December 31, 2005, audited GAAP-basis financial statements of LESSEES and the facilities by a nationally-recognized accounting firm or an independent certified public accounting firm reasonably acceptable to MPT: plus

(i) Within forty-five (45) days after the end of each quarter, current financial statements of LESSEES and the facilities, on a quarterly, year-to-date, and prior year comparable basis, certified by LESSEES to be true and correct;

(ii) Within thirty (30) days after the end of each month, current operating statements of the facilities certified to be true and correct; and

(iii) Such other financial and operating statements and analyses as MPT may reasonably request.

(b) Upon request, a certificate, in form acceptable to MPT and LESSEES, that no event of default as defined in the Leases or in any other lease between LESSEES, or its affiliates, and MPT, or its affiliates (a "Default"), then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute a Default.

(c) Within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing or certifying agencies that any license or certification, including, without limitation, the Medicare or Medicaid certification of either of the Facilities, is being downgraded, revoked, or suspended or that action is pending or being considered to downgrade, revoke, or suspend either of the facilities license or certification.

(d) MPT reserves the right to require such other financial information from LESSEES at such other times as it shall deem reasonably necessary. All financial statements must be in such form and detail as MPT shall from time to time, but not unreasonably, request.

SECTION 1.9 COVENANTS AND EVENTS OF DEFAULT: In addition to other customary defaults and remedies, the Leases shall provide for the following covenants, events of default, and remedies, subject to a limited forbearance, as set forth in the Leases, of the enforcement of these covenants during a period in which operations at the Facilities are normalized:

SECTION 1.9.1 FIRST TIER DEFAULTS: The failure or breach of any of the following covenants shall constitute an event of default and MPT shall have the rights and remedies provided for herein:

(i) The total required payments of the total debt of LESSEES when added to the total rent shall generate a coverage ratio to the Facilities' EBITDAR (based on trailing twelve (12) months) equal to or in excess of One Hundred Thirty-Five Percent (135%);

(ii) LESSEES' total debt shall not, on a consolidated basis, exceed Seventy Five Percent (75%) of the greater of (A) the total capitalization of the LESSEES, or (B) market value of the LESSEES based on twelve (12) months' trailing EBITDAR times four (4.0);

(iii) LESSEES shall, on a consolidated basis, generate a total lease coverage from EBITDAR (based on trailing twelve (12) months) of at least One Hundred Seventy-Five Percent (175%); or

(iv) LESSEES shall not, on a consolidated basis, experience three (3) consecutive quarters with declines in net revenue and generate a total lease coverage from EBITDAR (based on trailing twelve (12) months) of less than Two Hundred Percent (200%).

Upon the occurrence of any of the foregoing specifically-described defaults, MPT may, at its option, require LESSEES to terminate the engagement of the management company managing the Facilities and replace such management company with a manager chosen by MPT.

SECTION 1.9.2 SECOND TIER DEFAULTS: The failure or breach of any of the following covenants shall constitute an event of default and MPT shall have the rights and remedies provided for herein:

(i) LESSEES total debt shall not exceed One Hundred Percent (100%) of the greater of (A) the total capitalization of LESSEES, or (B) market value of the LESSEES based on twelve (12) months' trailing EBITDAR times four (4.0);

(ii) LESSEES shall, on a consolidated basis, generate a total lease coverage from EBITDAR (based on trailing twelve (12) months) of at least One Hundred Twenty-Five Percent (125%);

(iii) LESSEES shall not, on a consolidated basis, experience six (6) consecutive quarters of falling net revenue and generate a total lease coverage from EBITDAR (based on trailing twelve (12) months) of less than One Hundred Fifty Percent (150%); or

(iv) LESSEES shall not be in payment default on any of its corporate debt or other leases or be declared to be in material default by any of its corporate lenders, unless such default is cured within the cure periods provided for therein.

Upon the occurrence of any of the foregoing specifically-described defaults. MPT may, at its option, require LESSEES to terminate the engagement of the management company managing the Facilities and replace such management company with a manager approved by MPT and may proceed with any remedy MPT has available to it. including, without limitation, terminating the leases.

SECTION 1.10 SUBLEASE, MANAGEMENT AND ASSIGNMENT: LESSEES shall not sublease or assign (which will be broadly defined) the Leases; provided, however, that any such assignee shall have, in MPT's sole discretion, credit and operating characteristics equal to or stronger than LESSEES'. Any such assignment shall not release the LESSEES. Any sublease shall be subordinate to the Lease and may be terminated or left in place by MPT in the event of a termination of the Leases.

SECTION 1.11 CAPITALIZATION: Team Rehab. LLC, Gulf States Health Services, Inc. Jamestown Properties, LLC. and LESSEES will, at closing and to be maintain at all times during the Leases, an aggregate tangible net worth to be mutually agreed upon with MPT. Capitalization shall include the required letter of credit discussed in Section 1.12 below.

SECTION 1.12 LETTER OF CREDIT: Simultaneously with the execution and delivery of the Leases by SELLERS and LESSEES, SELLERS and LESSEES shall obtain and deliver to MPT an unconditional and irrevocable letter of credit from a bank (or similar collateral) acceptable to MPT, naming MPT as beneficiary and in an amount equal to six (6) months' Base Rent under the Leases. Once operations have sustained EBITDAR coverage of at least two (2) times Base Rent for eight (8) consecutive fiscal quarters, the letter of credit may be reduced to an amount equal to three (3) months' Base Rent. if, however, after satisfying the conditions necessary to reduce the letter of credit to three (3) months' Base Rent. EBITDAR coverage subsequently drops below two (2) times Base Rent for two (2) consecutive fiscal quarters, the letter of credit shall again increase to six (6) months' Base Rent.

ARTICLE II

THE FACILITIES

SECTION 2.1 ACCESS TO INFORMATION: From the date hereof. SELLERS and LESSEES will provide MPT and its representatives (including architects, engineers, surveyors, attorneys, accountants, investment bankers, and other representatives) with reasonable and available access to the Real Estate and the officers, agents, and employees of SELLERS and LESSEES, and SELLERS and LESSEES shall furnish or cause to furnish such representatives with all financial, operating, and other data or information relating to the LESSEES and the Real Estate as may be reasonably requested in connection with MPT's due diligence review.

SECTION 2.2 APPROVAL OF THE FACILITIES: MPT shall have the right to review and be satisfied with all aspects of the Real Estate and the Facilities, including, without limitation, the location of all roads and interchanges in relation to the Real Estate, the location of all property lines, utilities, casements. rights-of-way, common areas and amenities affecting the Facilities, the soil and subsurface engineering

studies, and any investigations and reports that support and justify the location of the Facilities. The Real Estate shall include such easements, rights-of-way and other privileges as are necessary to conduct the business of the Facilities.

SECTION 2.3 MPT'S RIGHT TO INSPECT FACILITIES: MPT and its representatives shall have the right to make periodic inspections of the Real Estate and the Facilities from time to time upon reasonable prior notice to LESSEES. MPT shall use every effort to not disrupt the patient care being provided at the Facilities MPT recognizes the importance of patient privacy.

SECTION 2.4 EXPANSIONS AND RENOVATIONS: So long as MPT is the owner of the Real Estate. MPT shall have a right of first opportunity to fund any expansions or material renovations requested by LESSEES at the Facilities. The lease term for the expansions or renovations shall be identical to the term of the Leases.

ARTICLE III

CONDITIONS PRECEDENT

Prior to the Closing, and in addition to any conditions addressed elsewhere in this Commitment Letter. MPT shall have been furnished with the following, each of which must be in form and substance reasonably satisfactory to MPT in its sole discretion:

SECTION 3.1 GOVERNMENTAL APPROVALS AND LICENSES: Copies of all permits, licenses and other approvals of governmental authorities required for the operation of the Facilities for their intended use, together with satisfactory written evidence from LESSEES to MPT that the operation and use of the Facilities are in accordance with all applicable governmental requirements.

SECTION 3.2 TITLE INSURANCE: At SELLERS' expense, a title insurance policy conforming to the requirements set forth in Exhibit A, and issued by a title insurance company satisfactory to MPT, insuring the Real Estate. The title policy shall contain no exceptions other than Permitted Exceptions and shall contain a general comprehensive endorsement (ALTA 9), an ALTA 3.0 Zoning endorsement and such other endorsements as MPT may require. SELLERS will provide any customary affidavits and certifications required by the title company.

SECTION 3.3 INSURANCE: LESSEES must provide evidence to MPT that LESSEES are maintaining insurance on the Facilities as set forth in Exhibit B. and that MPT and any lender of MPT are named as additional insureds and, where applicable, loss payees.

SECTION 3.4 UCC SEARCHES: UCC searches.

SECTION 3.5 ZONING: Evidence that the Real Estate, and the use and occupancy thereof, will comply with all applicable governmental requirements related to planning, zoning and land use.

SECTION 3.6 ATTORNEY'S OPINION: An opinion of counsel for SELLERS and LESSEES and any guarantor addressed to MPT covering such matters as MPT and MPT's counsel may reasonably require.

SECTION 3.7 ENVIRONMENTAL MATTERS: An environmental indemnity agreement, mutually acceptable to SELLERS and MPT, executed by SELLERS and any guarantor, jointly and severally, in favor of MPT. Pursuant to that agreement, SELLERS and any guarantor shall make various environmental representations and warranties to MPT and shall indemnify and hold harmless MPT from environmental claims and liabilities, including, without limitation, claims and liabilities arising from any hazardous or toxic materials present on the real property constituting the Facilities and from any violations of environmental laws and regulations.

SECTION 3.8 ORGANIZATIONAL DOCUMENTS: Certified copies of the organizational documents of SELLERS, LESSEES, and any guarantor, together with such resolutions consents and similar documents evidencing the authorization of the transactions contemplated by this commitment as MPT and its counsel may require.

SECTION 3.9 APPRAISAL: MPT acknowledges that, in order to facilitate a timely closing, SELLERS, at their expense, have ordered an appraisal on the Real Estate showing the fair market value thereof the "Appraised Value"). The appraisal must meet all applicable governmental requirements. The Appraised Value shown by such appraisal must be equal to or exceed the Purchase Price. The appraiser will provide a reliance letter addressed to MPT that expressly states that MPT may rely on such appraiser's statement and determination of the Appraised Value of the Real Estate.

SECTION 3.10 SURVEY: At SELLERS' expense, a current survey of the Real Estate prepared and certified by a duly registered land surveyor licensed and in good standing in the State of Louisiana and acceptable to MPT. The survey shall comply with ALTA requirements, shall show all improvements and encroachments located on the Real Estate and all recorded or visible easements, rights-of-way and similar encumbrances affecting the title to the Real Estate, shall contain a certification in the form shown on Exhibit C. and shall state whether or not the Real Estate lies within a designated flood hazard zone.

SECTION 3.11 OTHER: Such other documents, certificates, and the like, as may be customary in comparable transactions or as MPT or MPT's legal counsel may otherwise reasonably require.

ARTICLE IV

ADDITIONAL REQUIREMENTS

SECTION 4.1 EXPENSES: All reasonable expenses incurred by MPT in connection with this Commitment Letter, the purchase of the Real Estate, and the Leases of the Real Estate shall be added to the Purchase Price for purposes of calculating Base Rent and repurchase amounts. Such expenses shall include, but not be limited to, third party reports and legal costs.

SECTION 4.2 MANAGEMENT: LESSEES, or a management company approved by MPT, will at all times manage the Facilities unless written approval is obtained from MPT or unless removed by MPT as provided for herein or in the Definitive Documents.

SECTION 4.3 SIGNS: MPT shall have the right to erect a sign approved by LESSEES, which such approval shall not be unreasonably withheld, at the Facilities stating that the Real Estate is owned by MPT.

ARTICLE V

GENERAL CONDITIONS

SECTION 5.1 REPRESENTATIONS OF SELLERS AND LESSEES: MPT's obligations under this Commitment Letter are subject to and contingent upon the material accuracy and completeness of all information, representations, and materials submitted with or in support of this transaction and SELLERS and LESSEES strict and timely compliance with all terms, conditions and requirements set forth herein.

SECTION 5.2 RIGHT TO SELL: LESSEES understand MPT may sell its interest in the Real Estate in whole or in part, LESSEES agree that any purchaser may exercise any and all rights of the landlord, as fully as if such had made the purchase directly from the SELLERS. MPT may divulge to any purchaser all information, reports, financial statements, certificates, and documents obtained by it from the SELLERS and LESSEES.

SECTION 5.3 ENTIRE AGREEMENT, MODIFICATIONS AND AMENDMENTS: This Commitment Letter and the Confidentiality Agreement described in Section 5.7 contain the entire agreement of SELLERS, LESSEES, and MPT with respect to the Transaction and supersede any prior or contemporaneous understanding or commitment. MPT has made no representations to SELLERS or LESSEES that are not set forth in this Commitment Letter. No changes in this Commitment Letter shall be binding unless in writing and executed by the party against whom enforcement of the change is sought.

SECTION 5.4 TIME: Time is of the essence with respect to all dates and periods of time set forth in this Commitment Letter.

SECTION 5.5 ACCEPTANCE OF COMMITMENT: Upon return by SELLERS to MPT of a fully-executed copy of this Commitment Letter by the time set forth below, this Commitment Letter will constitute an agreement of SELLERS to accept the Commitment Letter in accordance with the terms and conditions set out above. If said executed copy of this Commitment Letter is not received by MPT by 5:00 p.m. Central time on March 14, 2005, this Commitment Letter shall be null and void and of no further force and effect unless extended in writing by MPT.

SECTION 5.6 PRIOR COMMITMENT LETTERS SUPERSEDED: This Commitment Letter supersedes and cancels all prior oral and written commitments made by and between MPT, SELLERS and LESSEES with respect to the Facilities.

SECTION 5.7 NO SHOP: In consideration of the substantial expenditures of time, effort and expense to be undertaken by MPT and its representatives in connection with its due diligence investigation and review of the Real Estate. SELLERS, LESSEES and the Facilities from the date hereof until April 30, 2005, neither SELLERS, LESSEES, nor any officer, director, member, partner, employee or agent of SELLERS or LESSEES shall, directly or indirectly, solicit, seek, enter into, conduct or participate in any discussions or negotiations or enter into any agreement with any other prospective person or entity, regarding the acquisition, transfer, financing, or leasing of the Facilities, whether through purchase, merger, assignment, mortgage, or otherwise.

SECTION 5.8 NON-COMPETITION: LESSEES, SELLERS and their affiliates shall enter into a non-competition agreement, which agreement shall be in a form mutually acceptable to MPT, LESSEES, and SELLERS. The non-competition agreement shall prohibit competition within a ten (10) mile radius of the Facilities but will permit MPT, LESSEES and SELLERS acquisition, ownership, and operation of any facility within such radius if the operation of such facility will not have an adverse effect on the Facilities.

SECTION 5.9 PERMITTED DISCLOSURES: Notwithstanding any other agreement of the parties, in connection with its public offering or the private placement of its securities or MPT's efforts to obtain financing for the Real Estate. MPT may disclose that it has entered into this Commitment Letter with SELLERS and LESSEES respecting the Facilities and may provide other information regarding SELLERS, LESSEES and the Real Estate to its proposed investors in such public offering or private offering of its securities or any prospective lenders with respect to such financing of the Real Estate. SELLERS and LESSEES shall cooperate with MPT by providing financial and other information reasonably requested by MPT in connection with such offering of its securities or financing.

SECTION 5.10 CONFIDENTIALITY: The parties reaffirm the existence and validity of that certain confidentiality agreement between MPT and Team Rehab, LLC dated February 21, 2005 (the "Confidentiality Agreement") and agree to continue to comply with all of the terms and provisions thereof.

SECTION 5.11 ASSIGNMENT: This Commitment Letter and all rights of the parties hereunder shall not be assigned by any party without the prior written approval of the other parties: provided, however, that any party may assign its rights and obligations hereunder to any entity controlling, controlled by, or under common control with the other: provided, however, that no such assignment shall relieve any party of any liability hereunder.

SECTION 5.12 EXHIBITS: The exhibits indicated below are attached hereto and by this reference made a part hereof:

Exhibit A - Title insurance policy requirements.

Exhibit B - Insurance Requirements

Exhibit C - Surveyor's Certificate requirements

Please indicate acceptance of the terms and conditions set forth in this Commitment Letter by signing a copy of this Commitment Letter below. This Commitment Letter may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same agreement.

Sincerely,

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ Emmett E. McLean

Emmett E. McLean
Executive Vice President and
Chief Operating Officer

Accepted and Agreed to:

COVINGTON HEALTHCARE PROPERTIES, LLC

By: /s/ S. Chris Herndon

Its : Manager

Dated: 3/14/05

DENHAM SPRINGS HEALTHCARE PROPERTIES, LLC

By: /s/ S. Chris Herndon

Its : Manager

Dated: 3/14/05

EXHIBIT A

TITLE INSURANCE REQUIREMENTS

MPT Operating Partnership, LP as Purchaser
Title Insurance Requirements

1. "Title Policy" means a title insurance policy in American Land Title Association ("ALTA") 1992 form, or such other form as may be approved by MPT, issued by a title insurer approved by MPT with reinsurance as required by MPT to be on ALTA Facultative Reinsurance Agreement (rev 4/6/90) such that the maximum single risk assumed by single title insurer may not exceed 25% of that company's capital, surplus, and statutory reserves. Each title insurer issuing insurance required hereby must be licensed to insure properties in the jurisdiction in which the Facilities is located.
2. The amount of the owner's title insurance policy on each of the Facilities must equal the Purchase Price. The policy must insure against all standard exceptions (e.g. parties in possession, matters shown on public records, matters which an accurate survey would show, and real estate taxes currently due) and must be effective as of the date of the Closing. The title policy must include such affirmative insurance endorsements as MPT may require to the extent not prohibited by the laws or insurance regulations of the state where the Facilities are located, including without limitation, a zoning compliance endorsement, a street access endorsement, a comprehensive (ALTA Form 9) endorsement, a "Fairways" (change of partners) endorsement, an endorsement negating imputation of knowledge to MPT, an endorsement that the Facilities are assessed for real estate taxes separate from any other property (i.e. the property consists of a single tax lot and is not part of a larger tax lot).

EXHIBIT B

INSURANCE REQUIREMENTS

I. GENERAL REQUIREMENTS

The General Requirements set forth herein shall be applicable to the insurance requirements outlined below in Paragraphs II and III throughout the term of this Commitment Letter.

(A) RELATING TO INSURER.

All insurance coverages required by the Commitment Letter must be provided by insurance companies acceptable to MPT that are rated at least an "A. VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better. The aggregate amount of coverage provided by a single company must not exceed 5% of the company's policyholders' surplus. All insurance companies must be licensed and qualified to do business in the state where the insured collateral is located.

Each insurance policy must (i) provide primary insurance without right of contribution from any other insurance carried by MPT. (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including MPT, (iii) permit MPT to pay premiums at MPT's discretion and (iv) as respects any third party liability claim brought against MPT, obligate the insurer to defend MPT as an additional insured thereunder.

(B) RELATING TO DOCUMENTATION OF COVERAGE.

The original copy of each insurance policy required hereunder shall be furnished to MPT, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized Agent for the insurance company as a "true and certified" copy of the policy, LESSEE shall not submit a Certificate of Insurance, in lieu of the certified copy of the policy. The original policy(ies) or certified copy of the policy(ies) must be delivered to MPT, effective with the commencement of each of the Facilities and furnished annually thereafter, prior to the expiration date of the preceding policy(ies).

(C) CANCELLATION AND MODIFICATION CLAUSE.

1. The insurer hereby agrees that its policy will not lapse, terminate, or be canceled, or be amended or modified to reduce limits or coverage term unless and until MPT has received not less than sixty (60) days prior written notice thereof at the following address:

MPT Operating Partnership, L.P
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

2. Notwithstanding the foregoing, in the event of cancellation due to non-payment of premium, the insurer shall provide not less than ten (10) days Notice of Cancellation to:

MPT Operating Partnership, L.P
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

II. TYPES OF INSURANCE

LESSEE will at all times keep the Facilities insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar Facilities. Without limiting the generality of the foregoing, LESSEE will obtain and maintain in effect the following amounts and types of insurance on each of the Facilities throughout the term of the Leases:

(A) "ALL RISKS" or "SPECIAL" FORM PROPERTY INSURANCE

All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to perils of fire, lighting, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Facility. The deductible amount thereunder shall be borne by LESSEE in the event of a loss and the deductible must not exceed \$10,000 per occurrence. Further, in the event of a loss, LESSEE shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and LESSEE further agrees it will notify MPT of any loss in the amount of \$25,000 or greater and that no claim at or in excess of \$25,000 thereunder shall be settled without the prior written consent of MPT, which consent shall not be unreasonably withheld or delayed in MPT.

(B) FLOOD AND EARTHQUAKE INSURANCE. (Required only in the event that the property is in a flood plain or earthquake zone).

Insurance in an amount equal to the full replacement cost value of the Facility, subject to no more than a \$25,000 per occurrence, deductible. The policy shall include coverage for subsidence.

(C) LOSS OF EARNINGS INSURANCE.

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

(D) WORKERS COMPENSATION INSURANCE.

Worker Compensation insurance covering all employees in amounts that are customary for LESSEE's industry.

(E) LIABILITY INSURANCE.

COMMERCIAL GENERAL LIABILITY: Commercial General Liability in a primary amount of at least \$5,000,000 per occurrence. Bodily Injury for injury or death of any one person and \$100,000 for Property Damage for damage to or loss of property of others, subject to a \$10,000,000 annual aggregate policy limit for all Bodily injury and Property Damage claims, occurring on or about the Land or in any way related to the Project, including but not limited to any swimming pools or other recreational Facility or areas that are located on the Land or otherwise related to the Facility. Such policy shall include coverages of a Broad Form nature, including, but not limited to Explosion. Collapse and Underground (XCU). Product Liability. Completed Operations. Board Form Contractual Liability, Board Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

VEHICLE LIABILITY: Automobile and Vehicle Liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of \$1,000,000 per occurrence for Bodily injury; \$100,000 per occurrence for Property Damage: subject to an annual aggregate policy limit of \$1,000,000.

UMBRELLA LIABILITY: Umbrella Liability insurance in the minimum amount of \$10,000,000 for each occurrence and aggregate combined single limit for all liability with a \$10,000 self-insured retention for exposure not covered in underlying primary policies. The Umbrella Liability policy shall name in its underlying schedule the policies of Professional liability, Commercial General Liability, Garage Keepers Liability, Automobile/Vehicle Liability and Employer's Liability under the Workers Compensation Policy.

PROFESSIONAL LIABILITY: Professional Liability insurance for LESSEE and any physician or other employee or agent of LESSEE providing services at the Facility in an amount not less than five million dollars (\$5,000,000) per individual claim and ten million dollars (\$10,000,000) annual aggregate.

(F) COMMERCIAL BLANKET FIDELITY BOND INSURANCE.

A Commercial Blanket Bond covering all employees of the LESSEE including its officers, and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least \$1,000,000, subject to a deductible of no more than \$10,000 per occurrence.

EXHIBIT C

SURVEYOR'S CERTIFICATE

The undersigned hereby certifies to MPT Operating Partnership, L.P. and _____, _____ (the "Title Insurance Company"): (a) that he is a duly registered land surveyor in the State of _____: (b) that the plat to which this certificate is affixed (the "Plat") is a true, complete and correct survey of the property described therein (the "Property") being approximately _____, _____ acres as further described by the Property Description on the Plat: (c) the Plat is based upon a field survey made _____, _____. by me or directly under my supervision in accordance with the minimum standards established by the State of _____ for surveyors and with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title surveys" jointly established and adopted by ALTA and ACSM in 1992 and meets the Accuracy standards (as adopted by ALTA and ACSM in 1992 and in effect on the date of this certification) of an Urban Survey, and contains items 1. 2. 3. 4(a). 8. 9. 10. 11(a), and 11(b) of Table A thereto: (d) that the Plat correctly shows the location of all buildings, structures and other improvements on the Property; (e) that the Plat correctly shows the location of all easements, restrictions and rights-of-way described in title insurance commitment number _____ effective as of _____, _____. 1997, issued by the Title Insurance Company (the "Title Commitment"): (f) that the legal description set forth in the Title Commitment is identical in all respects to all Property Description set forth on the Plat: (g) except as shown on the Plat there are no discrepancies between the boundary lines of the Property as shown on the Plat and as described in the legal description of record: (h) that the Plat easements indicate existing surface and underground transmission lines or utilities, such as natural gas, telephone, telegraph, TV cable, water, sewage and electrical power, including pipeline type and sizes with all utility pole locations with overhead wires indicated and the nearest available services clearly shown and dimensional; (i) that, except as shown on the Plat, there are (1) no visible easements or rights-of-way on the Property or any other easements or rights-of-way thereon of which the undersigned has knowledge. (2) no party walls on the Property. (3) no encroachments from the Property over adjoining premises, streets or roads by any buildings, structures or other improvements located on property, and (4) no encroachments on the Property by any buildings, structures or other improvements located on adjoining property: (j) that the boundary line dimensions as shown on the Plat form a mathematically closed figure within +/- 0.01 foot; (k) that the boundary lines of the Property are contiguous with the boundary lines of all adjoining parcels, roads, highways, street or alleys as described in their most recent respective legal description of record; (l) that the buildings, structures and other improvements located on the Property do not violate any building or setback lines; (m) that adequate ingress to and agree from the Property is provided by _____, the same being paved, dedicated public rights-of-way maintained by _____ (name of maintaining authority): and (n) that the undersigned has consulted the National Flood Insurance Program Maps and has found that in accordance with said maps. Panel Number _____ dated _____ no portion of the Property lies within a flood hazard area, except as depicted on the Plat.

(Name of Surveyor, Registration No.)

(MEDICAL PROPERTIES TRUST LOGO)

March 16, 2005

Robert A. Behar, MD
Chairman of the Board
North Cypress Medical Center Operating Company, Ltd.
5406 American Beauty Court
Houston, TX 77041

Re: Commitment Letter for Development of
North Cypress Medical Center in Houston, Texas

Dear Dr. Behar:

MPT Operating Partnership, L.P. and its designated affiliates ("MPT") are pleased to extend a commitment to North Cypress Medical Center Operating Partnership, Ltd, or its affiliates (collectively, "North Cypress" also sometimes referred to herein as the "LESSEE") respecting the ground leasing by MPT of certain land (the "Land") located in Houston, Texas (along with the improvements to be developed thereon, the "Real Estate"), the development thereon of a general acute care facility (sometimes the "Facility") and the leaseback of the Real Estate to LESSEE on an absolute basis. The foregoing commitment and the closing of the transactions described in this Commitment Letter (the "Transaction") are subject to: (i) MPT being satisfied, in its sole discretion, with the results of its due diligence investigation of LESSEE, the Real Estate and the Facility, all of which will be kept confidential pursuant to the Confidentiality Agreement detailed in article 5.7 hereof; (ii) the execution of definitive agreements relating to the Transaction which are consistent with the terms set forth herein (the "Definitive Documents"); (iii) MPT's execution of a definitive, long-term ground lease with respect to the Land on terms and conditions satisfactory to MPT in its sole discretion (the "Ground Lease"); (iv) MPT's receipt of a current title insurance policy and survey respecting the Real Estate, provided at LESSEE's expense, which are in form and substance satisfactory to MPT in its sole discretion; (v) MPT's receipt of a recent phase one environmental study for the Real Estate, provided at LESSEE's expense, which is in form and substance satisfactory to MPT in its sole discretion; (vi) MPT's receipt of a recent engineering (soil condition) report respecting the condition of the Real Estate, provided at LESSEE's expense, which is in form and substance satisfactory to MPT in its sole discretion; (vii) the acquisition of any governmental filings or approvals, requirements of any LESSEE lender or other third-party consents or agreements required for the Transaction; (viii) the approval of the Transaction by the Board of Directors of Medical Properties Trust, Inc.; and (ix) such other conditions to such closing as are described herein or as are customary in similar transactions, including, but not limited to MPT's approval of the organizational structure and organizational documents of the LESSEE and related parties.

Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 1 501 Birmingham, Alabama 35242
205.969.3755. Fax 205.969.3756. www.medicalpropertiestrust.com

ARTICLE I

BASIC TERMS

SECTION 1.1 BASIC TRANSACTION: Subject to the terms and conditions herein, MPT shall fund the development of the Facility and will lease the Real Estate relating to Facility to LESSEE from the Closing Date (as herein defined). MPT shall not assume any liabilities of the LESSEE in connection with the Transaction.

Section 1.1.1. GROUND LEASE: The Land shall be leased to MPT by the current owner(s) thereof pursuant to the terms and conditions of the Ground Lease which must be acceptable to MPT, together with such other documents and instruments necessary to convey the Land to MPT, free and clear of any liens and encumbrances, except for liens and encumbrances as may be agreed to by MPT in the Definitive Documents (the "Permitted Exceptions"), and LESSEE shall be responsible for all recording costs and fees related to such conveyance. Furthermore, the Land shall then be subleased to the LESSEE on the same terms as the Ground Lease to MPT. The form and terms of these documents must be commercially reasonable given the related party nature of the owners of the Land and the LESSEE.

Section 1.1.2 DEVELOPMENT: MPT shall be responsible for funding the Total Development Costs for the Facility. MPT shall approve the general contractor, developer, architect, engineer and other parties which will participate in the development of the Facility and shall approve the preparation and negotiation of the definitive agreements with such parties, however, such approvals will not be unreasonably withheld. MPT will give LESSEE an opportunity to review such definitive agreements prior to their execution.

SECTION 1.2 TOTAL DEVELOPMENT COSTS: The total development costs for the Facility shall include all costs and expenses incurred by MPT in connection with the purchase or acquisition, development and lease of the Real Estate and the Facility, including, but not limited to, all legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and or brokers, expenses of site visits and all other development costs of the Real Estate and the Facility (the "Total Development Costs"). A preliminary Project Cost Analysis indicating the currently anticipated development costs is attached hereto as Schedule 1.2. The Total Development Costs are estimated to be Fifty One Million Dollars (\$51,000,000). In no event shall the Total Development Costs exceed the lesser of (i) the appraised value of the Facility, (ii) the replacement cost of the Facility, or (iii) an amount that gives a pro forma EBITDAR coverage based on the Base Rent (as hereinafter defined) of at least Two Hundred Percent (200%) for the Facility, based on pro forma's acceptable to MPT. During the term of the development of the Real Estate, funds will be advanced pursuant to requests made by LESSEE in accordance with the terms and conditions of a development agreement entered into by MPT in connection with the Facility (the Development Agreement"). The Development Agreement will provide that prior to any advance of funds, the developer must provide the following to MPT:

(a) TITLE INSURANCE: Satisfactory evidence in the form of an endorsement to (the original title insurance policy that no intervening liens have been placed on the Real Estate since the date of the previous advance;

(b) ARCHITECT'S CERTIFICATE: A certificate executed by the architect of record (the "Architect's Certificate") approved by MPT that indicates that all construction work completed on the Facility conforms with the requirements of the plans, specifications, and any change orders previously approved by MPT; and

(c) CONTRACTOR'S CERTIFICATE; LIEN WAIVER: A certificate executed by the general contractor or construction manager that all work requested for reimbursement has been completed and a lien waiver that all bills have been paid.

SECTION 1.3 LEASE: On the Closing Date, the parties shall execute a lease agreement for the Real Estate for the Facility in a form mutually satisfactory to the parties (the "Lease") generally in accordance with the terms set forth herein. If so requested by MPT, LESSEE shall form, and lease the Facility through, a special purpose entity. The term of the Lease shall be for the Construction Period (as herein defined) and a period of fifteen (15) years following the Construction Period and (so long as there is no default under the Lease) the Lease shall provide for three (3) options exercisable by LESSEE, in its sole discretion, to extend for five (5) years so long as the options are exercised at least six (6) months prior to the expiration of the Lease. The Lease shall provide that at the expiration of the initial term of the Lease, and at the expiration of each extended term thereafter, so long as there is no default under the Lease, LESSEE shall have the option to purchase the Real Estate at a purchase price equal to the greater of (i) the appraised fair market value of the Real Estate (which appraisal shall assume that the Lease remains in effect for a term of fifteen (15) years and shall not take into account any purchase options contained therein), or (ii) the amount of the Total Development Costs for the applicable Facility increased by an amount equal to the greater of (A) Two and One-Half Percent (2.5%) per year from the Closing, or (B) the rate of increase in the Consumer Price Index on each Adjustment Date. As used herein, the term "Consumer Price Index" means the Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). As used herein, the term "Adjustment Date" means January 1 of each year commencing on January 1, 2006. In the event that LESSEE exercises its option hereunder to purchase the Real Estate, MPT shall have the right to immediately terminate the Ground Lease.

SECTION 1.4 RENTS: The Lease for the Real Estate shall provide for the following rent:

Section 1.4.1 CONSTRUCTION PERIOD RENT: During the construction period (the "Construction Period"), LESSEE shall pay MPT, in consecutive monthly installments, a per annum amount equal to Ten and One-Half Percent (10.5%) (the "Rate" as herein defined) multiplied by the total amount of funds disbursed day to day under the Development Agreement plus the amount of any Ground Lease payments (the "Construction Period Rent"). The Construction Period Rent shall commence on the first day of the month following the month in which the first disbursement of funds are disbursed under the Development Agreement, and shall continue to be paid by LESSEE to MPT on the first (1st) day of each month.

SECTION 1.4.2 BASE RENT: Following the Construction Period, the aggregate annual base rent ("Base Rent") for the Facility shall be an amount equal to the Rate multiplied by the Total Development Costs for the Facility plus the amount of any Ground Lease payments. The Base Rent shall be payable in twelve (12) equal monthly installments.

SECTION 1.4.3 RENT INCREASE: Commencing on January 1, 2006 and on each January 1st thereafter (each such date an "Additional Rent Adjustment Date"), LESSEE shall be required to pay additional rent (the "Additional Rent") equal to the greater of (i) Two and One Half Percent (2.5%) or (ii) the rate of the Consumer Price Index (CPI) increase for such prior year multiplied by the previous year's Base Rent rate. Additional Rent for each such lease year shall be payable in twelve (12) equal monthly installments at the same time that the Base Rent is due.

SECTION 1.4.4 CAPITAL IMPROVEMENT RESERVE: Commencing on the date that construction has been completed and on each January 1 thereafter, LESSEE will be required to make annual deposits into a capital improvement reserve (the "Capital Improvement Reserve"), at a financial institution of MPT'S choosing, in the amount of Two Thousand Five Hundred Dollars (\$2,500) per bed increasing each January 1st by Two and One-Half Percent (2.5%). Such reserve shall be under the joint control of MPT and LESSEE and used for the repair and replacement of capital items on the Facility and as shall be expressly provided in the Lease.

SECTION 1.5 ABSOLUTE NET LEASE: The Real Estate for the Facility will be leased to LESSEE on an absolute net or fully netted basis. The LESSEE will be responsible for all costs of maintaining the Real Estate and the Facility including, but not limited to taxes, insurance, maintenance and capital improvements.

SECTION 1.6 ADDITIONAL SECURITY: As additional security for the performance of LESSEE's obligations under the Lease. MPT shall be granted a security interest in LESSEE's interest in personal property (excluding accounts receivable and the proceeds thereof) and shall receive from LESSEE an assignment of any rents and leases. The Lease shall be cross-defaulted with any other lease between LESSEE, or its affiliates, and MPT, or its affiliates. LESSEE shall not place or allow any other liens to be placed on the personal property without MPT's approval, which approval shall not be unreasonably withheld.

SECTION 1.7 COMMITMENT FEE: LESSEE shall pay to MPT a commitment fee (the "Commitment Fee") equal to One Percent (1%) percent of the estimated Total Development Costs, which shall be due and payable on the Closing Date: provided, however, that One Hundred Thousand Dollars (\$100,000) of the total One Percent (1%) Commitment Fee will be payable upon final execution of this Commitment Letter. Such fee shall be paid from LESSEE's own funds. Portions of the Commitment fee may, under certain circumstances, be refunded to LESSEE as set forth in Section 4.1 herein.

SECTION 1.8 CLOSING DATE: MPT and North Cypress agree that time is of the essence and that the parties will prepare, negotiate and execute the Definitive Documents consistent with the terms hereof and will use their good faith reasonable efforts to close the Transaction (the "Closing") as soon as possible with a goal of closing by June 1, 2005. However, in no event shall the Closing occur any later than June 30, 2005, without an extension in writing of this Commitment Letter by MPT. The actual date upon which the Closing occurs shall be referred to as the "Closing Date."

SECTION 1.9 FINANCIAL INFORMATION AND COVENANTS: MPT must receive, prior to the Closing, audited financial statements of LESSEE for all fiscal years since LESSEE's inception and any existing current interim financial statements of LESSEE, together with a five-year pro forma for the Facility. The Lease will require that MPT receive on a continuing basis during the term of the Leases, within the times as hereinafter set forth, the following:

(a) Within ninety (90) days after the end of each fiscal year, audited financial statements of LESSEE, and the Facility by a nationally recognized accounting firm or an independent certified public accounting firm reasonably acceptable to MPT, which statements shall be prepared in accordance with generally accepted accounting principles ("GAAP"): plus

(i) Within forty-five (45) days after the end of each quarter, current financial statements of LESSEE and the Facility certified to be true and correct; and

(ii) Within thirty (30) days after the end of each month, current operating statements of the Facility certified to be true and correct.

(b) Upon request, a certificate in form acceptable to MPT, that no event of default as defined in the Lease or in any other lease between LESSEE, or its affiliates, and MPT or its affiliates (a "Default"), then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute a Default.

(c) Within ten (10) days of the receipt thereof by LESSEE or any of its affiliates, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that any license or certification, including, without limitation, the Medicare or Medicaid certification of the Facility, is being downgraded, revoked or suspended, or that action is pending or being considered to downgrade, revoke or suspend such Facility's license or certification.

(d) Such other financial information from LESSEE as MPT may, in its sole discretion, reasonably require at such other times as it shall deem necessary.

All financial statements and/or information described herein must be in such form and detail as MPT shall from time to time reasonably request.

SECTION 1.10 COVENANTS AND EVENTS OF DEFAULT: In addition to all other customary defaults and remedies, the Lease shall provide for financial covenants to be mutually agreed upon by LESSEE and MPT. MPT and LESSEE agree that the Lease terms will provide for limited forbearance of the enforcement of these covenants during a period in which operations at the Facility are normalized.

SECTION 1.11 SUBLEASE AND ASSIGNMENT: LESSEE shall not sublease or assign (which will be broadly defined) the Lease without the written consent of MPT: provided, however, that at a minimum any such assignee must have, in MPT's sole discretion, credit and operating characteristics equal to or stronger than LESSEE's. Any such assignment shall not release the LESSEE. Any sublease shall be

subordinate to the Lease and may be terminated or left in place by MPT in the event of a termination of the Lease. Upon any change of Fifty Percent (50%) or greater in the equity ownership of LESSEE, MPT shall have the right to require LESSEE to repurchase the Real Estate in accordance with the provisions of Section 1.3 relating to LESSEE's purchase option, to terminate the Lease, and/or to exercise all other rights and remedies of the landlord under the Lease.

SECTION 1.12 CASH INJECTION: On the Closing Date, LESSEE shall have received from its equity owners at least Fifteen Million Dollars (\$15,000,000) in cash contributions, and North Cypress will maintain at all times during the Lease a tangible net worth, the amount of which shall be negotiated by the parties prior to Closing. Contributions shall include the required letter of credit.

SECTION 1.13 LETTER OF CREDIT: Simultaneously with the execution and delivery of the Lease by North Cypress. North Cypress shall obtain and deliver to MPT an unconditional and irrevocable letter of credit from a bank (or similar collateral) acceptable to MPT, naming MPT as beneficiary and in an amount equal to one (1) year of Base Rent under the Lease. Once operations have sustained EBITDAR coverage of at least two (2) times Base Rent for two (2) consecutive fiscal years, the letter of credit may be reduced to an amount equal to six (6) months of Base Rent.

SECTION 1.14 SALE PROCEED DISTRIBUTIONS OR SYNDICATION: Option 1 MPT will allow LESSEE to participate in any profits captured as a result of the Real Estate being sold. MPT will receive from the sales proceeds an amount equal to the Total Development Cost plus an IRR of Fifteen Percent (15%), any proceeds above that amount will be distributed to LESSEE and MPT on an equal basis. Option 2 Subject to applicable healthcare regulatory requirements, if requested, MPT will offer North Cypress or its physician partners opportunities to purchase up to Forty-Nine Percent (49%) of the limited partnership equity interest in the MPT entity that will hold title to the Real Estate. The valuation of the entity's equity interest will be based on the historical cost of the entity's assets. To the extent that MPT elects to put debt on the real estate, such debt will be non-recourse to the limited partners. Such offering will occur six to nine months following occupancy of the Facility. North Cypress and its physician partners will invest on an equal basis with MPT.

ARTICLE II

THE FACILITY

SECTION 2.1 ACCESS TO INFORMATION: From the date hereof, LESSEE will provide MPT and its representatives (including architects, engineers, surveyors, attorneys, accountants, investment bankers and other representatives) with reasonable and available access to the Real Estate and the officers, agents and employees of LESSEE, and LESSEE shall furnish or cause to furnish such representatives with all financial, operating, and other data or information relating to the LESSEE and the Real Estate as may be reasonably requested in connection with MPT's due diligence review.

SECTION 2.2 APPROVAL OF THE FACILITY: MPT shall have the right to review and approve all aspects of the Facility, including the final configuration of the Real Estate, the location of any improvements on the Real Estate, the location of all roads and interchanges in relation to the Real Estate, the location of all property lines, utilities, easements, rights of way, common areas and amenities affecting the Facility, the soil and subsurface engineering studies, investigations and reports that support and justify the location of the Facility. The Real Estate shall have such easements, rights-of-way and other privileges as are necessary to operate the Facility. North Cypress will provide MPT with preliminary design and development plans for the Facility. Such plans must be acceptable to MPT. MPT will approve the design and development of the Facility so long as they are consistent in all material respects with the plans previously provided to and approved by MPT but MPT's approval shall not be unreasonably withheld.

SECTION 2.3 INSPECTION OF FACILITY:

(a) Total Development Costs shall include a fee to MPT in the amount of Seventy-Five Thousand Dollars (\$75,000) to cover the cost of MPT's inspections of the Facility during the construction stage.

(b) LESSEE shall pay MPT Seven Thousand Five Hundred Dollars (\$7,500) (increasing at the rate of Two and One-Half Percent (2.5 %) per year starting on January 1, 2006) for the Facility per annum to cover the cost of physical inspections for the Facility. LESSEE shall maintain the Facility in a first class manner and shall be required to respond to any deficiencies reported on in these annual reports.

SECTION 2.4 MPT'S RIGHT TO INSPECT FACILITY: MPT and its representatives shall have the right to make periodic inspections of the Facility from time to time upon reasonable prior notice to LESSEE. MPT shall use reasonable efforts to not disrupt the patient care being provided at the Facility.

SECTION 2.5 EXPANSIONS AND RENOVATIONS: So long as MPT is the owner of the Real Estate, the MPT shall have a right of first opportunity to fund any expansions or material renovations requested by LESSEE at the Facility. The lease term for the expansions or renovations shall be identical to the term of the Lease.

ARTICLE III

CONDITIONS PRECEDENT

Prior to the Closing and in addition to any conditions addressed elsewhere in the Commitment Letter, MPT shall have been furnished with the following, each of which must be in form and substance satisfactory to MPT in its sole discretion:

SECTION 3.1 CONTRACTS, CONSENTS AND LIEN WAIVERS: Fully executed counterparts of any previously executed contracts with architects, engineers, contractors and material subcontractors and lien waivers and subordinations pursuant to which such parties release all liens for work performed by them prior to the Closing.

SECTION 3.2 GOVERNMENTAL APPROVALS AND LICENSES: Copies of all permits, licenses and other approvals of governmental authorities required for the operation of the Facility for its intended use and written evidence satisfactory to MPT that the operation and use of the Facility are in accordance with all applicable governmental requirements.

SECTION 3.3 TITLE INSURANCE: At LESSEE's expense, a title insurance policy conforming to the requirements set forth in Exhibit A hereto issued by a title insurance company satisfactory to MPT, insuring the Real Estate. The title policy shall contain no exceptions other than Permitted Exceptions and shall contain a general comprehensive endorsement (ALTA 9), an ALTA 3.0 zoning endorsement and such other endorsements as MPT may require. LESSEE will provide any customary affidavits and certifications required by the title company,

SECTION 3.4 INSURANCE: LESSEE must provide evidence to MPT that the LESSEE is maintaining insurance on the Facility as set forth in Exhibit B, and that MPT and any lender of MPT are named as additional insureds and, where applicable, loss payees.

SECTION 3.5 SURVEY: At LESSEE's expense, a current survey of the Real Estate prepared and certified by a duly registered land surveyor licensed and in good standing in the State of Texas and acceptable to MPT. The survey shall comply with ALTA requirements, shall show all improvements and encroachments located on the Real Estate and all recorded or visible easements, rights-of-way and similar encumbrances affecting the title to the Real Estate, shall contain a certification in the form shown on Exhibit C and shall state whether or not the Real Estate lies within a designated flood hazard Zone.

SECTION 3.6 UCC SEARCHES: UCC searches.

SECTION 3.7 ZONING: Evidence that the Real Estate, and the use and occupancy thereof, will comply with all applicable governmental requirements related to planning, zoning and land use.

SECTION 3.8 PLANS: To the extent LESSEE has them; LESSEE will provide MPT with one complete set of final plans and specifications for the Facility,

SECTION 3.9 ATTORNEY'S OPINION: An opinion of counsel for the LESSEE and any entity-GUARANTOR addressed to MPT covering such matters as MPT may reasonably require.

SECTION 3.10 ENVIRONMENTAL MATTERS: An environmental indemnity agreement, mutually acceptable to LESSEE and MPT, executed by LESSEE and any entity-GUARANTOR in favor of MPT. Pursuant to that agreement, the LESSEE and any entity-GUARANTOR shall make various environmental representations and warranties to MPT and shall indemnify and hold harmless MPT from environmental claims and liabilities, including without limitation, claims and liabilities arising from any hazardous or toxic materials present on the real property constituting the Facility and from any violations of environmental laws and regulations.

SECTION 3.11 ORGANIZATIONAL DOCUMENTS: Certified copies of the organizational documents of the LESSEE and any entity-GUARANTOR together with such resolutions, consents and similar documents evidencing the authorization of the Transaction contemplated by this Commitment Letter as MPT may require and must be in a form satisfactory to MPT.

SECTION 3.12 OTHER: Such other documents, certificates, and the like, as may be customary in comparable transactions or as MPT may otherwise reasonably require.

ARTICLE IV

ADDITIONAL REQUIREMENTS

SECTION 4.1 EXPENSES: LESSEE shall reimburse MPT for all reasonable expenses incurred in connection with this Commitment Letter, the Total Development Costs (as incurred to the date of failure), and the lease of the Real Estate; provided, however, that LESSEE will not be required to reimburse any such expenses if Closing does not occur as a result of MPT's failure to perform, including the Commitment Fee (unless such failure is as a result of LESSEE's failure to perform). Reimbursable expenses shall be included in the Total Development Costs. Such expenses shall include, but not be limited to, third party reports and reasonable legal costs. For the period of March 17, 2005 until June 1, 2005, if there is a change of law which would interfere with physician ownership of the Facility and LESSEE chooses not to go forward with the development of the Facility, the amount of MPT's expenses, including the Commitment Fee, shall be capped at One Hundred Thousand Dollars (\$100,000).

SECTION 4.2 MANAGEMENT: LESSEE or a management company approved by MPT will at all times manage the Facility unless written approval is obtained from MPT or unless removed by MPT as provided for herein or in the Definitive Documents. All fees in excess of One Million Dollars (\$1,000,000) per year that are due and payable under all management agreements shall be subordinate to all monetary obligations under the Lease.

SECTION 4.3 SIGNS: MPT shall have the right to erect a sign, such as a bronze plaque, subject to approval by LESSEE, at the Facility stating that the Real Estate is owned by MPT.

ARTICLE V

GENERAL CONDITIONS

SECTION 5.1 REPRESENTATIONS OF THE LESSEE AND ANY GUARANTORS: MPT's obligations under this Commitment Letter are subject to and contingent upon the accuracy and completeness of all information, representations and materials submitted with or in support of this Transaction and the LESSEE's and each GUARANTOR'S strict and timely compliance with all terms, conditions and requirements set forth herein.

SECTION 5.2 RIGHT TO SELL: The LESSEE understands MPT may sell its interest in the Real Estate in whole or in part. The LESSEE agrees that any purchaser may exercise any and all rights of the landlord, as fully as if such had made the purchase directly from the LESSEE. MPT may divulge to any purchaser all information, reports, financial statements, certificates and documents obtained by it from the LESSEE.

SECTION 5.3 ENTIRE AGREEMENT, MODIFICATIONS AND AMENDMENTS: This Commitment Letter and the Confidentiality Agreement described in Section 5.7 hereof contain the entire agreement of the LESSEE and the MPT with respect to the Transaction and supersede any prior or contemporaneous understanding or commitment. MPT has made no representations to the LESSEE that are not set forth in this Commitment Letter. No changes in this Commitment Letter shall be binding unless in writing and executed by the party against whom enforcement of the change is sought.

SECTION 5.4 TIME: Time is of the essence with respect to all dates and periods of time set forth in this Commitment Letter.

SECTION 5.5 ACCEPTANCE OF COMMITMENT: Upon return by the LESSEE to the MPT of a fully-executed copy of this Commitment Letter by the time set forth below, this Commitment Letter will constitute an agreement of the LESSEE to consummate the Transaction in accordance with the terms and conditions set forth herein. If said executed copy of this Commitment Letter is not received by MPT by 11:59 p.m. Central Time on March 17, 2005, this Commitment Letter shall be null and void and of no further force and effect unless extended in writing by MPT.

SECTION 5.6 NONSOLICITATION: In consideration of the substantial expenditures of time, effort, and expense to be undertaken by MPT and its representatives in connection with its due diligence investigation and review of the Facility, from the date hereof until June 1, 2005, neither North Cypress nor any officer, director, employee, or agent of North Cypress shall, directly or indirectly, enter into any agreement with any prospective person or entity other than MPT regarding the acquisition, transfer, financing, or leasing of the Facility, whether through purchase, merger, assignment, mortgage, or otherwise. If MPT delivers Definitive Documents prior to June 30, 2005, North Cypress will be obligated to execute with MPT the transaction described in such Definitive Documents. Moreover, if MPT fails to deliver Definitive Documents prior to June 30, 2005, and such failure results in whole or in part from the actions or inactions of North Cypress, then North Cypress shall continue to be obligated to execute with MPT the transaction described in such Definitive Documents for a period of thirty (30) days following North Cypress's cure of any such actions or inactions that resulted in a delay

of the Closing. MPT and North Cypress will endeavor in good faith to close the transaction in a timely manner.

SECTION 5.7 CONFIDENTIALITY: The parties reaffirm the existence and validity of that certain confidentiality agreement between MPT and LESSEE dated January 17, 2005 (the "Confidentiality Agreement") and agree to continue to comply with all of the terms and provisions thereof.

SECTION 5.8 ASSIGNMENT: This Commitment Letter and all rights of the parties hereunder shall not be assigned by any party without the prior written approval of the other parties; provided, however, that any party may assign its rights and obligations hereunder to any entity controlling, controlled by or under common control with the other; provided, however, that no such assignment shall relieve any party of any liability hereunder.

SECTION 5.9 PERMITTED DISCLOSURES: Notwithstanding any other agreement of the parties, in connection with its public offering or private placement of its securities or MPT's efforts to obtain financing for the Real Estate, MPT may disclose that it has entered into this Commitment Letter with North Cypress respecting the Facility and may provide other information regarding LESSEE, the GUARANTORS, the Real Estate and the Facility to its proposed investors in such public offering or private offering of its securities or any prospective lenders with respect to such financing of the Real Estate. LESSEE shall cooperate with MPT by providing financial and other information reasonably requested by MPT in connection with such offering of its securities or financing.

SECTION 5.10 GOVERNING LAW: This Commitment Letter shall be governed by and construed in accordance with Delaware law.

SECTION 5.11 EXHIBITS: The exhibits indicated below are attached hereto and by this reference made a part hereof:

- Exhibit A - Title insurance policy requirements.
- Exhibit B - Insurance Requirements
- Exhibit C - Surveyor's Certificate requirements

Please indicate acceptance of the terms and conditions set forth in this Commitment Letter by signing a copy of this Commitment Letter below. This Commitment Letter may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same agreement.

[Signatures appear on the following page.]

Sincerely,

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ Emmett E. McLean

Emmett E. McLean
Executive Vice President and Chief
Operating Officer

Accepted and Agreed to:

/s/ Robert A Behar, MD

By: Robert A Behar, MD
Its: CHAIRMAN OF THE BOARD
Dated: 3/17/05 - 10:30 pm

EXHIBIT A

TITLE INSURANCE REQUIREMENTS

MPT Operating Partnership, L.P. as Purchaser
Title Insurance Requirements

1. "Title Policy" means a title insurance policy in American Land Title Association ("ALTA") 1992 form, or such other form as may be approved by MPT, issued by a title insurer approved by MPT with reinsurance as required by MPT to be on ALTA Facultative Reinsurance Agreement (rev 4/6/90) such that the maximum single risk assumed by any single title insurer may not exceed 25% of that company's capital, surplus, and statutory reserves. Each title insurer issuing insurance required hereby must be licensed to insure properties in the jurisdiction in which the Facility is located.
2. The amount of the owner's title insurance policy on each Facility must equal the Purchase Price. The policy must insure against all standard exceptions (e.g. parties in possession, matters shown on public records, matters which an accurate survey would show, and real estate taxes currently due) and must be effective as of the date of the Closing. The title policy must include such affirmative insurance endorsements as MPT may require to the extent not prohibited by the laws or insurance regulations of the state where the Facility is located, including, without limitation, a zoning compliance endorsement, a street access endorsement, a comprehensive (ALTA Form 9) endorsement, a "Fairways" (change of partners) endorsement, an endorsement negating imputation of knowledge to MPT, an endorsement that the Facility is assessed for real estate taxes separate from any other property (i.e., the property consists of a single tax lot and is not part of a larger tax lot).

EXHIBIT B

INSURANCE REQUIREMENTS

I. GENERAL REQUIREMENTS

The General Requirements set forth herein shall be applicable to the insurance requirements outlined below in Paragraphs II and III throughout the term of this Commitment Letter.

(A) RELATING TO INSURER.

All insurance coverages required by the Commitment Letter must be provided by insurance companies acceptable to MPT that are rated at least an "A, VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better. The aggregate amount of coverage provided by a single company must not exceed 5% of the company's policyholders' surplus. All insurance companies must be licensed and qualified to do business in the state where the insured collateral is located.

Each insurance policy must (i) provide primary insurance without right of contribution from any other insurance carried by MPT. (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including MPT, (iii) permit MPT to pay premiums at MPT's discretion and (iv) as respects any third party liability claim brought against MPT, obligate the insurer to defend MPT as an additional insured thereunder.

(B) RELATING TO DOCUMENTATION OF COVERAGE.

The original copy of each insurance policy required hereunder shall be furnished to MPT, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized Agent for the insurance company as a "true and certified" copy of the policy. LESSEE shall not submit a Certificate of Insurance, in lieu of the certified copy of the policy. The original policy(ies) or certified copy of the policy(ies) must be delivered to MPT, effective with the commencement of each of the Facility and furnished annually thereafter, prior to the expiration date of the preceding policy(ies).

(C) CANCELLATION AND MODIFICATION CLAUSE.

1. The insurer hereby agrees that its policy will not lapse, terminate, or be canceled, or be amended or modified to reduce limits or coverage terms unless and until MPT has received not less than sixty (60) days' prior written notice thereof at the following address:

MPT Operating Partnership, L.P
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

2. Notwithstanding the foregoing, in the event of cancellation due to non-payment of premium, the insurer shall provide not less than ten (10) days' Notice of Cancellation to:

MPT Operating Partnership, L.P
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

II. TYPES OF INSURANCE

LESSEE will at all times keep the Facility insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar Facility. Without limiting the generality of the foregoing, LESSEE will obtain and maintain in effect the following amounts and types of insurance on each of the Facility throughout the term of the Leases:

(A) "ALL RISKS" or "SPECIAL" FORM PROPERTY INSURANCE.

All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Facility. The deductible amount thereunder shall be borne by LESSEE in the event of a loss and the deductible must not exceed \$10,000 per occurrence. Further, in the event of a loss, LESSEE shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and LESSEE further agrees it will notify MPT of any loss in the amount of \$25,000 or greater and that no claim at or in excess of \$25,000 thereunder shall be settled without the prior written consent of MPT, which consent shall not be unreasonably withheld or delayed by MPT.

(B) FLOOD AND EARTHQUAKE INSURANCE (Required only in the event that the property is in a flood plain or earthquake zone).

Insurance in an amount equal to the full replacement cost value of the Facility, subject to no more than a \$25,000 per occurrence, deductible. The policy shall include coverage for subsidence.

(C) LOSS OF EARNINGS INSURANCE.

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

(D) WORKERS COMPENSATION INSURANCE.

Workers Compensation insurance covering all employees in amounts that are customary for LESSEE's industry.

(E) LIABILITY INSURANCE.

COMMERCIAL GENERAL LIABILITY; Commercial General Liability in a primary amount of at least \$5,000,000 per occurrence. Bodily Injury for injury or death of any one person and \$100,000 for Property Damage for damage to or loss of property of others, subject to a \$10,000,000 annual aggregate policy limit for all Bodily Injury and Property Damage claims, occurring on or about the Land or in any way related to the Project, including, but not limited to, any swimming pools or other recreational Facility or areas that are located on the Land or otherwise related to the Facility. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion. Collapse and Underground (XCU). Products Liability, Completed Operations, Broad Form Contractual Liability. Broad Form Property Damage. Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

VEHICLE LIABILITY: Automobile and Vehicle Liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of \$1,000,000 per occurrence for Bodily Injury; \$100,000 per occurrence for Property Damage; subject to an annual aggregate policy limit of \$1,000,000.

UMBRELLA LIABILITY: Umbrella Liability insurance in the minimum amount of \$10,000,000 for each occurrence and aggregate combined single limit for all liability, with a \$10,000 self-insured retention for exposure not covered in underlying primary policies. The Umbrella Liability policy shall name in its underlying schedule the policies of Professional Liability, Commercial General Liability, Garage Keepers Liability, Automobile Vehicle Liability and Employer's Liability under the Workers Compensation Policy.

PROFESSIONAL LIABILITY: Professional Liability insurance for LESSEE and any physician or other employee or agent of LESSEE providing services at the Facility in an amount not less than five million dollars (\$5,000,000) per individual claim and ten million dollars (\$10,000,000) annual aggregate.

(F) COMMERCIAL BLANKET FIDELITY BOND INSURANCE.

A Commercial Blanket Bond covering all employees of the LESSEE, including its officers, and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least \$1,000,000, subject to a deductible of no more than \$10,000 per occurrence.

EXHIBIT C

SURVEYOR'S CERTIFICATE

The undersigned hereby certifies to MPT Operating Partnership, L.P. and _____ (the "Title Insurance Company"); (a) that he is a duly registered land surveyor in the State of _____; (b) that the plat to which this certificate is affixed the "Plat") is a true, complete and correct survey of the property described therein (the "Property") being approximately _____ acres as further described by the Property Description on the Plat; (c) the Plat is based upon a field survey made _____, _____, by me or directly under my supervision in accordance with the minimum standards established by the State of _____ for surveyors and with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA and ACSM in 1992 and meets the Accuracy Standards (as adopted by ALTA and ACSM in 1992 and in effect on the date of this certification) of an Urban Survey, and contains items 1, 2, 3, 4, 7(a), 8, 9, 10, 11(a), and 11(b) of Table A thereto; (d) that the Plat correctly shows the location of all buildings, structures and other improvements on the Property; (e) that the Plat correctly shows the location of all easements, restrictions and rights-of-way described in title insurance commitment number _____ effective as of _____, 1997, issued by the Title Insurance Company (the "Title Commitment"); (f) that the legal description set forth in the Title Commitment is identical in all respects to the Property Description set forth on the Plat; (g) except as shown on the Plat there are no discrepancies between the boundary lines of the Property as shown on the Plat and as described in the legal description of record; (h) that the Plat easements indicate existing surface and underground transmission lines or utilities, such as natural gas, telephone, telegraph, TV cable, water, sewage and electrical power, including pipeline type and sizes with all utility pole locations with overhead wires indicated and the nearest available services clearly shown and dimensional; (i) that, except as shown on the Plat, there are (1) no visible easements or rights-of-way on the Property or any other easements or rights-of-way thereon of which the undersigned has knowledge. (2) no party walls on the Property. (3) no encroachments from the Property over adjoining premises, streets or roads by any buildings, structures or other improvements located on the Property, and (4) no encroachments on the Property by any buildings, structures or other improvements located on adjoining property; (j) that the boundary line dimensions as shown on the Plat form a mathematically closed figure within - 0.01 foot; (k) that the boundary lines of the Property are contiguous with the boundary lines of all adjoining parcels, roads, highways, streets or alleys as described in their most recent respective legal description of record; (l) that the buildings, structures and other improvements located on the Property do not violate any building or setback lines; (m) that adequate ingress to and egress from the Property is provided by _____, the same being paved, dedicated public rights-of-way maintained by _____ (name of maintaining authority); and (n) that the undersigned has consulted the National Flood Insurance Program Maps and has found that, in accordance with said maps, Panel Number _____, dated _____, no portion of the Property lies within a flood hazard area, except as depicted on the Plat.

(Name of Surveyor, Registration No.)

SCHEDULE 1.2

PROJECT COST ANALYSIS

(PRELIMINARY - FOR DISCUSSION & BUDGET PURPOSES ONLY)

_____ GROSS
 _____ RENTABLE Date Printed _____

PRO FORMA ITEM -----	LOAN BUDGET	% OF TOTAL	COST PER SF GROSS
	-----	-----	-----
LAND			Acres S _____
HARD COSTS:			
HOSPITAL*			_____ S.F.@ S _____
LTAC BEDS			_____ S.F.@ S _____
FINISHED ACUTE BEDS			_____ S.F.@ S _____
CONNECTOR TO MOB (3FLS)			_____ S.F.@ S _____
IMAGING CENTER TI ALLOWANCE			_____ S.F.@ S _____
SITE WORK*			_____ S.F.@ S _____
ADDITIONAL PARKING			_____ SPACES
MATERIAL COST INCREASE ALLOWANCE (3%)			
CONSTRUCTION MANAGEMENT FEE			
CONSTRUCTION CONTINGENCY			
 TOTAL HARD COST			
 SOFT COSTS:			
ARCHITECTURAL & ENGINEERING			
DEVELOPER OVERHEAD & COSTS			
GD LEASE PAYMENTS			
CITY PERMITS, IMPACT FEES & UTILITY CONNECTIONS			
INSPECTIONS--MPT			
SOILS, ENVIRONMENTAL & APPRAISAL REPORTS			
CLOSING COSTS			
ADVERTISING S SIGNAGE			
LEGAL			
INSURANCE & TAXES			
MPT FINANCING FEE			_____
INTERIOR DESIGN			
PRE-OPENING COSTS			
BROKER FEE			
CONTINGENCY			
 TOTAL SOFT COSTS			
 TOTAL HOSPITAL LAND, HARD (NET) & SOFT COSTS			
 ESTIMATED LEASE PAYMENTS DURING CONSTRUCTION			
 TOTAL HOSPITAL PROJECT COST			

* ACTUAL CONSTRUCTION COSTS TO BE ADJUSTED TO THE FINAL COST OF CONSTRUCTION AS CONTAINED IN GUARANTEE NOT TO EXCEED CONSTRUCTION CONTRACT.

(MEDICAL PROPERTIES TRUST LOGO)

April 1, 2005

Gregory M. Walker
Chief Executive Officer
Gulf States Health Services, Inc.
2325 Weymouth Drive
Suite A
Baton Rouge, LA 70809

RE: COMMITMENT LETTER FOR HAMMOND, LOUISIANA LONG-TERM ACUTE CARE HOSPITAL

Dear Mr. Walker:

MPT Operating Partnership, L.P., or an affiliated entity ("MPT"), is pleased to extend its commitment to Hammond Healthcare Properties, LLC and/or certain of their designated affiliates (collectively, the "SELLERS") respecting a mortgage loan transaction (the "Loan Transaction") and granting of a put-call option relating to the acquisition of certain real estate and improvements (the "Real Estate") relating to that certain long term acute care hospital located in the Hammond, Louisiana area (the "Facility") and the leaseback of the Real Estate to Hammond Rehabilitation Hospital, LLC and/or certain of its designated affiliates (the "LESSEE"), on an absolute net basis (the "Sale Transaction"). The closing of each of the Loan Transaction and the Sale Transaction (collectively, the "Transactions") is contingent upon and subject to: (i) MPT being satisfied, in its sole discretion, with the results of its due diligence investigation of SELLERS, LESSEE, GUARANTORS (as herein defined), the Real Estate and the Facility, (ii) the execution of mutually-acceptable definitive agreements relating to the Transactions; (iii) MPT's receipt of a title insurance policy and survey respecting the Real Estate, provided at SELLERS' expense, which are in form and substance satisfactory to MPT; (iv) MPT's receipt of a recent phase one environmental study, provided at SELLERS' expense, which is in form and substance satisfactory to MPT; (v) MPT's receipt of an engineering report respecting the condition of the Real Estate and the Facility, provided at SELLERS' expense, which is in form and substance satisfactory to MPT; (vi) the receipt of any consents and approvals of governmental entities or third parties required for the Transactions; (vii) the approval of the Transactions by the Board of Directors of Medical Properties Trust, Inc.; and (viii) such other conditions to closing as are described herein or as are customary in similar transactions.

ARTICLE I

BASIC TERMS

SECTION 1.1 LOAN TRANSACTION: In connection with the Loan Transaction, MPT has committed to loan (the "Loan") SELLERS Eight Million Dollars (\$8,000,000) (the "Loan Commitment Amount"). The Loan shall be evidenced by a loan agreement, mortgage, security agreement and other documents consistent with the term hereof (the "Loan Documents") and shall bear interest at the rate of Ten and One-Half Percent (10.5%) per annum. The Loan shall be secured by a first mortgage on the Real Estate and the other security described herein. The Real Estate and other collateral securing the Loan shall be free and clear of any liens, restrictions and encumbrances whatsoever, except as may be agreed to in the Definitive Documents (the "Permitted Exceptions"). SELLERS shall pay interest on the Loan on a monthly basis with a final balloon payment of all principal and interest being due and payable at the expiration of the Option Period (as herein defined) or, if the Put-Call Option (as herein defined) is exercised, contemporaneously with the closing of the Sale Transaction.

SECTION 1.2 SALE TRANSACTION: Contemporaneously with the closing of the Loan (the "Loan Closing"), the parties shall enter into an agreement granting each party an option, exercisable (by giving written notice to the other party (the "Exercise Notice")) for a period of ninety (90) days following the one year anniversary of the Loan Closing Date (the "Put-Call Option"), to cause the Real Estate to be purchased by MPT and sold by SELLERS on the Sale Closing Date for the Purchase Price (as herein defined), which purchase transaction shall also include the leaseback of the Real Estate from MPT to LESSEE in accordance with the terms hereof. Closing of the Sale Transaction pursuant to the Put-Call Option shall be subject to all of the conditions set forth in this Commitment Letter. For purposes of this Commitment Letter, the term "Purchase Price" shall mean the greater of (i) Ten Million Two Hundred Eighty Five Thousand Seven Hundred Fourteen and No/100 Dollars (\$10,285,714.00) or (ii) the quotient determined by dividing the annual gross rents of LESSEE by One Hundred Five Thousandths (.105) (but in no event shall such quotient exceed Eleven Million Dollars (\$11,000,000)).

SECTION 1.2.1 CONVEYANCE OF REAL ESTATE: Pursuant to the Put-Call Option, MPT shall acquire the Real Estate for the Purchase Price. The Purchase Price shall be paid on the Sale Closing Date. The conveyance of the Real Estate shall be by general warranty deed and such other documents and instruments necessary to convey the Real Estate free and clear of any liens, restrictions, and encumbrances whatsoever, except for the Permitted Exceptions. SELLERS shall be responsible for all recording fees related to such conveyances.

SECTION 1.2.2 SYNDICATION: MPT agrees that up to Thirty Percent (30%) of the equity in the MPT entity which will hold title to the Real Estate may be owned by the owners, operators, and practicing physicians of LESSEE. MPT and LESSEE shall work together to determine which persons shall have an opportunity to invest in such MPT entity.

SECTION 1.3 LEASE: On the Sale Closing Date, MPT and LESSEE shall execute a lease agreement for the Real Estate in a form mutually satisfactory to the parties (the "Lease") generally in accordance with the terms set forth herein. The term of the Lease shall be for a period of fifteen (15) years

commencing on the Sale Closing Date and shall provide for three (3) options to extend the Lease for five (5) years so long as there are no uncured defaults and the options are exercised at least twelve (12) months prior to any expiration of the Lease. The Lease shall contain subordination and non-disturbance clauses. The Lease will provide that, so long as there are no uncured defaults under the Lease, LESSEE shall, at the end of the initial lease term and each extension term and within ninety (90) days of notification from MPT of MPT's intention to terminate the engagement of LESSEE or affiliates as the management company managing the Facility as the result of an event of default, have the right and option to repurchase the Real Estate from MPT at the greater of (i) the appraised fair market values of the Real Estate (which appraisal shall assume that the Lease remains in effect for a term of fifteen (15) years and shall not take into account any purchase options contained therein), or (ii) the Purchase Price increased annually by the greater of (A) Two and One-Half Percent (2.5%), or (B) the rate of increase in the Consumer Price Index on each Adjustment Date. As used herein, the term "Consumer Price Index" shall mean the Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). Such purchase option will include provisions for notice and closing periods.

SECTION 1.4 RENTS: The Lease for the Real Estate shall provide for the following rent:

Section 1.4.1 BASE RENT: The aggregate base rent ("Base Rent") for the Real Estate shall be an initial annual rate of Ten and One-Half Percent (10.50%) (the "Base Rent Rate") of the Purchase Price (which for this purpose shall include any capitalized costs).

Section 1.4.2 RENT INCREASE: On each January 1st beginning with January 1, 2007 (each such date an "Adjustment Date"), the Base Rent Rate shall be increased by an amount equal to the greater of (i) Two and One-Half Percent (2.5%), or (ii) the percentage by which the Consumer Price Index on the Adjustment Date shall have increased over the Consumer Price Index figure in effect on the previous January 1st.

Section 1.4.3 REPAIR AND REPLACEMENT RESERVE: Commencing on the Sale Closing Date and on each January 1st thereafter, LESSEE will be required to make annual deposits into a repair and replacement reserve (the "Repair and Replacement Reserve"), at a financial institution of MPT's choosing, in an amount to be agreed upon by MPT and LESSEE. Such reserve shall be used for the repair and replacement of capital items related to the Real Estate, as shall be expressly provided in the Lease. Any funds remaining in the Repair and Replacement Reserve upon the expiration of the Lease shall be returned to LESSEE.

SECTION 1.5 ABSOLUTE NET LEASE: The Real Estate will be leased to LESSEE on an absolute net or fully netted basis. LESSEE will be responsible for all costs of maintaining the Real Estate, including, but not limited to, taxes, insurance, maintenance, and capital improvements.

SECTION 1.6 ADDITIONAL SECURITY: As additional security for the performance of SELLERS' obligations under the Loan Documents and LESSEE's obligations under the Lease, MPT shall be granted a security interest in SELLERS' or LESSEE's personal property, as the case may be (excluding accounts receivable and the proceeds thereof) and shall receive from SELLERS or LESSEE, as the

case may be, an assignment of any rents and leases. The Loan Documents and Lease, together with any other agreements between MPT and LESSEE, shall be cross-defaulted and cross-collateralized. LESSEE shall not place, or allow any other liens to be placed on, the personal property without MPT's approval, which approval shall not be unreasonably withheld. Additionally, SELLERS and Gulf States Health Services, Inc. ("GUARANTORS") shall jointly and severally guarantee the Loan and the Lease.

SECTION 1.7 COMMITMENT FEE: Upon the execution of this Commitment Letter, SELLERS and LESSEE shall pay a commitment fee to MPT of Twenty Five Thousand Dollars (\$25,000). The commitment fee will be non-refundable, provided, however, that SELLERS and LESSEE will be paid a full refund (\$25,000) if the Loan Closing does not occur as a result of MPT's failure to perform (unless such failure is as a result of SELLERS and/ or LESSEE'S failure to perform). If the Loan Closing does not occur as a result of an appraisal value unacceptable to MPT, the commitment fee will be refunded less any expenses incurred by MPT. Additionally, at the Loan Closing, SELLERS and LESSEE shall pay a nonrefundable commitment fee equal to One Percent (1.0%) of the full Loan Amount, less the Twenty-Five Thousand Dollars (\$25,000) previously paid in commitment fees. At the closing of the Sale Transaction (the "Sale Closing"), SELLERS and LESSEE shall pay a commitment fee to MPT of One Percent (1.0%) of the Purchase Price, less any commitment fees previously paid to MPT.

SECTION 1.8 CLOSING DATES: MPT, SELLERS, and LESSEE agree that time is of the essence and that the parties will prepare, negotiate, and execute Definitive Documents consistent with the terms hereof and will use their good faith reasonable efforts to close the Loan Transaction (the "Loan Closing") as soon as possible with a goal of closing by April 30, 2005. However, in no event shall the Loan Closing occur any later than May 31, 2005, without an extension in writing of this Commitment Letter by MPT. The actual date upon which the Loan Closing occurs shall be referred to as the "Loan Closing Date." The Sale Closing shall occur within sixty (60) days following delivery by either party of an Exercise Notice, such date within said sixty (60) day period being mutually agreed upon by the parties (the "Sale Closing Date").

SECTION 1.9 FINANCIAL INFORMATION AND COVENANTS: MPT must receive, prior to the Loan Closing and again prior to the Sale Closing, financial statements of both SELLERS and LESSEE for the three most recent fiscal years (or such shorter period of SELLERS' or LESSEE'S existence) and any current year-to-date interim, management-generated financial statements of SELLERS and LESSEE, which shall be certified by SELLERS and LESSEE to be true and correct, together with five-year forecasts of operations for the Facility. The Loan Documents and Lease will require that MPT receive on a continuing basis during the term of the Loan Documents and Lease, within the times as hereinafter set forth, the following:

(a) Within ninety (90) days after the end of each year, beginning with the year ending December 31, 2005, audited GAAP-basis financial statements of LESSEE and the Facility by a nationally-recognized accounting firm or an independent certified public accounting firm reasonably acceptable to MPT; plus

- (i) Within forty-five (45) days after the end of each quarter, current financial statements of LESSEE and the Facility, on a quarterly, year-to-date, and prior year comparable basis, certified by LESSEE to be true and correct;
- (ii) Within thirty (30) days after the end of each month, current operating statements of the Facility certified by LESSEE to be true and correct; and
- (iii) Such other financial and operating statements and analyses as MPT may reasonably request.

(b) Upon request, a certificate, in form acceptable to MPT and LESSEE, that no event of default as defined in the Loan Documents or Lease or in any other agreement between LESSEE, or its affiliates, and MPT, or its affiliates (a "Default"), then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute a Default.

(c) Within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing or certifying agencies that any license or certification, including, without limitation, the Medicare or Medicaid certification of either of the Facility, is being downgraded, revoked, or suspended or that action is pending or being considered to downgrade, revoke, or suspend the Facility's license or certification.

(d) MPT reserves the right to require such other financial information from LESSEE at such other times as it shall deem reasonably necessary. All financial statements must be in such form and detail as MPT shall from time to time, but not unreasonably, request.

SECTION 1.10 COVENANTS AND EVENTS OF DEFAULT: In addition to other customary defaults and remedies, the Loan Documents and Lease shall provide for the following covenants, events of default, and remedies, which shall be subject to limited forbearance, as set forth in the Loan Documents and Lease, of the enforcement of these covenants during a period in which operations at the Facility are normalized;

SECTION 1.10.1 FIRST TIER DEFAULTS: The failure or breach of any of the following covenants shall constitute an event of default and MPT shall have the rights and remedies provided for herein:

(i) The total required payments of the total debt of LESSEE when added to the total debt service payments or rent, as the case may be, shall generate a coverage ratio to the Facility's EBITDAR (as herein defined and based on trailing twelve (12) months) equal to or in excess of One Hundred Thirty-Five Percent (135%);

(ii) LESSEE's total debt shall not, on a consolidated basis, exceed Seventy Five Percent (75%) of the greater of (A) the total capitalization of the LESSEE, or (B) market value of the LESSEE based on twelve (12) months' trailing EBITDAR times four (4.0);

(iii) LESSEE shall, on a consolidated basis, generate a total Loan or Lease coverage from EBITDAR (based on trailing twelve (12) months) of at least One Hundred Seventy-Five Percent (175%); or

(iv) LESSEE shall not, on a consolidated basis, experience three (3) consecutive quarters with declines in net revenue and generate a total Loan or Lease coverage from EBITDAR (based on trailing twelve (12) months) of less than Two Hundred Percent (200%).

Upon the occurrence of any of the foregoing specifically-described defaults, MPT may, at its option, require LESSEE to terminate the engagement of the management company managing the Facility and replace such management company with a manager chosen by MPT. For purposes of this Commitment Letter, the term "EBITDAR" shall mean earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with generally accepted accounting principles.

SECTION 1.10.2 SECOND TIER DEFAULTS: The failure or breach of any of the following covenants shall constitute an event of default and MPT shall have the rights and remedies provided for herein:

(i) LESSEE's total debt shall not exceed One Hundred Percent (100%) of the greater of (A) the total capitalization of LESSEE, or (B) market value of LESSEE based on twelve (12) months' trailing EBITDAR times four (4.0);

(ii) LESSEE shall, on a consolidated basis, generate a total Loan or Lease coverage from EBITDAR (based on trailing twelve (12) months) of at least One Hundred Twenty-Five Percent (125%);

(iii) LESSEE shall not, on a consolidated basis, experience six (6) consecutive quarters of falling net revenue and generate a total Loan or Lease coverage from EBITDAR (based on trailing twelve (12) months) of less than One Hundred Fifty Percent (150%); or

(iv) Neither LESSEE nor any GUARANTOR shall be in payment default on any of its corporate debt or other leases or be declared to be in material default by any of its corporate lenders, unless such default is cured within the cure periods provided for therein.

Upon the occurrence of any of the foregoing specifically-described defaults, MPT may, at its option, require LESSEE to terminate the engagement of the management company managing the Facility and replace such management company with a manager approved by MPT and may proceed with any remedy MPT has available to it, including, without limitation, terminating the Lease.

SECTION 1.11 SUBLEASE AND ASSIGNMENT: LESSEE shall not sublease or assign (which will be broadly defined) the Lease without MPT's express written approval; provided, however, that any such assignee shall have, in MPT's sole discretion, credit and operating characteristics equal to or stronger than LESSEE'S. Any such assignment shall not release the LESSEE. Any sublease shall be

subordinate to the Lease and may be terminated or left in place by MPT in the event of a termination of the Lease,

SECTION 1.12 CAPITALIZATION: At the Loan Closing, the Sale Closing and at all times during the term of the Loan Documents and the Lease and any extensions thereof, SELLERS, LESSEE, and Gulf States Health Services, Inc. shall maintain an aggregate tangible net worth in an amount to be mutually agreed upon with MPT. Capitalization shall include the required letter of credit discussed in Section 1.13, below.

SECTION 1.13 LETTER OF CREDIT: At the Loan Closing and continuing through the term of the Loan and Lease, SELLERS and LESSEE shall obtain and deliver to MPT an unconditional and irrevocable letter of credit from a bank (or similar collateral) acceptable to MPT, naming MPT as beneficiary and in an amount equal to six (6) months' debt service under the Loan or Base Rent under the Lease, as the case may be. Once operations have sustained EBITDAR coverage of at least two (2) times Base Rent for eight (8) consecutive fiscal quarters, the letter of credit may be reduced to an amount equal to three (3) months' Base Rent. If, however, after satisfying the conditions necessary to reduce the letter of credit to three (3) months' Base Rent, EBITDAR coverage subsequently drops below two (2) times Base Rent for two (2) consecutive fiscal quarters, the letter of credit shall again increase to six (6) months' Base Rent.

ARTICLE II

THE FACILITY

SECTION 2.1 ACCESS TO INFORMATION: From the date hereof. SELLERS and LESSEE will provide MPT and its representatives (including architects, engineers, surveyors, attorneys, accountants, investment bankers, and other representatives) with reasonable and available access to the Real Estate and the Facility and the officers, agents, and employees of SELLERS and LESSEE, and SELLERS and LESSEE shall furnish or cause to furnish such representatives with all financial, operating, and other data or information relating to the SELLERS, the GUARANTORS, the LESSEE, the Real Estate and the Facility as may be reasonably requested in connection with MPT's due diligence review.

SECTION 2.2 APPROVAL OF THE FACILITY: MPT shall have the right to review and be satisfied with all aspects of the Real Estate and the Facility, including, without limitation, the location of all roads and interchanges in relation to the Real Estate, the location of all property lines, utilities, easements, rights-of-way, common areas, and amenities affecting the Facility, the soil and subsurface engineering studies, and any investigations and reports that support and justify the location of the Facility. The Real Estate shall include such easements, rights-of-way, and other privileges as are necessary to conduct the business of the Facility.

SECTION 2.3 MPT'S RIGHT TO INSPECT FACILITY: MPT and its representatives shall have the right to make periodic inspections of the Real Estate and the Facility from time to time upon reasonable prior notice to LESSEE. MPT shall use every effort to not disrupt the patient care being provided at the Facility. MPT recognizes the importance of patient privacy.

SECTION 2,4 EXPANSIONS AND RENOVATIONS: So long as MPT is the mortgage lender or owner of the Real Estate, MPT shall have a right of first opportunity to fund any expansions or material renovations requested by LESSEE at the Facility. The loan or lease term for the expansions or renovations shall be identical to the term of the Lease.

ARTICLE III

CONDITIONS PRECEDENT

Prior to the Loan Closing and the Sale Closing, and in addition to any conditions addressed elsewhere in this Commitment Letter, MPT shall have been furnished with the following, each of which must be in form and substance reasonably satisfactory to MPT in its sole discretion:

SECTION 3.1 GOVERNMENTAL APPROVALS AND LICENSES: Copies of all permits, licenses, and other approvals of governmental authorities required for the operation of the Facility for their intended use, together with satisfactory written evidence from LESSEE to MPT that the operation and use of the Facility are in accordance with all applicable governmental requirements.

SECTION 3.2 TITLE INSURANCE: At SELLERS' expense, a title insurance policy conforming to the requirements set forth in Exhibit A, and issued by a title insurance company satisfactory to MPT, insuring the Real Estate. The title policy shall contain no exceptions other than Permitted Exceptions and shall contain a general comprehensive endorsement (ALTA 9), an ALTA 3.1 zoning endorsement and such other endorsements as MPT may require. SELLERS will provide any customary affidavits and certifications required by the title company.

SECTION 3.3 INSURANCE: LESSEE must provide evidence to MPT that LESSEE is maintaining insurance on the Facility as set forth in Exhibit B, and that MPT and any lender of MPT are named as additional insureds and, where applicable, loss payees.

SECTION 3.4 UCC SEARCHES: UCC searches.

SECTION 3.5 ZONING: Evidence that the Real Estate, and the use and occupancy thereof, will comply with all applicable governmental requirements related to planning, zoning, and land use.

SECTION 3.6 ATTORNEY'S OPINION: An opinion, or opinions, of counsel for SELLERS, LESSEE and the GUARANTORS addressed to MPT covering such matters as MPT may reasonably require.

SECTION 3.7 ENVIRONMENTAL MATTERS: An environmental indemnity agreement, mutually acceptable to SELLERS and MPT, executed by SELLERS and each GUARANTOR, jointly and severally, in favor of MPT. Pursuant to that agreement, SELLERS and each GUARANTOR shall make various environmental representations and warranties to MPT and shall indemnify and hold harmless MPT from environmental claims and liabilities, including, without limitation, claims and liabilities arising from any hazardous or toxic materials present on the real property constituting the Facility and from any violations of environmental laws and regulations.

SECTION 3.8 ORGANIZATIONAL DOCUMENTS: Certified copies of the organizational documents of SELLERS, LESSEE, and each GUARANTOR, together with such resolutions, consents, and similar documents evidencing the authorization of the transactions contemplated by this commitment as MPT may require.

SECTION 3.9 APPRAISAL: MPT acknowledges that, in order to facilitate a timely Loan closing, SELLERS, at their expense, have ordered an appraisal on the Real Estate showing the fair market value thereof (the "Appraised Value"). The appraisal must meet all applicable governmental requirements. The Appraised Value shown by such appraisal must be equal to or exceed the Loan Commitment Amount. The appraiser will provide a reliance letter addressed to MPT that expressly states that MPT may rely on such appraiser's statement and determination of the Appraised Value of the Real Estate. MPT acknowledges that, in order to facilitate a timely Sale Closing, SELLERS, at their expense, will order an updated appraisal on the Real Estate showing the Appraised Value. The Appraised Value reflected in such updated appraisal must equal or exceed the Purchase Price. The updated appraisal must meet all applicable governmental requirements.

SECTION 3.10 SURVEY: At SELLERS' expense, a current survey of the Real Estate prepared and certified by a duly registered land surveyor licensed and in good standing in the State of Louisiana and acceptable to MPT. The survey shall comply with ALTA requirements, shall show all improvements and encroachments located on the Real Estate and all recorded or visible easements, rights-of-way, and similar encumbrances affecting the title to the Real Estate, shall contain a certification in the form shown on Exhibit C, and shall state whether or not the Real Estate lies within a designated flood hazard zone.

SECTION 3.11 OTHER: Such other documents, certificates, and the like, as may be customary in comparable transactions or as MPT may otherwise reasonably require.

ARTICLE IV

ADDITIONAL REQUIREMENTS

SECTION 4.1 EXPENSES: All reasonable expenses incurred by MPT in connection with this Commitment Letter and the Transactions shall, in the event the Transactions close, be added to the Loan Amount or Purchase Price, as the case may be, for purposes of calculating Loan payments or Base Rent; otherwise, all such expenses shall be the responsibility of, and shall be paid or reimbursed by, Seller. Such expenses shall include, but not be limited to, third party reports and legal costs.

SECTION 4.2 MANAGEMENT: LESSEE, or a management company approved by MPT, will at all times manage the Facility unless written approval is obtained from MPT or unless removed by MPT as provided for herein or in the Definitive Documents.

SECTION 4.3 SIGNS: MPT shall have the right to erect a sign at the Facility approved by LESSEE, which such approval shall not be unreasonably withheld, stating that the Real Estate is financed or owned by MPT.

ARTICLE V

GENERAL CONDITIONS

SECTION 5.1 REPRESENTATIONS OF SELLERS AND LESSEE: MPT's obligations under this Commitment Letter are subject to, and contingent upon, the material accuracy and completeness of all information, representations, and materials submitted with, or in support of, this transaction and SELLERS and LESSEE strict and timely compliance with all terms, conditions, and requirements set forth herein.

SECTION 5.2 RIGHT TO SELL; LESSEE understands MPT may sell its interest in the Real Estate in whole or in part. LESSEE agrees that any purchaser may exercise any and all rights of the landlord, as fully as if such purchaser had made the purchase directly from the SELLERS. MPT may divulge to any purchaser all information, reports, financial statements, certificates, and documents obtained by it from the SELLERS and LESSEE.

SECTION 5.3 ENTIRE AGREEMENT, MODIFICATIONS AND AMENDMENTS: This Commitment Letter and the Confidentiality Agreement described in Section 5.10 contain the entire agreement of SELLERS, LESSEE, and MPT with respect to the Transactions and supersede any prior or contemporaneous understanding or commitment. MPT has made no representations to SELLERS or LESSEE that are not set forth in this Commitment Letter. No changes in this Commitment Letter shall be binding unless in writing and executed by the party against whom enforcement of the change is sought.

SECTION 5.4 TIME: Time is of the essence with respect to all dates and periods of time set forth in this Commitment Letter.

SECTION 5.5 ACCEPTANCE OF COMMITMENT: Upon return by SELLERS and LESSEE to MPT of a fully-executed copy of this Commitment Letter by the time set forth below, this Commitment Letter will constitute an agreement of SELLERS and LESSEE to consummate the Transactions in accordance with the terms and conditions set out above. If said executed copy of this Commitment Letter is not received by MPT by 9:00 a.m. Central Time on April 4, 2005, this Commitment Letter shall be null and void and of no further force and effect unless extended in writing by MPT.

SECTION 5.6 PRIOR COMMITMENT LETTERS SUPERSEDED: This Commitment Letter supersedes and cancels all prior oral and written commitments made by and among MPT, SELLERS, and LESSEE with respect to the Facility.

SECTION 5.7 NO SHOP: In consideration of the substantial expenditures of time, effort, and expense to be undertaken by MPT and its representatives in connection with its due diligence investigation and review of the Real Estate, SELLERS, LESSEE, GUARANTORS and the Facility, from the date hereof until May 31, 2005, neither SELLERS, LESSEE, nor any officer, director, member, partner, employee, affiliate or agent of SELLERS or LESSEE shall, directly or indirectly, solicit, seek, enter into, conduct, or participate in any discussions or negotiations or enter into any agreement with any other prospective person or entity, regarding the acquisition, transfer, financing, or leasing of the Real Estate or the Facility, whether through purchase, merger, assignment, mortgage, or otherwise

SECTION 5.8 NON-COMPETITION: LESSEE, SELLERS, and their affiliates shall enter into a non-competition agreement, which agreement shall be in a form mutually acceptable to MPT, LESSEE, and SELLERS. The non-competition agreement shall prohibit competition within a ten (10) mile radius of the Facility but will permit MPT, LESSEE, and SELLERS acquisition, ownership, and operation of any facility within such radius if the operation of such facility will not have an adverse effect on the Facility.

SECTION 5.9 PERMITTED DISCLOSURES: Notwithstanding any other agreement of the parties, in connection with its public offering or the private placement of its securities or MPT's efforts to obtain financing for the Real Estate, MPT may disclose that it has entered into this Commitment Letter with SELLERS and LESSEE respecting the Real Estate and the Facility and may provide other information regarding SELLERS, LESSEE, the Real Estate, GUARANTORS and the Facility to its proposed investors in such public offering or private offering of its securities or any prospective lenders with respect to such financing of the Real Estate. SELLERS and LESSEE shall cooperate with MPT by providing financial and other information reasonably requested by MPT in connection with such offering of its securities or financing.

SECTION 5.10 CONFIDENTIALITY: The parties reaffirm the existence and validity of that certain Confidentiality Agreement between MPT and Gulf States Health Services, Inc. dated March 9, 2005 (the "Confidentiality Agreement") and agree to continue to comply with all of the terms and provisions thereof.

SECTION 5.11 ASSIGNMENT: This Commitment Letter and all rights of the parties hereunder shall not be assigned by any party without the prior written approval of the other parties; provided, however, that any party may assign its rights and obligations hereunder to any entity controlling, controlled by, or under common control with the other; provided, however, that no such assignment shall relieve any party of any liability hereunder.

SECTION 5.12 GOVERNING LAW: All terms and provisions of this Commitment Letter shall be governed by, and construed in accordance with, Delaware law.

SECTION 5.13 EXHIBITS: The exhibits indicated below are attached hereto and by this reference made a part hereof:

Exhibit A - Title insurance policy requirements.

Exhibit B - Insurance Requirements

Exhibit C - Surveyor's Certificate requirements

Please indicate acceptance of the terms and conditions set forth in this Commitment Letter by signing a copy of this Commitment Letter below. This Commitment Letter may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same agreement.

Sincerely.

MPT OPERATING PARTNERSHIP, L.P.

BY: /s/ Emmett E. McLean

Emmett E. McLean
Executive Vice President and Chief
Operating Officer

Accepted and Agreed to:

HAMMOND HEALTHCARE PROPERTIES, LLC

By: /s/ Gregory M. Walker

Its: Member

Dated: 3-31-05

HAMMOND REHABILITATION HOSPITAL, LLC

By: /s/ Gregory M. Walker

Its: Member

Dated: 3-31-05

EXHIBIT A

TITLE INSURANCE REQUIREMENTS

MPT Operating Partnership. L.P. as Purchaser
Title Insurance Requirements

1. "Title Policy" means a title insurance policy in American Land Title Association ("ALTA") 1992 form, or such other form as may be approved by MPT, issued by a title insurer approved by MPT with reinsurance as required by MPT to be on ALTA Facultative Reinsurance Agreement (rev 4/6/90) such that the maximum single risk assumed by any single title insurer may not exceed 25% of that company's capital, surplus, and statutory reserves. Each title insurer issuing insurance required hereby must be licensed to insure properties in the jurisdiction in which the Facility is located.

2. The amount of the owner's title insurance policy on the Facility must equal the Purchase Price. The policy must insure against all standard exceptions (e.g., parties in possession, matters shown on public records, matters which an accurate survey would show, and real estate taxes currently due) and must be effective as of the date of the Closing. The title policy must include such affirmative insurance endorsements as MPT may require, to the extent not prohibited by the laws or insurance regulations of the state where the Facility is located, including, without limitation, a zoning compliance endorsement, a street access endorsement, a comprehensive (ALTA Form 9) endorsement, a "Fairways" (change of partners) endorsement, an endorsement negating imputation of knowledge to MPT, an endorsement that the Facility is assessed for real estate taxes separate from any other property (i.e., the property consists of a single tax lot and is not part of a larger tax lot).

EXHIBIT B

INSURANCE REQUIREMENTS

I. GENERAL REQUIREMENTS

The General Requirements set forth herein shall be applicable to the insurance requirements outlined below in Paragraphs II and III throughout the term of this Commitment Letter.

(A) RELATING TO INSURER.

All insurance coverages required by the Commitment Letter must be provided by insurance companies acceptable to MPT that are rated at least an "A, VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better. The aggregate amount of coverage provided by a single company must not exceed 5% of the company's policyholders, surplus. All insurance companies must be licensed and qualified to do business in the state where the insured collateral is located.

Each insurance policy must (i) provide primary insurance without right of contribution from any other insurance carried by MPT, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including MPT, (iii) permit MPT to pay premiums at MPT's discretion and (iv) as respects any third party liability claim brought against MPT, obligate the insurer to defend MPT as an additional insured thereunder.

(B) RELATING TO DOCUMENTATION OF COVERAGE.

The original copy of each insurance policy required hereunder shall be furnished to MPT, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized Agent for the insurance company as a "true and certified" copy of the policy. LESSEE shall not submit a Certificate of Insurance, in lieu of the certified copy of the policy. The original policy(ies) or certified copy of the policy(ies) must be delivered to MPT, effective with the commencement of the Facility and furnished annually thereafter, prior to the expiration date of the preceding policy(ies).

(C) CANCELLATION AND MODIFICATION CLAUSE.

1. The insurer hereby agrees that its policy will not lapse, terminate, or be canceled, or be amended or modified to reduce limits or coverage terms unless and until MPT has received not less than sixty (60) days' prior written notice thereof at the following address:

MPT Operating Partnership, LP
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

2. Notwithstanding the foregoing, in the event of cancellation due to non-payment of premium, the insurer shall provide not less than ten (10) days' Notice of Cancellation to:

MPT Operating Partnership, LP
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

II. TYPES OF INSURANCE

LESSEE will at all times keep the Facility insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, LESSEE will obtain and maintain in effect the following amounts and types of insurance on the Facility throughout the term of the Lease:

(A) "ALL RISKS" or "SPECIAL" FORM PROPERTY INSURANCE.

All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Facility. The deductible amount thereunder shall be borne by LESSEE in the event of a loss and the deductible must not exceed \$10,000 per occurrence. Further, in the event of a loss, LESSEE shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and LESSEE further agree they will notify MPT of any loss in the amount of \$25,000 or greater and that no claim at or in excess of \$25,000 thereunder shall be settled without the prior written consent of MPT, which consent shall not be unreasonably withheld or delayed by MPT.

(B) FLOOD AND EARTHQUAKE INSURANCE (Required only in the event that the property is in a flood plain or earthquake zone).

Insurance in an amount equal to the full replacement cost value of the Facility, subject to no more than a \$25,000 per occurrence, deductible. The policy shall include coverage for subsidence.

(C) LOSS OF EARNINGS INSURANCE.

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

(D) WORKERS COMPENSATION INSURANCE.

Workers Compensation insurance covering all employees in amounts that are customary for LESSEE'S industry.

(E) LIABILITY INSURANCE.

COMMERCIAL GENERAL LIABILITY: Commercial General Liability in a primary amount of at least \$5,000,000 per occurrence. Bodily Injury for injury or death of any one person and \$100,000 for Property Damage for damage to or loss of property of others, subject to a \$10,000,000 annual aggregate policy limit for all Bodily Injury and Property Damage claims, occurring on or about the Land or in any way related to the Project, including but not limited to, any swimming pools or other recreational facility or areas that are located on the Land or otherwise related to the Facility. Such policy shall include coverages of a Broad Form nature, including, but not limited to. Explosion, Collapse and Underground (XCU), Products Liability, Completed Operations, Broad Form

Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

VEHICLE LIABILITY: Automobile and Vehicle Liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of \$1,000,000 per occurrence for Bodily Injury: \$100,000 per occurrence for Property Damage; subject to an annual aggregate policy limit of \$1,000,000.

UMBRELLA LIABILITY: Umbrella Liability insurance in the minimum amount of \$10,000,000 for each occurrence and aggregate combined single limit for all liability, with a \$10,000 self-insured retention for exposure not covered in underlying primary policies. The Umbrella Liability policy shall name in its underlying schedule the policies of Professional Liability, Commercial General Liability, Garage Keepers Liability, Automobile/Vehicle Liability and Employer's Liability under the Workers Compensation Policy.

PROFESSIONAL LIABILITY: Professional Liability insurance for LESSEE and any physician or other employee or agent of LESSEE providing services at the Facility in an amount not less than five million dollars (\$5,000,000) per individual claim and ten million dollars (\$10,000,000) annual aggregate.

(F) COMMERCIAL BLANKET FIDELITY BOND INSURANCE.

A Commercial Blanket Bond covering all employees of the LESSEE, including their officers, and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least \$1,000,000, subject to a deductible of no more than \$10,000 per occurrence.

EXHIBIT C
SURVEYOR'S CERTIFICATE

The undersigned hereby certifies to MPT Operating Partnership. L.P. and _____ (the "Title Insurance Company"): (a) that he is a duly registered land surveyor in the State of _____: (b) that the plat to which this certificate is affixed (the "Plat") is a true, complete and correct survey of the property described therein ("the "Property") being approximately _____ acres as further described by the Property Description on the Plat: (c) the Plat is based upon a field survey made _____, by me or directly under my supervision in accordance with the minimum standards established by the State of _____ for surveyors and with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA and ACSM in 1992 and meets the Accuracy Standards (as adopted by ALTA and ACSM in 1992 and in effect on the date of this certification) of an Urban Survey and contains items 1, 2, 3, 4, 7(a), 8, 9, 10, 11(a), and 11(b) of Table A thereto: (d) that the Plat correctly shows the location of all buildings, structures and other improvements on the Property: (e) that the Plat correctly shows the location of all easements, restrictions and rights-of-way described in title insurance commitment number _____ effective as of _____, 1997, issued by the Title Insurance Company (the "Title Commitment"): (f) that the legal description set forth in the Title Commitment is identical in all respects to the Property Description set forth on the Plat: (g) except as shown on the Plat there are no discrepancies between the boundary lines of the Property as shown on the Plat and as described in the legal description of the record: (h) that the Plat easements indicate existing surface and underground transmission lines or utilities, such as natural gas, telephone, telegraph, TV cable, water, sewage and electrical power, including pipeline type and sizes with all utility pole locations with overhead wires indicated and the nearest available services clearly shown and dimensional; (i) that, except as shown on the Plat, there are (1) no visible easements or rights-of-way on the Property or any other easements or rights-of-way thereon of which the undersigned has knowledge. (2) no party walls on the Property. (3) no encroachments from the Property over adjoining premises, streets or roads by any buildings, structures or other improvements located on the Property, and (4) no encroachments on the Property by any buildings, structures or other improvements located on adjoining property: (j) that the boundary line dimensions as shown on the Plat form a mathematically closed figure within + 0.01 foot: (k) that the boundary lines of the Property are contiguous with the boundary lines of all adjoining parcels, roads, highways, streets or alleys as described in their most recent respective legal description of record: (l) that the buildings, structures and other improvements located on the Property do not violate any building or setback lines: (m) that adequate ingress to and egress from the Property is provided by _____, the same being paved, dedicated public rights-of-way maintained by (name of maintaining authority): and (n) that the undersigned has consulted the National Flood Insurance Program Maps and has found that, in accordance with said maps, Panel Number _____, dated _____, no portion of the Property lies within a flood hazard area, except as depicted on the Plat.

(Name of Surveyor. Registration No.)

[MPT LOGO]

MEDICAL PROPERTIES TRUST

March 3, 2005

Jerome S. Tannenbaum, M.D., Ph.D., FACP
Chairman, President and CEO
Diversified Specialty Institutes, Inc.
511 Union Street, Suite 1800
Nashville, Tennessee 37219

RE: COMMITMENT LETTER FOR ACQUISITION AND DEVELOPMENT LINE

Dear Dr. Tannenbaum:

MPT Operating Partnership, L.P., or its designated affiliates (collectively, "MPT"), are pleased to extend a commitment to Diversified Specialty Institutes, Inc., or its affiliates (collectively, "DSI" or "LESSEE") respecting an acquisition and development facility (the "Line") to be used to finance the acquisition of certain existing healthcare facilities (the "Acquisition Facilities") and the development of certain other healthcare facilities (the "Development Facilities"). The real estate and improvements relating to the Acquisition Facilities and the Development Facilities shall hereinafter be referred to, collectively, as the Real Estate, and the operating permits, licenses, and other non-Real Estate assets relating to the Acquisition Facilities and the Development Facilities shall hereinafter be referred to collectively as the Operations. Contemporaneously with MPT's acquisition of the Real Estate respecting any Acquisition Facility or Development Facility, such Real Estate shall be leased by MPT to LESSEE on the terms herein provided.

The closing of the Line itself (the "Line Closing") is subject to: (i) MPT being satisfied, in its reasonable discretion, with the results of its due diligence investigation of LESSEE, (ii) the execution of definitive agreements relating to the Line, which are consistent with the terms hereof; (iii) the obtaining of any necessary consents and approvals of governmental entities and third parties; and (iv) such other conditions to such closing as are described herein or as are customary in similar transactions. The closing of any acquisition of Real Estate with respect to any particular Acquisition Facility or Development Facility (each a "Closing") shall be subject to: (i) MPT being satisfied, in its reasonable discretion, with the results of its due diligence investigation of LESSEE and such Acquisition Facility or Development Facility, as the case may be, including the Real Estate and the Operations with respect thereto; (ii) the execution of definitive agreements respecting the acquisition and/or development of the Real Estate with respect to such Acquisition Facility or Development Facility, as well as the lease and other definitive agreements relating to the leaseback of such Real Estate; (iii) MPT's receipt of a current title insurance policy and survey respecting such Real Estate, provided at LESSEE'S expense, which are in form and substance satisfactory to MPT; (iv) MPT's receipt of a recent phase one environmental study for such Real Estate, provided at LESSEE'S expense,

[MPT LOGO]

which is in form and substance satisfactory to MPT; (v) MPT's receipt of a recent engineering (soil condition) report respecting the condition of such Real Estate, provided at LESSEE'S expense, which is in form and substance satisfactory to MPT; (vi) the obtaining of any consents and approvals of governmental entities or third parties; (vii) the approval of such acquisition or development and leaseback by the Board of Directors of Medical Properties Trust, Inc.; and (viii) such other conditions to such closing as are described herein or as are customary in similar transactions.

ARTICLE I

BASIC TERMS

SECTION 1.1 BASIC TRANSACTION: It is the parties' intent for MPT to make available a total Line of Fifty Million Dollars (\$50,000,000). The Line shall be utilized to acquire Real Estate with respect to Acquisition Facilities and to acquire and develop Real Estate with respect to Development Facilities. The Line shall remain outstanding until the first anniversary of the date of acceptance of this Commitment Letter (the "Outside Date"), it being understood and agreed that the Line shall be available to finance any Acquisition Facility or Development Facility that is subject to definitive agreements as of the Outside Date, notwithstanding that the closing or completion of such Acquisition Facility or Development Facility may not have occurred as of the Outside Date.

SECTION 1.1.1 CONVEYANCE OF REAL ESTATE: The conveyance of each parcel of Real Estate shall be by general warranty deed conveying good and marketable title, free and clear of any liens and encumbrances, except for liens and encumbrances reasonably acceptable to MPT (the "Permitted Exceptions").

SECTION 1.1.2 DEVELOPMENT: MPT shall be responsible for funding the Total Development Costs (as herein defined) for any Development Facility. Total Development Costs shall include all costs and expenses associated with the purchase, development, and lease of the Real Estate relating to such Development Facility, including, but not limited to, the purchase price paid for the Real Estate, legal, appraisal, title, survey, environmental, engineering, and other fees paid to advisors and or brokers, expenses of site visits, and all other development costs. During the period of development of any Development Facility, funds shall be advanced pursuant to requests made by LESSEE in accordance with the terms and conditions of a development agreement entered into by MPT with the developer of such Development Facility (the "Development Agreement"). Any such Development Agreement shall provide that, prior to any advance of funds, the developer shall be required to provide MPT with the following:

(a) TITLE INSURANCE: Satisfactory evidence in the form of an endorsement to the original title insurance policy that no intervening liens have been placed on the Real Estate relating such to Development Facility since the date of the previous advance;

(b) ARCHITECT'S CERTIFICATE: A certificate executed by the architect of record (the "Architect's Certificate") that indicates that all construction work completed on such Real Estate conforms with the requirements of the plans, specifications, and any change orders previously approved by MPT;

(c) CONTRACTOR'S CERTIFICATE; LIEN WAIVER: A certificate executed by the general contractor or construction manager that all work that is the subject of a request for reimbursement has been completed and a lien waiver that all bills have been paid; and

(d) CONSTRUCTION REPORT: Approval by MPT of the Architect's Certificate.

LESSEE shall designate the general contractor, developer, architect, construction company, engineer, and other parties which will participate in the development of the Development Facility, however, MPT shall control the preparation and negotiation of the definitive agreements with such parties. MPT will give LESSEE an opportunity to review such definitive agreements prior to their execution.

SECTION 1.3 LEASE: On the date of Closing with respect to any Acquisition Facility or Development Facility (each a "Closing Date"), the parties shall execute a lease agreement for the Real Estate for such Acquisition Facility or Development Facility in a form mutually satisfactory to the parties (collectively the "Leases" and individually a "Lease") generally in accordance with the terms set forth herein. The term of each Lease shall be for a period of fifteen (15) years commencing on the Closing Date and (so long as there is no default under the Leases) each Lease shall provide for three (3) options exercisable by LESSEE, in its sole discretion, to extend for five (5) years so long as the options are exercised at least six (6) months prior to the expiration of the Lease. Each Lease shall provide that at the expiration of the initial term of the Lease and at the expiration of each extended term thereafter, so long as there is no default under the Leases, LESSEE shall have the option to purchase the Real Estate at a purchase price equal to the greater of (i) the appraised fair market value of such Real Estate (which appraisal shall assume that the Lease remains in effect for a term of fifteen (15) years), or (ii) the amount of (A) the purchase price paid for the Real Estate, including costs of third party reports, legal fees, and all other acquisition costs (the "Purchase Price"), in the case of Acquisition Facilities, or, (B) Total Development Costs, in the case of Development Facilities, in each case increased by an amount equal to the greater of (1) two and one-half percent (2.5%) per year from the Closing, or (2) the rate of increase in the Consumer Price Index on each Adjustment Date. As used herein, the term "Consumer Price Index" means the Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). As used herein, the term "Adjustment Date" means January 1 of each year commencing on the first January 1st following commencement of the Lease, with respect to Acquisition Facilities, or on the first January 1st following the completion date, in the case of Development Facilities. Each Lease shall further provide that LESSEE may exercise the purchase option described above upon at least sixty (60) days' written notice and LESSEE shall be required to close within ninety (90) days following delivery of such notice.

SECTION 1.4 RENTS: Each Lease of Real Estate shall provide for the following rents:

SECTION 1.4.1 CONSTRUCTION PERIOD RENT FOR DEVELOPMENT FACILITIES: During the construction period (the "Construction Period"), if applicable, LESSEE shall pay MPT, in consecutive monthly installments, a per annum amount equal to 10.75% multiplied by the total amount of Total Development Costs disbursed under the applicable Development Agreement (the "Construction Period Rent"). The Construction Period Rent shall commence on the first day of

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the month following the month in which the first funds are disbursed under the applicable Development Agreement, and shall continue to be paid by LESSEE to MPT on the first (1st) day of each month.

SECTION 1.4.2 BASE RENT: Following the Construction Period with respect to any Development Facility and from the date of commencement of the Lease with respect to any Acquisition Facility, the aggregate annual base rent ("Base Rent") for the Real Estate shall be an initial annual rate of 10.75% multiplied by the Total Development Costs or Purchase Price, as the case may be. The Base Rent shall be payable in twelve (12) equal monthly installments.

SECTION 1.4.3 RENT INCREASE: Commencing on the first January 1st following commencement of the Lease, with respect to Acquisition Facilities, and the first January 1st following the completion date, with respect to Development Facilities, and on each January 1st thereafter (each such date an "Adjustment Date") the Base Rent shall be increased by an amount equal to the greater of (A) two and one-half percent (2.50%) of the prior year's Base Rent, or (B) the percentage by which the Consumer Price Index on the Adjustment Date shall have increased over the Consumer Price Index figure in effect on the then just previous Adjustment Date. If the previous year's Base Rent is for a partial year, it shall be annualized.

SECTION 1.4.4 CAPITAL IMPROVEMENT RESERVE: Commencing on the date that construction has been completed with respect to Development Facilities, or on the date of commencement of the Lease with respect to Acquisition Facilities, and on each January 1 thereafter, LESSEE will be required to make annual deposits into a Capital Improvement Reserve (the "Capital Improvement Reserve"), at a financial institution of MPT's choosing, in the amount of \$2,500 per bed, which amount shall increase each January 1st by 2.50%. Such reserve shall be under the joint control of MPT and LESSEE and shall be used for the repair and replacement of capital items on the Real Estate and as expressly provided in the Lease.

SECTION 1.5 ABSOLUTE TRIPLE NET LEASE: Each parcel of Real Estate will be leased to LESSEE on an absolute triple-net or fully-netted basis. The LESSEE will be responsible for all costs of the Real Estate, including, but not limited to, taxes, insurance, and maintenance.

SECTION 1.6 SECURITY: As security for the performance of LESSEE'S obligations under the Leases, MPT shall be granted a security interest in LESSEE'S personal property (excluding accounts receivable and the proceeds thereof) (subject to any contract lien and security interest of LESSEE'S primary lender (the "Primary Lender") providing financing for LESSEE to purchase the personal property) and shall receive from LESSEE an assignment of any rents and leases. The Leases shall be cross-defaulted and shall also be cross-defaulted with any other lease between LESSEE, or its affiliates, and MPT, or its affiliates. If LESSEE obtains financing from a Primary Lender, LESSEE will use commercially reasonable efforts to obtain from its Primary Lender a consent to a secondary lien on the personal property in favor of MPT, in form and content reasonably acceptable to Primary Lender and LESSOR. LESSEE shall not place any liens, or allow any other liens to be placed, on the personal property.

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SECTION 1.7 COMMITMENT FEE: LESSEE shall pay to MPT a commitment fee (the "Commitment Fee") equal to One Percent (1%) of the Line, of which amount One Hundred Thousand Dollars (\$100,000) shall be due and payable upon the execution of this Commitment Letter. The remainder of the fee shall be due and payable at the closing of future projects, with such fee on each project being equal to One Percent (1%) of that project's purchase price. Credit shall be given on future payments of Commitment Fees for the One Hundred Thousand Dollars (\$100,000) paid upon the execution of this letter.

SECTION 1.8 LINE CLOSING DATE: MPT and DSI agree that time is of the essence and the parties will prepare, negotiate, and execute the documentation relating to the Line, consistent with the terms hereof, and will use their good faith reasonable efforts to close the Line (the "Line Closing") by February 28, 2005. The definitive documents shall provide that the Transaction must close (the "Line Closing Date") by March 31, 2005, unless either party requests a thirty (30) day extension, such request not to be unreasonably withheld by the other party.

SECTION 1.9 FINANCIAL INFORMATION AND COVENANTS: MPT must receive, prior to the Line Closing, audited financial statements of DSI for the three most recent fiscal years and any current year-to-date interim financial statements of DSI. In addition, with respect to the Closing of any Acquisition Facility or Development Facility. MPT also shall receive five years pro forma for such Acquisition Facility or Development Facility prior to Closing. The Leases will require that MPT receive on a continuing basis during the term of the Leases, within the times as hereinafter set forth, the following:

- (a) Within ninety (90) days after the end of each year, audited financial statements of DSI and LESSEE'S Operations by a nationally recognized accounting firm or an independent certified public accounting firm reasonably acceptable to MPT, which statements shall include a balance sheet and a statement of income and expenses for the year then ended; plus
 - (i) Within forty-five (45) days after the end of each quarter, current financial statements of DSI and LESSEE'S Operations certified to be true and correct; and
 - (ii) Within thirty (30) days after the end of each month, current operating statements of LESSEE'S Operations certified to be true and correct.
- (b) Upon request, a certificate in form acceptable to MPT, that no event of default as defined in the Leases (a "Default") then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute a Default.
- (c) Within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that any license or certification, including, without limitation, the Medicare or Medicaid certification of the Acquisition Facility or Development Facility, is being downgraded, revoked, or suspended, or that action is pending or being considered to downgrade, revoke, or suspend such Acquisition Facility's or Development Facility's license or certification.

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(d) MPT reserves the right to require such other financial information from DSI at such other times as it shall deem reasonably necessary. All financial statements must be in such form and detail as MPT shall from time to time, but not unreasonably, request.

SECTION 1.10 FINANCIAL COVENANTS: The parties shall mutually develop and agree upon certain financial covenants to be included in each Lease, and the failure to achieve such covenants shall constitute an event of default thereunder. LESSEE'S Operations shall in the aggregate maintain EBITDAR coverage of at least two hundred percent (200%) of the Base Rent.

SECTION 1.11 SUBLEASE, MANAGEMENT AND ASSIGNMENT: LESSEE shall not sublease or assign (which will be broadly defined) any Lease or engage a management company without MPT's prior consent, which shall not be unreasonably withheld or delayed. Any such assignment shall not release the LESSEE. Any sublease shall be subordinate to the applicable Lease and may be terminated or left in place by MPT in the event of a termination of such Lease.

[SECTION 1.12 CASH INJECTION: On any Closing Date, the LESSEE either shall have tangible net worth of no less than Five Million Dollars (\$5,000,000) in cash equity or shall have access to a working capital line of credit of no less than Five Million Dollars (\$5,000,000) that is personally guaranteed by Jerome S. Tannebaum, M.D., and such other persons as may be approved by MPT, which approval shall not be unreasonably withheld.

SECTION 1.13 LETTER OF CREDIT: Simultaneously with the execution and delivery of any Lease by LESSEE, LESSEE shall obtain and deliver to MPT an unconditional and irrevocable letter of credit from a bank acceptable to MPT, naming MPT beneficiary thereunder, in an amount equal to one (1) year's Base Rent under such Lease.

SECTION 1.14 SYNDICATION: If requested, MPT will permit up to twenty percent (20%) of the Real Estate relating to a particular Acquisition Facility or Development Facility to be owned by local or area physicians. MPT and DSI will work together to decide which physicians receive an opportunity to invest in such Real Estate. The physicians will invest on an equal basis with MPT.

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ARTICLE II

THE FACILITIES

SECTION 2.1 ACCESS TO INFORMATION: With respect to the Line Closing, from the date hereof, DSI will provide MPT and its representatives (including architects, engineers, surveyors, attorneys, accountants, investment bankers, and other representatives) with reasonable and available access to DSI and the officers, agents, and employees of DSI. In addition, with respect to any particular Acquisition Facility or Development Facility, DSI shall provide the same access as provided in connection with the Line Closing and, in each case, DSI shall furnish or cause to furnish MPT's representatives with all financial, operating, and other data or information relating to DSI and, if applicable, the Real Estate and the Operations, as may be reasonably requested in connection with MPT's due diligence review.

SECTION 2.2 APPROVAL OF THE FACILITIES: MPT shall have the right to review and approve all aspects an Acquisition Facility or Development Facility, including the final configuration of the Real Estate with respect to a particular Acquisition Facility or Development Facility, the location of any improvements on such Real Estate, the location of all roads and interchanges in relation to such Real Estate, the location of all property lines, utilities, easements, rights of way, common areas, and amenities affecting the Acquisition Facility or Development Facility, and the soil and subsurface engineering studies, investigations, and reports that support and justify the location of the Acquisition Facility or Development Facility. Such Real Estate shall include such easements, rights-of-way and other privileges as are necessary to conduct the business of the Acquisition Facility or the Development Facility, as the case may be.

SECTION 2.3 INSPECTION OF FACILITIES:

(a) With respect to any Development Facility, Total Development Costs shall include a fee to MPT in the amount of Seventy-Five Thousand Dollars (\$75,000) per Development Facility to cover the cost of MPT's inspections of each such Development Facility during the construction stage.

(b) LESSEE shall pay MPT Seven Thousand Five Hundred Dollars (\$7,500) (increasing at the rate of two and one-half percent (2.5%) per year starting on the first January 1st following commencement of the Lease, in the case of an Acquisition Facility, or the completion date, in the case of a Development Facility) for each Acquisition Facility or Development Facility to cover the cost of physical inspections. DSI shall maintain all Acquisition Facilities and Development Facilities in a first class manner and shall be required to respond to any deficiencies reported in these annual reports. Furthermore, LESSEE shall report to MPT on any and all major improvement or repairs in excess of Ten Thousand Dollars (\$10,000) LESSEE makes to any such Acquisition Facility or Development Facility.

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SECTION 2.4 MPT'S RIGHT TO INSPECT FACILITIES: MPT and its representatives shall have the right to make periodic inspections of each Acquisition Facility or Development Facility from time to time upon reasonable prior notice to LESSEE. MPT shall use every effort to not disrupt the patient care being provided at the Acquisition Facility or Development Facility. MPT recognizes the importance of patient privacy.

SECTION 2.5 EXPANSIONS AND RENOVATIONS: MPT shall have a right of first opportunity to fund any expansions or material renovations requested by LESSEE. The Lease term for the expansions or renovations shall be identical to the term of the underlying Lease.

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.1 LINE CLOSING: Prior to the Line Closing and in addition to any conditions addressed elsewhere in the Commitment Letter, MPT shall have been furnished with the following, each of which must be, in form and substance, reasonably satisfactory to MPT and MPT's counsel:

SECTION 3.1.1 UCC SEARCHES: UCC searches to ensure that no liens other than Permitted Exceptions have been filed against DS1.

SECTION 3.1.2 ATTORNEY'S OPINION: An opinion of counsel for the LESSEE addressed to MPT covering such matters as MPT and MPT's counsel may reasonably require.

SECTION 3.1.3 ORGANIZATIONAL DOCUMENTS: Certified copies of the organizational documents of the LESSEE together with such resolutions, consents, and similar documents evidencing the authorization of the transactions contemplated as MPT and its counsel may require.

SECTION 3.1.4 OTHER: Such other documents, certificates, and the like, as may be customary in comparable transactions or as MPT or MPT's legal counsel may otherwise reasonably require.

SECTION 3.2 OTHER CLOSINGS: Prior to any Closing of an Acquisition Facility or Development Facility and in addition to any conditions addressed elsewhere in the Commitment Letter, MPT shall have been furnished with the following, each of which must be, in form and substance, reasonably satisfactory to MPT and MPT's counsel:

SECTION 3.2.1 CONTRACTS, CONSENTS AND LIEN WAIVERS: Fully executed counterparts of any previously executed contracts with architects, engineers, contractors, and material subcontractors and lien waivers and subordinations pursuant to which such parties release all liens for work performed by them prior to the Closing.

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SECTION 3.2.2 GOVERNMENTAL APPROVALS AND LICENSES: Copies of all permits, licenses, and other approvals of governmental authorities required for the operation of such Acquisition Facility or Development Facility for its intended use and written evidence satisfactory to MPT that the operation and use of such Acquisition Facility or Development Facility is in accordance with all applicable governmental requirements.

SECTION 3.2.3 TITLE INSURANCE: At LESSEE'S expense, a title insurance policy conforming to the requirements set forth in Exhibit B hereto issued by a title insurance company satisfactory to MPT, insuring the particular parcel of Real Estate. The title policy shall contain no exceptions other than Permitted Exceptions and shall contain a general comprehensive endorsement (ALTA 9), an ALTA 3.0 zoning endorsement and such other endorsements as MPT may require. LESSEE will provide any customary affidavits and certifications required by the title company.

SECTION 3.2.4 INSURANCE: LESSEE must provide evidence to MPT that the LESSEE is maintaining insurance on such Acquisition Facility or Development Facility as set forth in Exhibit B, and that MPT and any lender of MPT are named as additional insureds and, where applicable, loss payees.

SECTION 3.2.5 SURVEY: At LESSEE'S expense, a current survey of the particular parcel of Real Estate prepared and certified by a duly registered land surveyor licensed, and in good standing in the state where such Real Estate is located, and acceptable to MPT. The survey shall comply with ALTA requirements, shall show all improvements and encroachments located on such Real Estate, and all recorded or visible easements, rights-of-way, and similar encumbrances affecting the title to such Real Estate, shall contain a certification in the form shown on Exhibit C and shall state whether or not such Real Estate lies within a designated flood hazard zone.

SECTION 3.2.6 UCC SEARCHES: UCC searches to ensure that no liens other than Permitted Exceptions have been filed against such Acquisition Facility or Development Facility or DSI.

SECTION 3.2.7 ZONING: Evidence that the particular parcel of Real Estate, and the use and occupancy thereof, will comply with all applicable governmental requirements related to planning, zoning, and land use.

SECTION 3.2.8 PLANS: To the extent LESSEE has them, LESSEE will provide MPT with one complete set of final plans and specifications for any Development Facility.

SECTION 3.2.9 ATTORNEY'S OPINION: An opinion of counsel for the LESSEE addressed to MPT covering such matters as MPT and MPT's counsel may reasonably require.

SECTION 3.2.10 ENVIRONMENTAL MATTERS: An environmental indemnity agreement, mutually acceptable to LESSEE and MPT, executed by LESSEE in favor of MPT. Pursuant to that agreement, the LESSEE shall make various environmental representations and warranties to MPT and shall indemnify and hold harmless MPT from environmental claims and liabilities.

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including, without limitation, claims and liabilities arising from any hazardous or toxic materials present on the particular parcel of Real Estate and from any violations of environmental laws and regulations.

SECTION 3.2.11 ORGANIZATIONAL DOCUMENTS: Certified copies of the organizational documents of the LESSEE, together with such resolutions, consents, and similar documents evidencing authorization of the acquisitions and developments contemplated by this commitment, as MPT and its counsel may require.

SECTION 3.2.12 APPRAISAL: MPT acknowledges, that, in order to facilitate a timely Closing, LESSEE, at its expense, shall order an appraisal on the particular parcel of Real Estate showing the fair market value thereof (the "Appraised Value"). The appraisal must meet all applicable governmental requirements. The Appraised Value shown by such appraisal must be equal to or exceed the Purchase Price for such Real Estate. The appraiser will provide a reliance letter to MPT for each appraisal.

SECTION 3.2.13 OTHER: Such other documents, certificates, and the like, as may be customary in comparable transactions or as MPT or MPT's legal counsel may otherwise reasonably require.

ARTICLE IV

ADDITIONAL REQUIREMENTS

SECTION 4.1 EXPENSES: LESSEE shall reimburse MPT for all expenses incurred in connection with this Commitment Letter, as well as the purchase, development, and leaseback of any parcel of Real Estate; provided, however, that LESSEE will not be required to reimburse any such expenses with respect to the Closing of a particular Acquisition Facility or Development Facility if such Closing does not occur as a result of MPT's failure to perform (unless such failure is as a result of LESSEE'S failure to perform).

SECTION 4.2 MANAGEMENT: DSI or a management company approved by MPT will at all times manage each Acquisition Facility and Development Facility unless written approval is obtained from MPT or unless removed by MPT as provided for herein. All management agreements shall be subordinate to the applicable Lease and may be terminated by MPT in the event of a default under such Lease, and all fees due and payable under all management agreements shall be subordinate to all monetary obligations under such Lease.

SECTION 4.3 SIGNS: MPT shall have the right to erect a sign, approved by DSL, which such approval shall not be unreasonably withheld, at the Acquisition or Development Facilities stating that the Real Estate relating thereto is owned by MPT.

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ARTICLE V

GENERAL CONDITIONS

SECTION 5.1 REPRESENTATIONS OF THE LESSEE: MPT's obligations under this Commitment Letter are subject to and contingent upon the accuracy and completeness of all information, representations, and materials submitted with, or in support of, this transaction and LESSEE'S strict and timely compliance with all terms, conditions, and requirements set forth herein.

SECTION 5.2 RIGHT TO SELL: LESSEE understands MPT may sell its interest in any parcel of Real Estate in whole or in part. LESSEE agrees that any purchaser may exercise any and all rights of the landlord, as fully as if such had made the purchase directly from the LESSEE. MPT may divulge to any purchaser all information, reports, financial statements, certificates, and documents obtained by it from the LESSEE.

SECTION 5.3 ENTIRE AGREEMENT, MODIFICATIONS, AND AMENDMENTS: This Commitment Letter and the Confidentiality Agreement described in Section 5.8 hereof contain the entire agreement of LESSEE and MPT with respect to the transaction described herein and supersede any prior or contemporaneous understanding or commitment. MPT has made no representations to the LESSEE that are not set forth in this Commitment Letter. No changes in this Commitment Letter shall be binding unless in writing and executed by the party against whom enforcement of the change is sought.

SECTION 5.4 TIME: Time is of the essence with respect to all dates and periods of time set forth in this Commitment Letter.

SECTION 5.5 ACCEPTANCE OF COMMITMENT: Upon return by LESSEE to MPT of a fully executed copy of this commitment by the time set forth below, this Commitment Letter will constitute an agreement of the LESSEE to consummate the Line terms and conditions set forth herein. If said executed copy of this Commitment Letter is not received by MPT by 5:00 p.m. Central Time on January 31, 2005 this Commitment Letter shall be null and void and of no further force and effect unless extended in writing by MPT.

SECTION 5.6 NONSOLICITATION: In consideration of the substantial expenditures of time, effort, and expense to be undertaken by MPT and its representatives in connection with its due diligence investigation and review of DSI, during the period from the date of this Commitment Letter until the earlier of (i) the date of execution of definitive agreements relating to the Line and (ii) April 30, 2005, neither DSI, nor any officer, director, member, partner, employee or agent of DSI shall, directly or indirectly, solicit, seek, enter into, conduct, or participate in any discussions or negotiations or enter into any agreement with any other prospective person or entity, regarding a development and acquisition facility similar to the Line.

SECTION 5.7 MPT SECURITIES OFFERING: Notwithstanding any other agreement of the parties, in connection with its public offering or private placement of its securities, MPT may disclose that it has entered into this Commitment Letter with DSI respecting the Line and the acquisition of particular

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Acquisition or Development Facilities and may provide other information regarding DSI, the Line, the Real Estate, and any Acquisition Facility or Development Facility to its proposed investors in such public offering or private offering of its securities.

SECTION 5.8 CONFIDENTIALITY: The parties reaffirm the existence and validity of that certain confidentiality agreement between MPT and DSI dated August 8, 2004 (the "Confidentiality Agreement") and agree to continue to comply with all of the terms and provisions thereof.

SECTION 5.9 ASSIGNMENT: This Commitment Letter and all rights of the parties hereunder shall not be assigned by any party without the prior written approval of the other parties; provided, however, that any party may assign its rights and obligations hereunder to any entity controlling, controlled by or under common control with the other; provided, however, that no such assignment shall relieve any party of any liability hereunder.

SECTION 5.10 COUNTERPARTS: This Commitment Letter may be executed and delivered by telecopy and in counterparts. Each counterpart when executed and delivered shall be deemed an original, but together shall constitute one and the same document.

SECTION 5.11 EXHIBITS: The exhibits indicated below are attached hereto and by this reference made a part hereof:

- Exhibit A - Title insurance policy requirements.
- Exhibit B - Insurance Requirements
- Exhibit C - Surveyor's Certificate requirements

SECTION 5.12 NON-DISTURBANCE: MPT agrees that it will not grant a security interest with respect to any parcel of Real Estate unless the grantee of such security interest acknowledges in writing, in a form reasonably acceptable to LESSEE and such grantee, that LESSEE'S rights under the applicable Lease (including specifically the right to occupy the Real Estate and operate the business thereon as provided in the Leases) will not be disturbed so long as LESSEE is not in default under the terms of the Lease.

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Please indicate acceptance of the terms and conditions set forth in this Commitment Letter by signing a copy of this Commitment Letter below.

Sincerely,

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and CFO

ACCEPTED AND AGREED TO:

DIVERSIFIED SPECIALTY INSTITUTES, INC.

/s/ Jerome S. Tannenbaum, M.D., Ph.D., FACP

Jerome S. Tannenbaum, M.D., Ph.D., FACP
Chairman and Chief Executive Officer

Dated: March 3, 2005

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EXHIBIT A

TITLE INSURANCE REQUIREMENTS

MPT Operating Partnership. L.P., as Purchaser
Title Insurance Requirements

1. "Title Policy" means a title insurance policy in American Land Title Association "ALTA") 1992 form, or such other form as may be approved by LESSOR, issued by a title insurer approved by LESSOR with reinsurance as required by LESSOR to be on ALTA Facultative Reinsurance Agreement (rev 4/6/90) such that the maximum single risk assumed by any single title insurer may not exceed 25% of that company's capital, surplus, and statutory reserves. Each title insurer issuing insurance required hereby must be licensed to insure properties in the jurisdictions in which the Facilities are located.

2. Owner's Title Policy. The amount of the owner's title insurance policy on each Facility must equal the Purchase Price. The policy must insure against all standard exceptions (e.g., parties in possession, matters shown on public records, matters which an accurate survey would show, and real estate taxes currently due) and must be effective as of the date of the Closing. The title policy must include such affirmative insurance endorsements as LESSOR may require, to the extent not prohibited by the laws or insurance regulations of the state where each Facility is located, including, without limitation, a zoning compliance endorsement, a street access endorsement, a comprehensive (ALTA Form 9) endorsement, a "Fairways" (change of partners) endorsement, an endorsement negating imputation of knowledge to LESSOR, an endorsement that each Facility is assessed for real estate taxes separate from any other property (i.e., the property consists of a single tax lot and is not part of a larger tax lot).

EXHIBIT B

INSURANCE REQUIREMENTS

I. GENERAL REQUIREMENTS

The General Requirements set forth herein shall be applicable to the insurance requirements outlined below in Paragraphs II and III throughout the term of this Commitment Agreement.

(A) RELATING TO INSURER.

All insurance coverages required by the Commitment Letter must be provided by insurance companies acceptable to MPT that are rated at least an "A, VII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better. The aggregate amount of coverage provided by a single company must not exceed 5% of the company's policyholders' surplus. All insurance companies must be licensed and qualified to do business in the state where the insured collateral is located.

Each insurance policy must (i) provide primary insurance without right of contribution from any other insurance carried by MPT, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including MPT, (iii) permit MPT to pay premiums at MPT's discretion and (iv) as respects any third party liability claim brought against MPT, obligate the insurer to defend MPT as an additional insured thereunder.

(B) RELATING TO DOCUMENTATION OF COVERAGE.

The original copy of each insurance policy required hereunder shall be furnished to MPT, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized Agent for the insurance company as a "true and certified" copy of the policy. LESSEE shall not submit a Certificate of Insurance, in lieu of the certified copy of the policy. The original policy(ies) or certified copy of the policy(ies) must be delivered to MPT, effective with the commencement of each of the Facilities and furnished annually thereafter, prior to the expiration date of the preceding policy(ies).

(C) CANCELLATION AND MODIFICATION CLAUSE.

1. The insurer hereby agrees that its policy will not lapse, terminate, or be canceled, or be amended or modified to reduce limits or coverage terms unless and until MPT has received not less than sixty (60) days' prior written notice thereof at the following address:

MPT Operating Partnership, LP
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

2. Notwithstanding the foregoing, in the event of cancellation due to non-payment of premium, the insurer shall provide not less than ten (10) days' Notice of Cancellation to:

MPT Operating Partnership, LP
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

II. TYPES OF INSURANCE

LESSEE will at all times keep the Facilities insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar Facilities. Without limiting the generality of the foregoing, LESSEE will obtain and maintain in effect the following amounts and types of insurance on each of the Facilities throughout the term of the Leases:

(A) "ALL RISKS" or "SPECIAL" FORM PROPERTY INSURANCE.

All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Facility. The deductible amount thereunder shall be borne by LESSEE in the event of a loss and the deductible must not exceed \$10,000 per occurrence. Further, in the event of a loss, LESSEE shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and LESSEE further agrees it will notify MPT of any loss in the amount of \$25,000 or greater and that no claim at or in excess of \$25,000 thereunder shall be settled without the prior written consent of MPT, which consent shall not be unreasonably withheld or delayed by MPT.

(B) FLOOD AND EARTHQUAKE INSURANCE (Required only in the event that the property is in a flood plain or earthquake zone).

Insurance in an amount equal to the full replacement cost value of the Facility, subject to no more than a \$25,000 per occurrence, deductible. The policy shall include coverage for subsidence.

(C) LOSS OF EARNINGS INSURANCE.

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

(D) WORKERS COMPENSATION INSURANCE.

Workers Compensation insurance covering all employees in amounts that are customary for LESSEE'S industry.

(E) LIABILITY INSURANCE.

COMMERCIAL GENERAL LIABILITY: Commercial General Liability in a primary amount of at least \$5,000,000 per occurrence. Bodily Injury for injury or death of any one person and \$100,000 for Property Damage for damage to or loss of property of others, subject to a \$10,000,000 annual aggregate policy limit for all Bodily Injury and Property Damage claims, occurring on or about the Land or in any way related to the Project, including but not limited to, any swimming pools or other recreational Facility or areas that are located on the Land or otherwise related to the Facility. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion, Collapse and Underground (XCU). Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

VEHICLE LIABILITY: Automobile and Vehicle Liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of \$1,000,000 per occurrence for Bodily Injury; \$100,000 per occurrence for Property Damage; subject to an annual aggregate policy limit of \$1,000,000.

UMBRELLA LIABILITY: Umbrella Liability insurance in the minimum amount of \$10,000,000 for each occurrence and aggregate combined single limit for all liability, with a \$10,000 self-insured retention for exposure not covered in underlying primary policies. The Umbrella Liability policy shall name in its underlying schedule the policies of Professional Liability, Commercial General Liability, Garage Keepers Liability, Automobile/Vehicle Liability and Employer's Liability under the Workers Compensation Policy.

PROFESSIONAL LIABILITY: NOTE: WE ARE DISCUSSING THIS COVERAGE WITH OUR CONSULTANTS. Professional Liability insurance for LESSEE and any physician or other employee or agent of LESSEE providing services at the Facility in an amount not less than five million dollars (\$5,000,000) per individual claim and ten million dollars (\$10,000,000) annual aggregate.

(F) COMMERCIAL BLANKET FIDELITY BOND INSURANCE.

A Commercial Blanket Bond covering all employees of the Borrower, including its officers, and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least \$1,000,000, subject to a deductible of no more than \$10,000 per occurrence.

EXHIBIT C

SURVEYOR'S CERTIFICATE

The undersigned hereby certifies to Medical Properties Trust, Inc and _____ (the "Title Insurance Company"): (a) that he is a duly registered land surveyor in the State of _____; (b) that the plat to which this certificate is affixed (the "Plat") is a true, complete and correct survey of the property described therein (the "Property") being approximately _____ acres as further described by the Property Description on the Plat; (c) the Plat is based upon a field survey made _____, _____, by me or directly under my supervision in accordance with the minimum standards established by the State of _____ for surveyors and with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA and ACSM in 1992 and meets the Accuracy Standards (as adopted by ALTA and ACSM in 1992 and in effect on the date of this certification) of an Urban Survey, and contains items 1, 2, 3, 4, 7(a), 8, 9, 10, 11(a), and 11(b) of Table A thereto; (d) that the Plat correctly shows the location of all buildings, structures and other improvements on the Property; (e) that the Plat correctly shows the location of all easements, restrictions and rights-of-way described in title insurance commitment number _____ effective as of _____, 1997 issued by the Title Insurance Company (the "Title Commitment"); (f) that the legal description set forth in the Title Commitment is identical in all respects to the Property Description set forth on the Plat; (g) except as shown on the Plat there are no discrepancies between the boundary lines of the Property as shown on the Plat and as described in the legal description of record; (h) that the Plat easements indicate existing surface and underground transmission lines or utilities, such as natural gas, telephone, telegraph, TV cable, water, sewage and electrical power, including pipeline type and sizes with all utility pole locations with overhead wires indicated and the nearest available services clearly shown and dimensional: (i) that, except as shown on the Plat, there are (1) no visible easements or rights-of-way on the Property or any other easements or rights-of-way thereon of which the undersigned has knowledge. (2) no party walls on the Property. (3) no encroachments from the Property over adjoining premises, streets or roads by any buildings, structures or other improvements located on the Property, and (4) no encroachments on the Property by any buildings, structures or other improvements located on adjoining property; (j) that the boundary line dimensions as shown on the Plat form a mathematically closed figure within +/- 0.01 foot; (k) that the boundary lines of the Property are contiguous with the boundary lines of all adjoining parcels, roads, highways, streets or alleys as described in their most recent respective legal description of record; (l) that the buildings, structures and other improvements located on the Property do not violate any building or setback lines; (m) that adequate ingress to and egress from the Property is provided by _____, the same being paved, dedicated public rights-of-way maintained by _____ (name of maintaining authority); and (n) that the undersigned has consulted the National Flood Insurance Program Maps and has found that, in accordance with said maps, Panel Number _____, dated _____, no portion of the Property lies within a flood hazard area, except as depicted on the Plat.

(Name of Surveyor. Registration No.)

[MPT LOGO]

MEDICAL PROPERTIES TRUST

March 30, 2005

Jerome S. Tannenbaum, M.D., Ph.D. FACP
Chairman, President and CEO
Diversified Specialty Institutes
511 Union Street, Suite 1800
Nashville, Tennessee 37219

RE: AMENDMENT TO COMMITMENT LETTER FOR ACQUISITION AND DEVELOPMENT LINE

Dear Dr. Tannenbaum:

As you know, Diversified Specialty Institutes, Inc. ("DSI") and MPT Operating Partnership, L.P. ("MPT") are parties to that certain Commitment Letter dated March 3, 2005 (the "Commitment Letter"), relating to an acquisition and development facility to be used to finance the acquisition of certain existing healthcare facilities and the development of certain other healthcare facilities. Section 1.8 of the Commitment Letter provides that the definitive documents will provide that the Transaction must close by March 31, 2005, unless either party requests a thirty (30) day extension. We would like to amend the Commitment Letter by extending said date from March 31, 2005 to April 30, 2005. Please indicate your acceptance to the foregoing amendment by signing a copy of this letter in the space below and returning it to us. Upon our receipt of your executed letter, Section 1.8 of the Commitment Letter shall be amended as described herein.

Sincerely,

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ Emmett E. McLean

Emmett E. McLean
EVP and COO

ACCEPTED AND AGREED TO:

DIVERSIFIED SPECIALTY INSTITUTES, INC.

By: /s/ Jerome S. Tannenbaum, M.D., Ph.D.

Name: Jerome S. Tannenbaum, M.D., Ph.D.
Its: Chairman & CEO
Dated: 3/30/05

[MPT LOGO]

MEDICAL PROPERTIES TRUST

February 28, 2005

Prem Reddy, M.D., Chairman
Mr. Lex Reddy, President & CEO
Desert Valley Health System, Inc.
16850 Bear Valley Road
Victorville, CA 93292

RE: COMMITMENT LETTER FOR EXPANSION FUNDING FOR VICTORVILLE,
CALIFORNIA HOSPITAL FACILITY

Dear Sirs:

MPT Operating Partnership, L.P. and MPT of Victorville, LLC, (collectively, "MPT"), are pleased to extend a commitment to Desert Valley Hospital, Inc., ("DESERT VALLEY" also sometimes referred to herein as "LESSEE") respecting the financing of certain improvements to and expansions (the "Expansion") of certain real estate and improvements (the "Real Estate") in Victorville, California, which Real Estate is subject to a lease agreement of even date herewith (the "Lease"). MPT's commitment to provide all or any portion of the Commitment Amount (as hereinafter defined) for the purpose of financing for the Expansion (the "Financing") shall be contingent upon and subject to: (i) the approval of the Financing by the Board of Directors of Medical Properties Trust, Inc.; (ii) MPT being satisfied with all aspects of the proposed Expansion as provided in the Development Agreement (as herein defined); and (iii) such other conditions as are described herein or as are customary in similar transactions.

ARTICLE I

BASIC TERMS

SECTION 1.1 BASIC TRANSACTION: Subject to the conditions set forth herein. MPT hereby commits to fund, and DESERT VALLEY hereby commits to draw and use, up to Twenty Million Dollars (\$20,000,000) (the "Commitment Amount"), for the purpose of financing the costs and expenses of the Expansion. The Expansion shall be treated as a Capital Addition under the Lease in accordance with the terms set forth in Section 10.3(b) through Section 10.3(d) of the Lease. DESERT VALLEY agrees that, subject to the MPT terms hereof, MPT shall be the exclusive source of financing for the Expansion.

SECTION 1.2 COMMENCEMENT DATE: MPT and DESERT VALLEY agree that, subject to the conditions set forth herein. MPT shall begin funding, and DESERT VALLEY shall begin drawing upon, the Commitment Amount within twelve (12) months after the date hereof (the "Development Period") in accordance with the disbursement schedule to be provided in a definitive development agreement approved by MPT (the "Development Agreement"). Accordingly, DESERT VALLEY

shall use its best efforts to propose a form of Development Agreement for the Expansion no later than thirty (30) days prior to the expiration of the Development Period.

ARTICLE II

ADDITIONAL REQUIREMENTS

SECTION 2.1 NON-REFUNDABLE COMMITMENT FEE: Upon receipt and approval of the Development Agreement, DESERT VALLEY shall pay MPT a commitment fee in cash equal to One-Half of One Percent (.5%) of the maximum Commitment Amount (the "Commitment Fee"); provided, however, that the Commitment Fee shall be adjusted, following full and final funding of the Expansion, to equal One-Half of One Percent (.5%) of the actual amount funded (the "Adjusted Commitment Fee"). Except for any adjustments to the Commitment Fee that may result from funding less than the maximum Commitment Amount, the Commitment Fee shall be non-refundable. In the event that DESERT VALLEY fails to provide a Development Agreement to MPT prior to the expiration of the Development Period, MPT shall have no further liability or obligation to provide the Financing.

SECTION 2.2 EXPENSES: DESERT VALLEY shall reimburse MPT for all of its costs and expenses in connection with the Financing.

SECTION 2.3 SIGNS: MPT shall have the right to erect a sign at the Facility, approved by DESERT VALLEY, which such approval shall not be unreasonably withheld, stating that the Real Estate is owned, and that the Expansion is being financed, by MPT.

ARTICLE III

GENERAL CONDITIONS

SECTION 3.1 ENTIRE AGREEMENT, MODIFICATIONS, AND AMENDMENTS: This Commitment Letter contains the entire agreement of LESSEE and MPT with respect to the Financing and supersedes any prior or contemporaneous understanding or commitment. MPT has made no representations to LESSEE relating to the Financing that are not set forth in this Commitment Letter. No changes in this Commitment Letter shall be binding unless in writing and executed by the party against whom enforcement of the change is sought.

SECTION 3.2 TIME: Time is of the essence with respect to all dates and periods of time set forth in this Commitment Letter.

SECTION 3.3 ACCEPTANCE OF COMMITMENT: Upon return by LESSEE of a fully-executed copy of this Commitment Letter, this Commitment Letter will constitute an agreement of the parties to the terms and conditions set forth above.

SECTION 3.4 PRIOR COMMITMENT LETTERS SUPERSEDED: This Commitment Letter supersedes and cancels all prior oral and written commitments made by and between MPT and LESSEE with respect to the Expansion and/or the Financing.

SECTION 3.5 MPT SECURITIES OFFERING: Notwithstanding any other agreement of the parties, in connection with public offering or private placement of its securities or any third-party financing, MPT may disclose that it has entered into this Commitment Letter with DESERT VALLEY and may provide other information regarding DESERT VALLEY, the Real Estate, the Expansion; and the Financing to its current or proposed investors in such public offering or private offering of its securities and to any third-party lender.

Section 3.6 ASSIGNMENT: This Commitment Letter, and all rights of the parties hereunder, shall not be assigned by any party without the prior written approval of the other parties; provided, however, that any party may assign its rights and obligations hereunder to any entity controlling, controlled by, or under common control with the other. No such assignment, however, shall relieve any party of any liability hereunder.

Section 3.7 GOVERNING LAW: This Commitment Letter shall be governed by the laws of the State of Alabama.

Please indicate acceptance of the terms and conditions set forth in this Commitment Letter by signing a copy of this Commitment Letter below. This Commitment Letter may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same agreement.

Sincerely,

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ Emmett E. McLean

Emmett E. McLean
Executive Vice President and Chief Operating Officer

MPT OF VICTORVILLE, LLC,
BY MPT OPERATING PARTNERSHIP, L.P.
ITS SOLE MEMBER

By: /s/ Emmett E. McLean

Emmett E. McLean
Executive Vice President and Chief Operating Officer

Accepted and Agreed to this 28th day of February, 2005:

DESERT VALLEY HOSPITAL, INC.

By: /s/ Lex Reddy

Its: President

Immediately prior to the printing of the preliminary prospectus included in this S-11, we will be in a position to render the following consent.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Medical Properties Trust, Inc.:

We consent to the use of our report included herein and to the references to our firm under the heading "Experts", "Summary Selected Financial Data" and "Selected Financial Data" in the prospectus.

April __, 2005
Birmingham, Alabama

[PARENTE RANDOLPH, LLC LETTERHEAD]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member
Vibra Healthcare, LLC:

We hereby consent to the incorporation in this Amendment No. 2 to Registration Statement of Medical Properties Trust, Inc. on Form S-11 (333-119957), of our report dated March 8, 2005, except Note 11, as to which the date is March 31, 2005, relating to the consolidated financial statements of Vibra Healthcare, LLC and subsidiaries as of December 31, 2004 and for the period from inception (May 14, 2004) through December 31, 2004. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ Parente Randolph, LLC

Parente Randolph, LLC
Harrisburg, Pennsylvania
April 5, 2005

April 7, 2005

VIA EDGAR

United States Securities and Exchange Commission
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: Owen Pinkerton, Senior Counsel

Ladies and Gentlemen:

On behalf of Medical Properties Trust, Inc. (the "Company" or "we"), enclosed herewith is Amendment No. 2 to the Company's Registration Statement on Form S-11 (the "Amendment"), as filed with the Securities and Exchange Commission on October 26, 2004 (the "Registration Statement"). The Company has amended the Registration Statement in response to comments contained in the letter from the Staff, dated January 28, 2005 (the "Comment Letter"), and addressed to Edward K. Aldag, Jr., Chairman, President, Chief Executive Officer and Secretary of the Company. We will separately deliver copies of the amended Registration Statement, marked to show changes responsive to the Comment letter, to members of the Staff specified in the Comment Letter.

The numbered responses below correspond to the numbered paragraphs of the Comment Letter.

General

1. We note your response to prior comment 1. It is our position that all applicable Guide 5 requirements, including prior performance tables, must be included in the prospectus if the prospectus relates to a "blind pool" offering. If you do not identify specified uses for a substantial portion of the offering proceeds, we would consider this a "blind pool" offering.

RESPONSE: The Registration Statement has been amended to (i) change the dollar amount of the securities being registered and (ii) include specified uses for a substantial portion of the offering proceeds. Please see the facing page of the Registration Statement and pages 4 and 80. The Company expects to receive net proceeds of approximately \$161 million from the sale of the shares offered by the prospectus after deducting the underwriting compensation and estimated expenses. The Company has identified approximately \$144 million of probable acquisitions and developments.

2. We note your response to prior comments 3-5. Please provide all responsive information a reasonable time prior to printing the preliminary prospectus for our review and comment.

RESPONSE: We advise the Staff that the supporting materials requested in prior comments 3 and 4 will be provided supplementally promptly following this filing. We advise the Staff that the supporting materials requested in prior comment 5 will be provided supplementally as soon as is practicable.

3. We note your responses to comments 7, 85, 91 and 98 and will await the inclusion of the requested information in your next amendment. Please supplementally advise us how you have addressed these comments in your next response letter.

RESPONSE: We advise the Staff that:

- o With regard to prior comment 7, we have revised the Registration Statement to include updated financial statements for both the Company and Vibra Healthcare, LLC. Please see the financial statements beginning on page F-1.
- o With regard to prior comment 85, the Company will include information regarding pro forma basic and diluted earnings per share in the amendment to the Registration Statement on Form S-11 that presents the number of shares of common stock expected to be offered in this offering.
- o With regard to prior comment 91, we have revised the Registration Statement as requested. Please see page 43.
- o With regard to prior comment 98, Vibra has revised the disclosures included on pages F-29 through F-37.

Summary

Competitive Strengths, page 5

4. We note your response to prior comment 10 regarding your focused investment strategy as well as your property portfolio summary on page 2. We also refer to the fourth and sixth summary risk factor bullets. Considering that your portfolio is significantly concentrated by tenant and property type, please advise how you determined that you offer a more diversified portfolio strategy than your competitors.

RESPONSE: We previously advised the Staff (see our response to previous comment 10) that we focus on the type of healthcare facilities in which medicine is practiced and surgery and other medical procedures are performed. There are several subsets of healthcare facilities with these characteristics, including those listed under Our Target Facilities beginning on page 9. We have targeted, and intend to target a diversity of these types of facilities. However, we did not intend to imply, and we do not believe we did imply, that we believe an investment in MPT is "more" diversified than other healthcare REITs, only that our intended portfolio will have characteristics different than other healthcare REITs.

Summary Risk Factors. page 5

5. We refer to the last bullet on page 6. The prospectus has disclosed certain conflicts of interest of Friedman Billings Ramsey, your lead underwriter, beyond the customary underwriting commissions and discounts. These include prior investment banking and advisory relationships, contractual rights to provide these services to you in the future and significant stock ownership for which there is currently no liquid market. Please summarize these potential conflicts in one risk factor and identify the potential risks to investors resulting from these conflicts of interest.

RESPONSE: The Company has included risk factor disclosure that the Company believes is appropriate regarding the contractual relationship between the Company and FBR. The Company believes that the risks to the Company that may arise out of the engagement agreement between the Company and FBR are properly disclosed. We supplementally advise the Staff that the underwriters have advised the Company that they do not believe that FBR's ownership of the Company's shares adversely affects FBR's ability to perform a thorough due diligence investigation in furtherance of its duties as an underwriter. Each of the Company's underwriters is subject to liability under Sections 11 and 12 of the Securities Act, and they have advised the Company that they have conducted the same level of due diligence

that they would have conducted with respect to any other transaction of this size for which they act as an underwriter. The Company has, however, included in this risk factor a statement identifying FBR as its largest stockholder and disclosing that FBR will have an interest in this offering beyond its underwriting discounts and commissions.

6. Please revise this section as well as the cover page to briefly discuss the risk factor presented on page 32 regarding the fact that your loans to Vibra could be recharacterized as equity which could adversely affect your status as a REIT.

RESPONSE: We have revised page 8 of the Registration Statement as requested. We advise the Staff that we have not revised the cover page to disclose this risk factor, as we do not believe this risk factor rises to the level of materiality of the other risk factors disclosed on the cover page. We note, in particular, that we are receiving an opinion of Baker Donelson that the loans will be characterized as debt for REIT tax purposes.

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, page 15

7. We note your disclosure that implies that you have not earned revenues nor do you have access to financing. In light of the rental revenues you receive and the \$75 million credit facility you entered into, it is not clear what this disclosure refers to. Please revise or advise.

RESPONSE: We have revised the Registration Statement as requested. See page 16.

Our facilities are currently leased to only two tenants, and failure of either of these tenants to meet its obligations to us would have a material adverse effect on our revenues and our ability to make distributions to our stockholders, page 18

8. Please disclose the limits on the guarantees.

RESPONSE: We have revised the Registration Statement as requested. See page 19.

Our tenants and prospective tenants may have an option to purchase the facilities we lease to them which could disrupt our operations. page 19

9. Please revise the heading of this risk factor to make clear that your current tenants do have the option to repurchase the facilities leased to them. In addition, please revise the discussion to tailor this risk to the specific repurchase options your tenants have.

RESPONSE: We have revised the Registration Statement as requested. See page 21.

Provisions of Maryland law, our charter and our bylaws may prevent or deter changes in management and third-party acquisition proposals that you may believe to be in your best interest, depress our stock price or cause dilution. page 27

10. In drafting your charter it appears you determined to make your ownership limitation more restrictive than that required to ensure compliance with the REIT ownership rules. Consequently, it is not appropriate to characterize your charter ownership limitations as "assisting" in complying with the REIT rules. Please revise accordingly.

RESPONSE: We have revised the Registration Statement as requested. See pages 12 and 29.

We may experience conflicts of interest with our officers and directors. which could result in our officers and directors acting other than in our best interest, page 28

11. We have reviewed the revisions you made in response to prior comment 35. Please further revise to indicate the basis for your estimate that the potential investment in this property could be as much as \$20 million. Specifically, please disclose that you had prior negotiations regarding this property.

RESPONSE: We have revised the Registration Statement to delete the references to Mr. McKenzie in this risk factor, because we do not intend to pursue this transaction. See page 31.

Distribution Policy, page 41

12. Please disclose the percentage of your 2004 dividends that represented a return of capital.

RESPONSE: We have revised the Registration Statement as requested.
See page 53.

Management's Discussion and Analysis of Financial Condition and Results of
Operations, page 45

Reconciliation of Non-GAAP Financial Measures, page 49

13. We have read and considered your response to comment 21. The statement that your "leases generally have significant contractual escalations of base rents and therefore result in recognition of rental income that is not collected until future periods and costs that are deferred" should be expanded to include the substantive reason why AFFO provides useful information to investors. Please expand to disclose the substantive reason(s) why you believe that AFFO and your adjustments for these recurring items provides useful information to investors.

RESPONSE: We have removed all calculations of and references to AFFO.

Liquidity and Capital Resource, page 50

14. Please clarify whether the loans you state will be necessary to acquire the Acquisition Facilities are limited to drawdowns from your existing credit facility. If not, please disclose whether or not you have loan commitments for the additional required indebtedness and the amount, if any, for which you do not have commitments.

RESPONSE: We supplementally advise the Staff that the loans necessary to acquire the Acquisition Facilities are limited to borrowings under our existing term and construction loans. We have revised the Registration Statement to clarify this point. See page 52.

Our Business

Our Company, page 53

15. Please disclose, if true, that you are in compliance with all the material financial covenants required under your credit facility with Merrill Lynch.

RESPONSE: We have revised the Registration Statement as requested.
See page 55.

Our Portfolio, page 67

16. Please revise the table to conform to any changes made to your pro forma financials, including with respect to the contractual base rent of your development properties.

RESPONSE: Although we have revised our proforma financials to eliminate the effect of the contractual base rents for our development properties, we believe that we have a reasonable basis for these amounts and that the information is helpful to an investor's understanding of the potential financial impact of these transactions on our Company. We have added disclosure to the footnotes to the table to clarify that the contractual base rents for our development facilities are estimated based on assumed development costs and may change. We believe that this information, presented in this format, will be helpful to investors. See pages 2-3 and 69-70.

Vibra Facilities, page 68

17. Please supplementally advise us whether the purpose of the appraisal was to determine replacement value or if the appraisal also determined market value. If the appraisal determined a market value for the facilities, please disclose whether the price paid was more or less than this value.

RESPONSE: The primary purpose of the appraisals was to assist the Company in its estimation of replacement cost. The appraisal reports also provided estimates of fair value on a leased fee basis, which estimates exceeded the purchase price. Although we consider the appraisal reports of fair value, they are not the determining or even primary analyses that we use to estimate fair value

and determine purchase price. Thus, we have removed references to the appraisals throughout the Registration Statement in order to avoid misleading investors about our determination of purchase prices.

18. Please disclose that the Vibra working capital loans originally matured in October 1, 2004, but have been extended twice and are now scheduled for repayment on January 31, 2005. In addition, please disclose the circumstances of the extensions, including whether Vibra has notified you, or if you are aware of, financial or operational issues that have limited Vibra's ability to repay the loans.

RESPONSE: We have revised the Registration Statement to disclose that the Vibra working capital loans were repaid on February 9, 2005. See page 71.

Purchase Option, page 74

19. Please clarify whether the fair market valuation used in the event Stealth exercises the option in the 12 months following construction is the same as the appraisal valuation used following expiration of the lease.

RESPONSE: We have revised the Registration Statement as requested. See page 78.

20. Please briefly describe the mechanics of the appraisal process, including who selects the appraiser and who pays the costs.

RESPONSE: We have revised the Registration Statement as requested. See page 78.

Right of First Offer to Purchase, page 75

21. Please briefly describe the restrictions, if any, on your right to sell the property in the event Stealth elects not to purchase the property at your stated terms.

RESPONSE: We have not revised the Registration Statement, as there are no restrictions on the Company's right to sell the property in the event Stealth elects not to purchase the property at the Company's stated terms.

Management, page 77

Executive Compensation, page 82

22. We note that your compensation committee has not yet determined your 2003 and 2004 bonuses. Please supplementally advise us the estimated aggregated total bonus amounts and when you expect they will be paid.

RESPONSE: The Compensation Committee has now approved 2003 and 2004 bonuses, and we have revised the Registration Statement to include bonus amounts. See page 97.

Registration Rights and Lock-Up Agreements, page 90

23. Please disclose that you have filed the resale registration statement.

RESPONSE: We have revised the Registration Statement as requested. See pages 11 and 105.

24. Please supplementally advise us how the underwriters will require shareholders that are not participating in the offering to agree to a 60 day lock-up. For example, will the selling shareholders enter into an agreement that requires this?

RESPONSE: The selling stockholders participating in this offering (with respect to shares not sold in this offering) and the stockholders that are not participating in this offering agreed to a 60-day lock-up in connection with this offering pursuant to the registration rights agreement between the Company, FBR and certain holders of the Company's common stock. The Company will be sending a notice to all stockholders that addresses this agreement.

25. Since the tax opinion will be issued in 2005, please direct your counsel to revise its opinion to provide in substance that commencing with your tax year ended December 31, 2004 you have been organized in conformity with the requirements of qualification as a REIT, and that you have satisfied, and your proposed method of operations as described in the prospectus will enable you to continue to satisfy, the REIT requirements.

RESPONSE: We have revised the Registration Statement as requested. See page 126.

Underwriting, page 132

26. Please briefly describe the expenses to be paid by the selling stockholders.

RESPONSE: We have revised the Registration Statement as requested. See page 147.

Legal Matters, page 135

27. Please reference the REIT qualification and debt characterization opinions that will be delivered by your counsel.

RESPONSE: We have revised the Registration Statement as requested. See page 149.

Unaudited Pro Forma Consolidated Financial Information

Adjustments for Unaudited Pro Forma Balance Sheet as of September 30, 2004

28. We have read and considered your response to comment 83 and 84. You state that your cost controls provide you a high level of assurance that the cost of the Houston development will not materially differ from the contacted amounts. However, the timing and effects of the construction of property prior to completion appears to be a forecast or projection of costs, and as such the impact of these transactions are generally too uncertain to meet the criteria under Article 11 of Regulation S-X to be factually supportable. Please explain or revise accordingly.

RESPONSE: We have revised the Registration Statement as requested. See pages F-3 through F-7.

Adjustments for Unaudited Pro Forma Statement of Operations for the Nine Months Ended September 30, 2004

29. Reference is made to Note 4 where you state rental income is based on the monthly base rent as stated in the lease agreement for each property. Please advise us supplementally and expand your disclosures if necessary to clarify the recognition of rental income as disclosed is consistent with the recognition of rental income on a straight-line basis in accordance with SFAS 13.

RESPONSE: We have revised the wording in the notes to the Pro Forma Consolidated financial statements to state that rent income is recognized on the straight-line method as required by SFAS No. 13. See page F-6.

Adjustments for Unaudited Pro Forma Balance Sheet as of December 31, 2003

30. Upon reviewing your response to comment 89, we continue to believe the presentation of a pro forma balance sheet for a period earlier than the latest balance sheet included in the filing is not consistent with the guidance in Article 11 of Regulation S-X. While certain disclosures related to balance sheet accounts would still be required (i.e. purchase price allocation, etc.), pro forma balance sheet information in the pro forma financial statements or selected financial data for periods not specified in Regulation S-X may be confusing to investors. Please revise accordingly in your next amendment.

RESPONSE: We have revised the Registration Statement to delete the pro forma balance sheet as of December 31, 2003.

Financial Statements

Consolidated Balance Sheets, page F-21

31. Given the significance, consider disclosing the balance for each major class of depreciable real estate asset on the face of your financial statements to provide transparency. Reference is made to Rule 5-02 of Regulation S-X.

RESPONSE: The consolidated financial statements have been revised to show line items for land, buildings, construction in progress and lease intangibles, as well as accumulated depreciation and accumulated amortization. See page F-9.

Note 3 -- Property Acquisitions and Loans, page F-21

32. We read and considered your response to comment 93 and note your representation that the management fee variable interests will absorb a majority of the expected losses because it is subordinated to the payment of interest and principal on the loans. Please address the following comments:

- Tell us how you determined the management fees represented variable interests in accordance with paragraphs B18-B21 of FIN 46(R).
- Explain what cash flows were considered in evaluating which party has the majority of the economics. In this regard, we note MPT is the primary source of capital for Vibra, and MPT will receive revenues from the leases (base rents and percentage rents) as well as loan arrangements with Vibra. Clarify how these cash flows were considered when determining another party (Vibra Management, LLC) is the primary beneficiary. Quantify these amounts in relation to the management fee to be received by Vibra Management, LLC.
- What analysis was performed to determine who would receive the majority of the expected residual returns? Your response only addresses the expected losses.
- Supplementally disclose to us the rights you have as the lender under the loan agreements. We note that you have extended maturity date of the acquisition loans until January 1, 2005, have these amounts been collected?
- Clarify whether you have any contractual obligations to provide working capital loans to Vibra.
- What is the nature of financial support or investments provided to Vibra from other parties, and quantify the amounts as appropriate. Contrast the financial investment by other parties with that of MPT.
- We note the guarantees under the loans are limited to \$5 million for Mr. Hollinger. Are there any limitations of the other guarantors? Advise us on the ability of the guarantors to perform under guarantees in the event of default.

RESPONSE: For purposes of this response, we have numbered and are addressing each separate bullet point representing your comment as follows:

(1) FIN 46(R) states in paragraph B18 that, "a fee paid by a variable interest entity to a decision maker is not considered a variable interest in the entity if all of the characteristics of a hired service provider or an employee relationship identified in paragraph B19 are present in an arrangement." Four characteristics of a hired service provider or an employer relationship are identified therein, ALL of which must be met to preclude characterization of a fee paid to a decision maker as a variable interest.

We believe the most relevant characteristic to be considered is whether the fees are at or above the same level of seniority as other operating liabilities of the entity that arise in the normal course of business, such as trade payables. Since the management fees are subordinated to all other operating liabilities, according to paragraph B18 they are considered to be variable interests.

(2) The Company quantified the cash flows expected by the Vibra entities as a part of its due diligence work before entering into lease and loan agreements with Vibra. In its evaluation of Vibra as a VIE, the Company performed an estimation of the probability that the various cash flow scenarios would occur. Next, the Company calculated the probability weighted present value of these cash flows, including consideration of Vibra's actual cash flows to date. The Company then calculated the expected losses and expected residual returns based on the present value of the probability weighted cash flows, as provided for in FIN 46(R). The cash flows that the Company evaluated included cash flows from Vibra's operations and cash flows from a potential sale by the Company of the facilities (real estate).

The Company's analysis had identified several variable interests: the Company's loans to Vibra; the GAAP equity in Vibra Healthcare, LLC; the loan guarantees provided by The Hollinger Group, Brad Hollinger, and Vibra Management, LLC, and; the management fee to be earned by Vibra Management, LLC as the decision maker. As of February 9, 2005, the loan from another lender became a variable interest in Vibra. The variable interests do not include the operating leases between the Company, as lessor, and the Vibra entities, as lessees. The Company considers the operating leases with Vibra to create variability, but not absorb variability, as described in paragraph B24 of FIN 46(R). Also, the leases contain only fair market purchase options and no residual value guarantees.

The Company's quantitative evaluations showed the variable interests available to absorb the expected losses to be approximately \$10,008,000, primarily representing the management fees. In addition these quantitative evaluations showed the value of expected losses to be \$4,355,000. All of the expected losses would be absorbed by the management fee to be earned by the decision maker, Vibra Management, LLC. As required by paragraph 14 of FIN 46(R), the entity which absorbs a majority of the

expected losses of a VIE is considered the primary beneficiary and should consolidate the VIE. In addition to the variable interests comprising the \$10,008,000, the Company also determined the value of the guaranty by Brad Hollinger and related entities to be worth \$5,000,000 and to be available to absorb losses beyond the \$10,008,000.

(3) Due to the evaluation described in (2) above, the Company did not make an evaluation of the entity which would receive a majority of the expected residual returns. However, based on the Company's qualitative analysis of expected returns, the equity interests of Vibra Healthcare, LLC, would receive the majority of the expected residual returns. Moreover, given the nature of the Company's variable interests (i.e. loans only), the Company would not participate in the residual benefits.

(4) The terms of the loan agreements between the Company and Vibra consist only of rights to receive payment and rights in the event of default. The default rights are those which are typically found in loan agreements, such as the acceleration of payment, proceedings against guarantors, and perfecting claims against pledged collateral assets.

Vibra loans totaling \$49.1 million were outstanding at January 1, 2005. Of this amount, \$41.4 million represent acquisition loans which are amortized over 15 years, the maturity of which has not been extended. \$7.8 million represent working capital and transaction fee loans. On February 9, 2005, Vibra paid \$7.8 million to pay off all principal and interest on the working capital and transaction fee loans. The payment was made from proceeds of a loan Vibra received from a third party lender. Vibra had received a loan commitment from the third party lender in 2004, but the loan was not closed until February, 2005. The third party loan carries an annual interest rate of three month LIBOR plus a 300 basis point spread for a period of three years. The loan allows for maximum borrowings of \$14 million, though Vibra has initially borrowed less than the maximum.

(5) The Company has no commitments outstanding to Vibra to provide working capital loans.

(6) On February 9, 2005, Vibra paid \$7.8 million to pay off all principal and interest on the working capital and transaction fee loans. The payment was made from proceeds of a loan Vibra received from a third party lender. Vibra had received a loan commitment from the third party lender in 2004, but the loan was not closed until February, 2005. The third party loan carries an annual interest rate of three month LIBOR plus a 300 basis point spread for a period of three years. The loan allows for maximum borrowings of \$14 million, though Vibra has initially borrowed less than the maximum.

(7) The \$5,000,000 guarantee by Brad Hollinger is the only limit for any of the guarantors. Please see response to comment 35 below.

33. Explain the ownership structure of Vibra Management LLC, the management company, and its relationship to Vibra.

RESPONSE: We have revised the Registration Statement as requested. See page F-18.

Note 4 -- Loans Payable, page F-22

34. Based on your response to comment 92, we note that you recorded the value of the warrants issued in conjunction with the private placement based on their intrinsic value. Tell us supplementally your basis in GAAP for valuing warrants issued to nonemployees using the intrinsic value method rather than an option-pricing model as prescribed under SFAS 123.

RESPONSE: FAS 123 paragraph 8 states that transactions involving the use of equity instruments be valued based on the value of the goods or services received or the value of the equity instruments issued. FAS 123 does not specifically state a valuation method to be used for non-employee transactions, but offers several alternatives, one of which is an option pricing model. FAS 123 paragraphs 18-19 describe option pricing models to be used for public companies. FAS 123 paragraph 20 allows non-public companies to use the same option pricing models. For non-public companies, this estimation should exclude an estimation of the volatility of a Company's equity common stock. In such cases, a non-public company can use a minimum value method, which is computed as (a) the current price of the stock reduced to exclude the present value of any expected dividends during the option's life minus (b) the present value of the exercise price. However, due to the difficulties in estimating the value of an equity instrument of a non-public company, paragraph 22 of FAS 123 allows the use of the intrinsic method. The Company believes the intrinsic method is the most appropriate method considering that the warrants do not have a readily determinable exercise date nor expiration date. When the warrants were issued, the Company had no basis on which to value future dividends or to estimate when the warrants would be exercised, both of which are essential in determining the value of the warrants under either a fair value or minimum value method. Finally, the Company considers any differences which would result between the intrinsic method and another fair value method to not be material to the Company's financial position, results of its operations or changes in its cash flows.

35. The guidance referenced in your response to comment 96 allows you to provide financial information of the tenant or another party that guarantees the lease payments upon meeting certain criteria. This should be based on financial information that will be most relevant to investors in assessing the creditworthiness of the transaction. As such, we reissue our previous comment to have you clarify why the financial statements of a newly formed tenant with a limited operating history would be more meaningful than financial statements of the guarantor or revise accordingly. Clearly explain what factors you used in assessing the credit risk associated with your investment decisions in these properties. In your response, please separately address each of the guarantors disclosed in your document (i.e. principal owner of Vibra, The Hollinger Group and Vibra Management, LLC).

RESPONSE: The guarantors of the Vibra leases are Vibra, Vibra Management, LLC, the Hollinger Group and Brad Hollinger, whose guaranty obligation is limited to \$5,000,000. Each of Vibra, Vibra Management, LLC and the Hollinger Group is controlled and majority owned by Mr. Hollinger. The Hollinger Group's assets are primarily comprised of management contracts that are terminable by the parties on short notice. Vibra Management, LLC's primary assets as of December 31, 2004 were its contracts to manage the Vibra facilities.

Accordingly, substantially all of the resources that may be available to the guarantors for satisfaction of their potential obligations are related to the financial positions and operations of Vibra. For this reason, we believe that Vibra's financial statements provide the most relevant financial information to investors regarding the credit risk associated with our transactions with Vibra.

In assessing the credit risk associated with our investment decisions regarding the Vibra transactions, we considered, among others, the following factors:

- projected patient census for each of the facilities considering their size, respective market areas, and business plans for each developed by Vibra;
- projected revenue of each facility based on conditions, diagnoses and reimbursement levels;
- estimates of time and working capital required to implement the Vibra business plans at each of the facilities; and
- indicators of the market value of rehabilitation and long-term acute care hospitals based primarily on cash flow multiples reflected in reported capital transactions.

Taken together we considered the potential effects of these factors on the likelihood that we could recover our investments under a variety of scenarios. Based upon this evaluation and risk assessment process, we elected to complete the Vibra transactions.

Exhibits

36. We note your response to prior comment 101. Please be aware that we will need sufficient time to review the legality, REIT and debt characterization opinions. Please consider providing us with draft copies of such opinions with your next amendment.

RESPONSE: We advise the Staff that the legality, REIT and debt characterization opinions will be supplementally provided promptly following this filing.

Directed Share Program

37. Please revise the legend on page 2 of the materials to reflect that there is a selling shareholder component to this offering.

RESPONSE: We advise the Staff that the directed share program materials have been revised as requested and will be supplementally provided promptly following this filing.

38. Please revise the fourth paragraph to make clear that a potential purchaser may decline to accept shares when they are contacted by FBR after the registration statement has become effective.

RESPONSE: We advise the Staff that the directed share program materials have been revised as requested and will be supplementally provided promptly following this filing.

Please do not hesitate to contact the undersigned or, in his absence, Thomas O. Kolb at (205) 250-8321, if you have any questions or comments relating to the Company's response to the Comment Letter.

Very truly yours,

/s/ B. G. Minisman, Jr.

B. G. Minisman, Jr.
of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC

cc: Andrew Mew
Cicely Luckey
Michael McTiernan
Medical Properties Trust, Inc.
Hunton & Williams, LLP