REGISTRATION NO. 333-121883

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 30, 2005.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2 TO

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

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

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

WITH A COPY TO:

THOMAS O. KOLB
B.G. MINISMAN, JR.
BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC
SUITE 1600
420 20TH STREET NORTH
BIRMINGHAM, ALABAMA 35203
(205) 328-0480

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

If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: [X]

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

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

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

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

CALCULATION OF REGISTRATION FEE

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TITLE OF SECURITIES BEING REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(2)
Common Stock, $.001 par value..................	$252,585,728	$29,729

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, on the basis of $9.94 per share, the average of the high and low prices of the Common Stock as quoted on the New York Stock Exchange on September 27, 2005.

(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. The selling stockholders 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.

Filed pursuant to Rule 424(b)(4)
Registration No. 333-119957

SUBJECT TO COMPLETION, DATED SEPTEMBER 30, 2005

PROSPECTUS

25,411,039 SHARES OF COMMON STOCK

(MEDICAL PROPERTIES TRUST LOGO)

This prospectus relates to 25,411,039 shares of common stock of Medical Properties Trust, Inc. that the selling stockholders named in this prospectus may offer for resale from time to time. The registration of these shares does not necessarily mean the selling stockholders will offer or sell all or any of these shares of common stock. We will not receive any of the proceeds from the sale of any shares of common stock by the selling stockholders, but will incur expenses in connection with the offering.

The selling stockholders from time to time may offer and resell the shares held by them directly or through agents or broker-dealers on terms to be determined at the time of sale. To the extent required, the names of any agent or broker-dealer and applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in a prospectus supplement that will accompany this prospectus. A prospectus supplement also may add, update or change information contained in this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol "MPW." The last reported sales price on September 28, 2005 was $10.00.

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

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

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

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

- Our facilities and properties under development are currently leased to six tenants, four of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of commitment and other 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.

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

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

- Common stock eligible for future sale, including, subject to certain lock-up agreements which expire over the next three months, up to 25,411,039 shares of common stock that may be resold by our existing stockholders upon effectiveness of the resale registration statement of which this prospectus is a part, may result in increased selling which may have an adverse effect on our stock price.

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.

THE DATE OF THIS PROSPECTUS IS SEPTEMBER   , 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.

OUR COMPANY

We are a self-advised real estate company that acquires, develops and leases healthcare facilities providing state-of-the-art healthcare services. We lease our facilities to healthcare operators pursuant to long-term net-leases, which require the tenant to bear most of the costs associated with the property. From time to time, we also make loans to our tenants and other parties. We were formed in August 2003 and completed a private placement of our common stock in April 2004 in which we raised net proceeds of approximately $233.5 million. Shortly after completion of our private placement, we began to acquire our current portfolio of 13 facilities, consisting of nine facilities that are in operation and four facilities that are under development. We acquired six operating facilities in July and August of 2004 for an aggregate purchase price of $127.4 million, including acquisition costs, from Care Ventures, Inc. We also made loans of approximately $49.1 million to the new tenant of these facilities. One of the loans has been repaid and the remaining loan has a principal balance of approximately $41.4 million. We acquired one operating facility in February 2005 for a purchase price of $28.0 million from Prime A Investments, LLC. In June 2005 we acquired a long-term acute care hospital for a purchase price of $11.5 million from Covington Healthcare Properties, L.L.C. and a rehabilitation hospital for a purchase price of $20.8 million from Vibra Healthcare, LLC.

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

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

Our management team has extensive experience in acquiring, owning, developing, managing and leasing healthcare facilities; managing investments in healthcare facilities; acquiring healthcare companies; and managing real estate companies. Our management team also has substantial experience in healthcare operations and administration, which includes many years of service in executive positions for hospitals and other healthcare providers, as well as in physician practice management and hospital/physician relations.

We believe that our management's ability to combine traditional real estate investment expertise with an understanding of healthcare operations enables us to successfully implement our strategy.

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

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

OUR PORTFOLIO

OUR CURRENT PORTFOLIO OF FACILITIES

Our current portfolio of facilities consists of 13 healthcare facilities, nine of which are in operation and four of which are under development. Four rehabilitation hospitals and two long-term acute care hospitals that are in operation were acquired in 2004 and are leased to subsidiaries of Vibra Healthcare, LLC, or Vibra, formerly known as Highmark Healthcare, LLC, a recently formed specialty healthcare provider with operations in six states. We refer to these facilities in this prospectus as the Vibra Facilities. A seventh facility in operation, a community hospital which has an integrated medical office building, is leased to Desert Valley Hospital, Inc., or DVH. We refer to this facility in this prospectus as the Desert Valley Facility. Another facility in operation, a long-term acute care hospital facility, is leased to Gulf States Long Term Acute Care of Covington, L.L.C., or Gulf States of Covington. We refer to this facility in this prospectus as the Covington Facility. Our ninth facility in operation, a rehabilitation hospital, is leased to Northern California Rehabilitation Hospital, LLC, a Vibra subsidiary. We refer to this facility in this prospectus as the Redding Facility. All of the leases for the hospitals currently in operation have initial terms of 15 years.

Two of the facilities under development are a community hospital, which we refer to in this prospectus as the West Houston Hospital, and an adjacent medical office building, which we refer to in this prospectus as the West Houston MOB, and are leased to Stealth, L.P., or Stealth, a recently organized healthcare facility operator with no current operations. We refer to the West Houston Hospital and the West Houston MOB together in this prospectus as the West Houston Facilities. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end 15 years after completion of construction. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end 10 years after completion of construction. We target completion of construction of the West Houston MOB and the West Houston Hospital for October 2005. Our third facility under development is a women's hospital with an integrated medical office building, which we refer to in this prospectus as the Bucks County Facility, and is leased to Bucks County Oncoplastic Institute, LLC, or BCO, a recently organized healthcare facility operator. The initial lease term for the Bucks County Facility will begin when construction commences and will end 15 years after completion of construction. We target completion of construction for the Bucks County Facility for August 2006. With respect to our fourth facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress Medical Center Operating Company, Ltd., or North Cypress, a recently-organized healthcare facility operator, for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease interest. We refer to this facility in this prospectus as the North Cypress Facility. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, subject to certain limited conditions, we will purchase the facility for an amount equal to the cost of construction and lease the facility to the operator for a 15 year lease term. In the event we do not purchase the facility, the ground sublease will continue and the construction loan will become due. In that event, we expect to seek to convert the construction loan to a 15 year term loan secured by the facility. We anticipate the North Cypress Facility will be completed in December 2006. The leases for all of the facilities in our current portfolio provide for contractual base rent and an annual rent escalator. The leases for the Vibra Facilities and the Bucks County Facility also provide for "percentage rent," which means that, in addition to base rent, we will receive periodic rent payments based on an agreed percentage of the tenant's gross revenue.

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

Operating Facilities
2005 2006 2004
CONTRACTUAL CONTRACTUAL
NUMBER OF ANNUALIZED
BASE BASE LOCATION TYPE
TENANT BEDS(1) BASE
RENT RENT(2) RENT(2) -
-------- -------------
--- ------------- ----
----- ---------- -----
--------- ------------
-- 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. office
building 83 --
2,341,004 2,856,000 New
Bedford,
Massachusetts..........
Long-term Vibra acute
care Healthcare,
hospital LLC(4) 90
2,262,979 2,426,320
2,767,624 Redding,
California(8)..........
Rehabilitation Vibra
hospital Healthcare,
LLC(4) 88 -- 950,250(9)
1,913,949(9) Fresno,
California......
Rehabilitation Vibra
hospital Healthcare,
LLC(4) 62 1,914,829
2,099,773 2,341,835
Covington,
Louisiana.... Long-term
acute Gulf States care
hospital Long-Term
Acute Care of
Covington, L.L.C. 58 --
674,188 1,224,537
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 --- ---
-------- ---------- --

TOTAL...................
-- -- 694 $13,150,010
$18,309,077 $22,076,948
=== ===========
=========== ===========
Operating Facilities
GROSS PURCHASE LEASE
LOCATION PRICE(3)

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

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

(1) Based on the number of licensed beds.

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

(3) Includes acquisition costs.

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

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

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

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

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

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

Facilities Under
Development

2004 2005 2006
PROJECTED NUMBER OF
ANNUALIZED
CONTRACTUAL
CONTRACTUAL
DEVELOPMENT LOCATION
TYPE TENANT BEDS(1)
BASE RENT BASE RENT
BASE RENT COST(2) -
-------- ----------
------ ------------
- --------- --------
--- ------------- -
------------- -----
------- Houston,
Texas.......
Community North
Cypress hospital
Medical Center
Operating Company,
Ltd. 64 $ -- $ --(3)
$ --(3) $ 64,028,000
Houston,
Texas.......
Community
hospital(5) Stealth,
L.P. 105(6) --
772,196(7)
4,749,005(7)
43,099,310 Bensalem,
Pennsylvania........
Women's Bucks County
hospital/medical
Oncoplastic office
Institute, LLC 30 --
--(10) 1,627,820(10)
38,000,000
building(9) Houston,
Texas....... Medical
office building(12)
Stealth, L.P. n/a --
503,130(7)
2,049,415(7)
20,855,119 --- -----
------ ----------- -
---------- ---------

TOTAL................
-- -- 199 $ -- $
1,275,326 $
8,426,240
$165,982,429 ===
===========
===========
===========
============
LEASE LOCATION
EXPIRATION - -------
- ----------------
Houston,
Texas....... (4)
Houston,
Texas....... October
2020(8) Bensalem,
Pennsylvania........
August 2021(11)
Houston,
Texas....... October
2015(13)
TOTAL................
--

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

(1) Based on the number of proposed beds.

(2) Includes acquisition costs.

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

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

(5) Expected to be completed in October 2005.

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

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

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

(9) Expected to be completed in August 2006.

(10) Based on the lease in place as of the date of this prospectus, estimated total development costs and estimated date of completion. Assumed completion of construction in August 2006.

(11) Following completion, the lease term will extend for a period of 15 years.

(12) Expected to be completed in October 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 a secured acquisition loan to Vibra, the parent entity of our current tenants in those facilities, to enable Vibra to acquire the healthcare operations at these locations. The principal balance of this loan is approximately $41.4 million and is to be repaid over 15 years. Payment of the acquisition loan is secured by pledges of membership interests in Vibra and its subsidiaries. In addition, we have obtained guaranty agreements from Brad E. Hollinger, the principal owner of Vibra, Vibra Management, LLC and Senior Real Estate Holdings, LLC, D/B/A The Hollinger Group, or The Hollinger Group, that obligate them to make loan payments in the event that Vibra fails to do so. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the loan obligations. Mr. Hollinger's guaranty is limited to $5.0 million, and Vibra Management, LLC and The Hollinger Group do not have substantial assets. Vibra pays interest on this loan at an annual rate of 10.25% with interest only for the first three years and the principal balance amortizes over

the remaining 12 year period. The acquisition loan may be prepaid at any time without penalty. In connection with the Vibra transactions, Vibra agreed to pay us commitment fees of approximately $1.5 million. We also made secured loans totaling approximately $6.2 million to Vibra and its subsidiaries for working capital purposes. The commitment fees were paid, and the working capital loans were repaid, on February 9, 2005.

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

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

In connection with our development of the Bucks County Facility, BCO has agreed to pay us a commitment fee of $345,000. The commitment fee is to be paid interest only beginning with the first calendar month following the completion of construction, with a balloon payment 15 years later. BCO is also obligated to pay us a $75,000 construction inspection fee, which will be paid interest only beginning with the first calendar month following the completion of construction, with a balloon payment 15 years later. Interest on these fees is set at 10.75% per annum. We also loaned BCO approximately $4.0 million, the loan proceeds of which we hold in a separate account as security for repayment of the loan and BCO's obligations under the lease. This loan is to be repaid no later than the date BCO receives a certificate of occupancy for the Bucks County Facility, and bears interest at the rate of 20% per annum, which interest is due monthly. The obligation to pay these fees is unsecured and the obligation to repay the loan is secured by the loan proceeds which we hold in a separate account. The promissory notes evidencing the fees and the loan are cross defaulted with our lease with BCO. These fees and loans may be prepaid at any time without penalty.

OUR PENDING ACQUISITIONS AND DEVELOPMENTS

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

acceptable definitive agreements. The following tables contain information regarding our Pending Acquisition and Development Facilities:

Operating Facilities

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

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* Under letter of commitment.
(1) Based on the number of licensed beds.
(2) On April 1, 2005, we entered into a letter of commitment with Hammond Healthcare Properties, LLC, or Hammond Properties, and Hammond Rehabilitation Hospital, LLC, or Hammond Hospital, pursuant to which we have agreed to lend Hammond Properties $8.0 million and have agreed to a put-call option pursuant to which, during the 90 day period commencing on the first anniversary of the date of the loan closing, we expect to purchase from Hammond Properties a long-term acute care hospital located in Hammond, Louisiana for a purchase price between $10.3 million and $11.0 million. If we purchase the facility, we will lease it back to Hammond Hospital for an initial term of 15 years. The lease would be a net lease and would provide for contractual base rent and, beginning January 1, 2007, an annual rent escalator.
(3) Based on one year contractual interest at the rate of 10.5% per year on the $8.0 million mortgage loan to Hammond Properties. We expect to exercise our option to purchase the Hammond Facility in 2006. For the one year period following our purchase of the facility, contractual base rent would equal $1,079,925, based on 10.5% of an estimated purchase price of $10,285,000.
(4) On June 9, 2005, we entered into a definitive purchase, sale and loan agreement, pursuant to which we loaned Denham Springs Healthcare Properties, L.L.C. $6.0 million and agreed to purchase the Denham Springs Facility for a purchase price of $6.0 million, subject to our satisfaction with the results of our review of an environmental condition at the property. If we purchase the facility, the loan will be cancelled and we will lease the facility to Gulf States Long Term Acute Care of Denham Springs, L.L.C. for an initial term of 15 years. The lease would be a net lease and would provide for contractual base rent and, beginning on January 1, 2006, an annual rent escalator. If we do not purchase the Denham Springs Facility, the $6.0 million loan would remain outstanding.

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

Development Facility

ANNUAL MINIMUM PROJECTED NUMBER
OF INCREASE IN DEVELOPMENT LEASE
LOCATION TYPE TENANT BEDS(1) RENT
COST EXPIRATION - -------- ---- -
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Bloomington, Indiana*.......................... Community Monroe 32 2.5%(2) 32,000,000 (3) hospital Hospital, LLC

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* Under letter of commitment.

(1) Based on the number of proposed beds.

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

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

OUR ACQUISITION AND DEVELOPMENT PIPELINE

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

OUR DEBT

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

In December 2004, we borrowed $75.0 million from Merrill Lynch Capital under a loan agreement with a term of three years for acquisition and development of additional facilities and other working capital

needs. The loan bears interest at one month LIBOR (3.86% at September 29, 2005) plus 300 basis points. The loan is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants. We had $40.4 million outstanding under this loan as of the date of this prospectus. We have executed a term sheet with Merrill Lynch Capital providing for a senior secured revolving credit facility of up to $100.0 million with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. If we enter into this facility, during the term of the loan we will have the right to increase the amount available under the facility by an amount up to $75.0 million, subject to no event of default continuing or occurring at the time of our request to increase the amount. We cannot assure you that we will enter into this facility on these terms or at all.

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

COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

SUMMARY RISK FACTORS

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

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

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

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

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

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

- Our facilities and properties under development are currently leased to only six tenants, four of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of commitment and other 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, $40.4 million of which was outstanding as of the date of this prospectus. 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.

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

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

- Common stock eligible for future sale, including, subject to certain lock-up agreements which expire over the next three months, up to 25,411,039 shares that may be resold by our existing stockholders upon effectiveness of the resale registration statement of which this prospectus is a part, may result in increased selling which may have an adverse effect on our stock price.

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. In addition to Medicare certified rehabilitation beds, rehabilitation hospitals may also operate Medicare certified skilled nursing, psychiatric, long-term or acute care beds. These hospitals are often the best medical alternative to traditional acute care hospitals where under the Medicare prospective payment system there is pressure to discharge patients after relatively short stays.

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

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

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

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

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

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

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

OUR FORMATION TRANSACTIONS

The following is a summary of our formation transactions:

- We were formed as a Maryland corporation on August 27, 2003 to succeed to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed by certain of our founders in December 2002. In connection with our formation, we issued our founders 1,630,435 shares of our common stock in exchange for nominal cash consideration and the membership interests of Medical Properties Trust, LLC. Upon completion of our private placement in April 2004, 1,108,527 shares of the 1,630,435 shares of common stock held by our founders were redeemed for nominal value and they now collectively hold 1,047,088 shares of our common stock.

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

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

- In April 2004 we completed a private placement of 25,300,000 shares of common stock at an offering price of $10.00 per share. Friedman, Billings, Ramsey & Co., Inc., which served as a lead underwriter in our initial public offering, acted as the initial purchaser and sole placement agent. The total net proceeds to us, after deducting fees and expenses of the offering, were approximately $233.5 million. The net proceeds of our private placement, together with borrowed funds, have been or will be used to acquire our current portfolio of 13 facilities and properties under development, consisting of nine facilities that are in operation and four that are under development, lend funds to one of our tenants and to an affiliate of one of our prospective tenants, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately $187.6 million to acquire our nine existing facilities, have loaned $47.6 million to Vibra to acquire the operations at the Vibra Facilities and for working capital purposes, $6.2 million of which has been repaid, have funded approximately $51.3 million of a projected total of approximately $63.1 million of development costs for the West Houston Facilities and $8.8 million of a projected total of $38.0 million of development costs for the Bucks County Facility and have advanced $9.7 million pursuant to the North Cypress construction loan.

- On July 13, 2005, we completed an initial public offering of 12,066,823 shares of common stock, priced at $10.50 per share. Of these shares of common stock, 701,823 shares were sold by selling stockholders and 11,365,000 shares were sold by us. Friedman, Billings, Ramsey & Co., Inc. served as the sole book-running manager and J.P. Morgan Securities Inc. served as co-lead manager for the offering. Wachovia Capital Markets, LLC and Stifel, Nicolaus & Company, Incorporated served as co-managers for the offering. The underwriters exercised an option to purchase an additional 1,810,023 shares of common stock to cover over-allotments on August 5, 2005. We raised net proceeds of approximately $125.7 million pursuant to the offering, after deducting the underwriting discount and offering expenses.

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 our initial public offering:

(CHART)

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

REGISTRATION RIGHTS AGREEMENT

In connection with a registration rights agreement we entered into in April 2004 with the purchasers of common stock in our April 2004 private placement, we agreed to file the registration statement of which this prospectus is a part.

LOCK-UP AGREEMENTS AND RESALE BLACKOUT PERIODS

Lock-up Agreements. All of our directors and executive officers 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 until January 4, 2006, subject to limited exceptions. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters of our initial public offering, 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. Friedman, Billings, Ramsey & Co., Inc. and its affiliates are subject to a lock-up agreement that expires on October 12, 2005.

Resale Blackout Periods We will be permitted to suspend the use, from time to time, of this prospectus (and therefore suspend sales of common stock under this prospectus) for periods, referred to as "blackout periods," if a majority of the independent members of our board of directors determines in good faith that it is in our best interests to suspend the use and we provide selling stockholders written notice of the suspension. The cumulative blackout periods in any rolling 12-month period may not exceed an aggregate of 90 days and furthermore may not exceed 60 days in any rolling 90-day period.

RESTRICTIONS ON OWNERSHIP OF OUR COMMON STOCK

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

DISTRIBUTION POLICY

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

The table below is a summary of our distributions.

DECLARATION DATE	RECORD DATE	DATE OF DISTRIBUTION OF COMMON STOCK	DISTRIBUTION PER SHARE
August 18, 2005	September 15, 2005	September 29, 2005	$0.17
May 19, 2005	June 20, 2005	July 14, 2005	$0.16
March 4, 2005	March 16, 2005	April 15, 2005	$0.11
November 11, 2004	December 16, 2004	January 11, 2005	$0.11

September 2, 2004 September 16, 2004 October 11, 2004 $0.10

The two distributions declared in 2004, aggregating $0.21 per share, were comprised of approximately $0.13 per share in ordinary income and $0.08 per share in return of capital. For federal income tax purposes, our distributions were limited in 2004 to our tax basis earnings and profits of $0.13 per share. Accordingly, for tax purposes, $0.08 per share of the distributions we paid in January 2005 will be treated as a 2005 distribution; the tax character of this amount, along with that of the April 15, 2005, July 14, 2005 and September 29, 2005 distributions, will be determined subsequent to determination of our 2005 taxable income.

TAX STATUS

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

SUMMARY FINANCIAL INFORMATION

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

The following table sets forth our summary financial and operating data on an historical and pro forma basis. Our summary historical balance sheet information as of December 31, 2004, and the historical statement of operations and other data for the year ended December 31, 2004, have been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical balance sheet information as of June 30, 2005 and the historical statement of operations and other data for the six months ended June 30, 2005 have been derived from our unaudited historical balance sheet as of June 30, 2005 and from our unaudited statement of operations for the six months ended June 30, 2005 included elsewhere in this prospectus. The unaudited historical financial statements include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation of our financial condition and results of operations as of such dates and for such periods under accounting principles generally accepted in the U.S.

The unaudited pro forma consolidated balance sheet data as of June 30, 2005 are presented as if completion of our initial public offering and completion of our probable acquisitions had occurred on June 30, 2005.

The unaudited pro forma consolidated statement of operations and other data for the six months ended June 30, 2005 are presented as if acquisition of the Desert Valley Facility, the Covington Facility and the Redding Facility, completion of our initial public offering and completion of our probable acquisitions had occurred on January 1, 2005, and our December 31, 2004 unaudited pro forma consolidated statement of operations are presented as if our acquisition of the current portfolio of facilities (the six Vibra Facilities, the Desert Valley Facility, the Covington Facility and the Redding Facility), our making of the Vibra loans, completion of our initial public offering and completion of our probable acquisitions had occurred on January 1, 2004. The pro forma information does not give effect to any of our facilities under development or probable development transactions. The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

FOR THE SIX MONTHS ENDED FOR THE YEAR ENDED JUNE 30, 2005 DECEMBER 31, 2004 ------------------------ ------------------------ PRO FORMA HISTORICAL PRO FORMA HISTORICAL ----------- ----------- ----------- ----------- OPERATING INFORMATION: Revenues Rent income......................... $14,629,750 $11,393,116 $27,360,679 $ 8,611,344 Interest income from loans.......... 2,329,189 2,329,189 5,037,049 2,282,115 ----------- ----------- ----------- ----------- Total revenues...................... 16,958,939 13,722,305 32,397,728 10,893,459 Operating expenses Depreciation and amortization....... 2,533,665 1,816,403 5,072,811 1,478,470 General and administrative.......... 3,165,877 3,165,877 5,057,284 5,057,284 Total operating expenses........... 5,699,542 4,982,280 10,902,444 7,214,601 Operating income................... 11,259,397 8,740,025 21,495,284 3,678,858 Net other income (expense).......... (800,280) (800,280) 897,491 897,491 Net income............................ 10,459,117 7,939,745 22,392,775 4,576,349 Net income per share, basic............ 0.27 0.30 0.69 0.24 Net income per share, diluted.......... 0.26 0.30 0.69 0.24 Weighted average shares outstanding -- basic.............................. 39,459,836 26,096,813 32,673,856 19,310,833 Weighted average shares outstanding -- diluted............................ 39,468,867 26,105,844 32,675,657 19,312,634

AS OF AS OF JUNE 30, 2005 DECEMBER 31, 2004 ---------------------------------- ----------------- PRO FORMA HISTORICAL HISTORICAL ------------ ------------ ------------- BALANCE SHEET INFORMATION: Gross investment in real estate assets......... $254,436,964 $238,151,964 $151,690,293 Net investment in real estate.................. 251,142,091 234,857,091 150,211,823 Construction in progress...................... 50,529,769 50,529,769 24,318,098 Cash and cash equivalents..................... 141,578,197 34,357,866 97,543,677 Loans receivable.............................. 42,498,111 48,498,111 50,224,069(1) Total assets.................................. 448,878,440 333,744,392 306,506,063 Total debt.................................... 73,204,167 73,204,167 56,000,000 Total liabilities............................. 94,760,052 98,946,430 73,777,619 Total

stockholders'
equity..................... 351,980,888
232,660,462 231,728,444 Total
liabilities and stockholders'
equity..... 448,878,440 333,744,392
306,506,063

FOR THE SIX MONTHS ENDED FOR
THE YEAR ENDED JUNE 30, 2005
DECEMBER 31, 2004 ------------
-------------- --------------
------------ PRO FORMA
HISTORICAL PRO FORMA
HISTORICAL ----------- -------
----- ----------- ------------
- OTHER INFORMATION: Funds
from operations(2)............
$12,992,782 $ 9,756,148
$27,465,586 $ 6,054,819 Cash
Flows: Provided by operating
activities....................
3,468,751 9,918,898 Used for
investing activities....
(80,265,755) (195,600,642)
Provided by financing
activities....................
13,611,373 283,125,421

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

(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 six months ended June 30, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	FOR THE SIX MONTHS ENDED JUNE 30, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
FUNDS FROM OPERATIONS:				
Net income	$10,459,117	$7,939,745	$22,392,775	$4,576,349
Depreciation and amortization	2,533,665	1,816,403	5,072,811	1,478,470
Funds from operations	$12,992,782	$9,756,148	$27,465,586	$6,054,819

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS AND GROWTH STRATEGY

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

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

WE MAY NOT BE SUCCESSFUL IN DEPLOYING THE NET PROCEEDS OF OUR INITIAL PUBLIC 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 our initial public offering, we experienced a capital infusion from the net offering proceeds, which we have used or intend to use to develop additional net-leased facilities and to make a loan to an affiliate of one of our prospective tenants. If we are unable to use the net proceeds in this manner, we will have no specific designated use for a substantial portion of the net proceeds from our initial public offering. In that case, or in the event we allocate a portion of the net proceeds to other uses during the pendency of the developments, you would be unable to evaluate the manner in which we invest the net proceeds or the economic merits of the assets acquired with the proceeds. We may not be able to invest this capital on acceptable terms or timeframes, or at all, which may harm our cash flow and ability to make distributions to our stockholders.

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

Our future success depends in large part on our ability to continue to grow our business through the acquisition or development of additional facilities. We cannot assure you that we will acquire or develop any of the Pending Acquisition and Development Facilities on the terms described, or at all, because each of these transactions is subject to a variety of conditions, including, in the case of facilities under contract, our satisfactory completion of due diligence and the satisfaction of customary closing conditions, including the obtaining of any required government approvals and consents and, in the case of facilities under letters of commitment, execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third-party reports, receipt of government and third-party approvals and consents, approval by our board of directors and other customary closing conditions. In addition, our development of one of the Pending Acquisition and Development Facilities is dependent upon our proposed tenant's completion of the acquisition of the property on which the facilities are to be built from the current owner. We have incurred losses of approximately $600,000 in connection with acquisitions that we were unable to complete, consisting primarily of legal fees, costs of third-party reports and travel expenses. If we are unsuccessful in completing the acquisition or development of additional facilities in the future, we will incur similar costs without achieving corresponding revenues, our future operating results

will not meet expectations and our ability to make distributions to our stockholders will be adversely affected.

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

We have entered into letter agreements with DVH to fund a $20.0 million expansion of the Desert Valley Facility and with DSI to fund $50.0 million of acquisitions and development facilities. Our funding of the expansion of the Desert Valley Facility is subject to receipt of a development agreement from DVH which we may not receive until February 28, 2006. DVH is not obligated to present us with a development agreement, and, if it does not, we have no obligation to provide funding to DVH for the expansion. If we enter into a development agreement, we may not begin construction on the expansion for several months after that time and the expansion could take up to approximately one year to complete. Any acquisition or development of facilities pursuant to the DSI commitment is subject to DSI's identification, and our approval, of acquisition or development facilities. DSI is not required to identify facilities for acquisition or development and, if it does not, we have no obligation to provide funding to DSI. We have also entered into an arrangement with DVH to purchase a hospital facility in Sherman Oaks, California for a purchase price of approximately $20.0 million, with funding for a $5.0 million expansion. We have also entered into an arrangement with Prime Healthcare to acquire a hospital facility in California for an approximate amount of $25.0 million, subject to DVH's acquisition of the facility. Each of these arrangements is subject to a number of additional conditions. Thus we may not engage in any of these transactions in the near future, or at all, and may not in the near future, or ever, generate any revenues from these arrangements.

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

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

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

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

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

Our business plan contemplates growth through acquisitions and developments of facilities. As a REIT, we are required to make cash distributions which reduces our ability to fund acquisitions and developments with retained earnings. We are dependent on acquisition financings and access to the capital markets for cash to make investments in new facilities. Due to market or other conditions, there will be times when we will have limited access to capital from the equity and debt markets. During such periods,

virtually all of our available capital will be required to meet existing commitments and to reduce existing debt. We may not be able to obtain additional equity or debt capital or dispose of assets, on favorable terms, if at all, at the time we need additional capital to acquire healthcare properties on a competitive basis or to meet our obligations. Our ability to grow through acquisitions and developments will be limited if we are unable to obtain debt or equity financing, which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

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

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

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

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

FAILURE BY OUR TENANTS OR OTHER PARTIES TO WHOM WE MAKE LOANS TO REPAY LOANS CURRENTLY OUTSTANDING OR LOANS WE ARE OBLIGATED TO MAKE, OR TO PAY US COMMITMENT OR OTHER FEES THAT THEY ARE OBLIGATED TO PAY, IN AN AGGREGATE AMOUNT OF APPROXIMATELY $118.5 MILLION, WOULD HAVE A MATERIAL ADVERSE EFFECT ON OUR REVENUES AND OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

In connection with the acquisition of the Vibra Facilities, our taxable REIT subsidiary made a secured loan to Vibra of approximately $41.4 million to acquire the operations at the Vibra Facilities. Payment of this loan is secured by pledges of equity interests in Vibra and its subsidiaries that are tenants of ours. All leases and other agreements between us, or our affiliates, on the one hand, and the tenant and Mr. Hollinger, or their affiliates, on the other hand, including leases for the Vibra Facilities, the lease for the Redding Facility and the Vibra loan, are cross-defaulted. If Vibra defaulted on this loan, our primary recourse would be to foreclose on the equity interests in Vibra and its affiliates. This recourse may be impractical because of limitations imposed by the REIT tax rules on our ability to own these interests.

Failure to adhere to these limitations could cause us to lose our REIT status. We have obtained guaranty agreements for the Vibra loan from Mr. Hollinger, Vibra Management, LLC and The Hollinger Group that obligate them to make loan payments in the event that Vibra fails to do so. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the loan obligations. Mr. Hollinger's guaranty is limited to $5.0 million and Vibra Management, LLC and The Hollinger Group do not have substantial assets. Vibra has entered into a $17.0 million credit facility with Merrill Lynch, and that loan is secured by an interest in Vibra's receivables. There was approximately $10.7 million outstanding under the facility on June 30, 2005. At March 31, 2005, Vibra was not in compliance with a facility rent coverage covenant under its Merrill Lynch credit facility. The Merrill Lynch credit facility documents were subsequently amended to retroactively change the rent coverage covenant from a by-facility rent coverage to a consolidated rent coverage calculation, so that Vibra was in compliance with the amended covenant at March 31, 2005. Our loan is subordinate to Merrill Lynch with respect to Vibra's receivables.

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

We have also agreed to make a working capital loan to Stealth of up to $1.62 million, although no amounts have been loaned to date. Stealth also owes us commitment and other fees of approximately $1.1 million. Payment of these fees and loan amounts is unsecured. We have also agreed to make a construction loan to North Cypress for approximately $64.0 million to fund the construction of a community hospital in Houston, Texas, secured by the hospital improvements, $9.7 million of which has been loaned to North Cypress as of the date of this prospectus. BCO owes us commitment and other fees of $420,000. BCO also owes us approximately $4.0 million in connection with a loan we made to BCO, the loan proceeds of which we have retained in a separate bank account as security for BCO's loan repayment obligations and its obligations under the lease for the Bucks County Facility. We are dependent upon the ability of Vibra, Denham Springs Healthcare Properties, L.L.C., North Cypress and BCO to repay these loans and fees, and their failure to meet these obligations would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

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

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

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

Four of our tenants, North Cypress, Stealth, BCO and Vibra are, and some of our prospective tenants may be, newly organized, have limited or no operating history and may be dependent on loans from us to acquire the facility's operations and for initial working capital. Any bankruptcy filings by or relating to one of our tenants could bar us from collecting pre-bankruptcy debts from that tenant or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant bankruptcy could delay

our efforts to collect past due balances under our leases and loans, and could ultimately preclude collection of these sums. If a lease is assumed by a tenant in bankruptcy, we expect that all pre-bankruptcy balances due under the lease would be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any secured claims we have against our tenants may only be paid to the extent of the value of the collateral, which may not cover any or all of our losses. Any unsecured claim we hold against a bankrupt entity may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. We may recover none or substantially less than the full value of any unsecured claims, which would harm our financial condition.

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

Our existing facilities and the properties we have under development are currently leased to Vibra, DVH, Gulf States, North Cypress, BCO and Stealth or their subsidiaries. If any of our tenants were to experience financial difficulties, the tenant may not be able to pay its rent. Vibra, North Cypress, BCO and Stealth were recently organized, have limited or no operating histories and Vibra was dependent on us for an aggregate amount of $47.6 million in loans to acquire operations at the Vibra Facilities, for the funds to purchase the Redding Facility which it sold to us at the same time that it purchased that facility and for its initial working capital needs. As of June 30, 2005, Vibra had total assets of approximately $80.6 million (of which approximately $29.8 million was goodwill and other intangible assets), total liabilities of approximately $87.0 million, a deficit in owner's capital of approximately $6.5 million, and for the six months ended June 30, 2005 had a loss from operations of approximately $3.7 million and a net loss of approximately $2.6 million. Stealth has provided to us unaudited financial statements reflecting that, as of March 31, 2005, it had tangible assets of approximately $5.8 million, including cash of approximately $4.4 million, liabilities of approximately $269,000 and owners' equity of approximately $5.5 million. Stealth will have substantial pre-opening and start-up costs upon completion of construction of its facilities. We cannot assure you that, should Stealth's equity be insufficient to cover its costs, it could access additional debt or equity financing. Each lease for the Vibra Facilities is guaranteed by Brad E. Hollinger, chief executive officer of The Hollinger Group, Vibra, Vibra Management, LLC and The Hollinger Group. The lease for the Redding Facility is guaranteed by Vibra, Vibra Management, LLC and The Hollinger Group. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the total lease obligations. Mr. Hollinger has not guaranteed the Redding Facility lease and Mr. Hollinger's guaranty of the leases for the Vibra Facilities is limited to $5.0 million, Vibra Management, LLC and The Hollinger Group do not have substantial assets, and Vibra's assets are substantially comprised of the operations at the Vibra Facilities and at the Redding Facility. DVH has provided to us unaudited financial statements reflecting that, as of March 31, 2005, it had tangible assets of approximately $21.6 million, liabilities of approximately $17.6 million and stockholders' equity of approximately $4.0 million, and for the three months ended March 31, 2005, had net income of approximately $4.0 million. The lease for the Desert Valley Facility is guaranteed by Desert Valley Health System, Inc., Desert Valley Medical Group, Inc. and Prime A Investments, LLC. Desert Valley Health System, Inc. has provided to us audited financial statements showing that, as of December 31, 2004, it had consolidated tangible assets of approximately $40.5 million, consolidated liabilities of approximately $31.4 million, and consolidated tangible net worth of approximately $9.1 million and for the year ended December 31, 2004, had consolidated net income of approximately $3.9 million. The lease for the Covington Facility is guaranteed by Gulf States and Team Rehab, L.L.C., or Team Rehab. Gulf States has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $11.1 million, liabilities of approximately $9.3 million and stockholders' equity of approximately $1.8 million, and for the year ended December 31, 2004 had net income of approximately $2.0 million. Team Rehab has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $21.3 million, liabilities of approximately

$9.2 million and owner's equity of approximately $12.1 million, and for the year ended December 31, 2004 had net income of approximately $1.7 million. North Cypress is newly formed and has had no significant operations to date. The ground sublease and the facility leases related to the North Cypress Facility require that, as of the commencement date of each lease, the tenant shall have received from its equity owners at least $15.0 million in cash equity. Until the necessary letter of credit in an amount equal to one year's base rent is posted, our lease for the Buck's County Facility is guaranteed to the extent of $5.0 million by 14 guarantors. Six of these guarantors have pledged cash, cash equivalents or marketable securities equivalent to their maximum guaranty limits. Eight of the guarantors have delivered financial statements which we believe reflect the necessary financial wherewithal to satisfy their guaranty obligations. Guarantors of our leases with DVH and Gulf States may not have sufficient assets for us to recover amounts due to us under those leases. The failure of our tenants and their guarantors to meet their obligations to us would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

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

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

- private investors;

- healthcare providers, including physicians;

- other REITs;

- real estate partnerships;

- financial institutions; and

- local developers.

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

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

Our charter and other organizational documents do not limit the amount of debt we may incur. We have targeted our debt level at up to approximately 50-60% of our aggregate facility acquisition and development costs. However, we may modify our target debt level at any time without stockholder or board of director approval. We cannot assure you that our use of financial leverage will prove to be beneficial. In December 2004 we borrowed $75.0 million from Merrill Lynch Capital under a loan agreement. We have also entered into construction loan agreements with Colonial Bank pursuant to which

we can borrow up to $43.4 million. As of the date of this prospectus, we had $40.4 million of long-term debt outstanding. We have executed a term sheet with Merrill Lynch Capital providing for a senior secured revolving credit facility of up to $100.0 million with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. We will have the right to increase the amount available under the facility by an amount up to $75.0 million.

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

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

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

As of the date of this prospectus, we had approximately $40.4 million in variable interest rate debt. We may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, including the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that these arrangements may result in higher interest rates than we would otherwise have. Moreover, no hedging activity can completely insulate us from the risks associated with changes in interest rates. Failure to hedge effectively against interest rate changes may materially adversely affect results of operations and our ability to make distributions to our stockholders.

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

Most of our current tenants have, and some prospective tenants will have, the option to purchase the facilities we lease to them. At the expiration of each lease for the Vibra Facilities, each tenant will have the option to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, determined assuming the lease is still in place, or (ii) the purchase price we paid for the facility, including acquisition costs, increased by 2.5% per year from the date of purchase. At any time after February 28, 2007, so long as DVH, and its affiliates are not in default under any lease with us or any of the leases with its subtenants, DVH will have the option, upon 90 days' prior written notice, to purchase the Desert Valley Facility at a purchase price equal to the sum of (i) the purchase price of the facility, and (ii) that amount determined under a formula that would provide us an internal rate of return of 10% per year, increased by 2% of such percentage each year, taking into account all payments of base rent received by us. These same purchase rights also apply if we provide DVH with notice of the exercise of our right to change management as a result of a default, provided DVH gives us notice within five days following receipt of such notice. If during the term of the lease we receive from the previous owner or any of its affiliates, a written offer to purchase the Desert Valley Facility and we are willing to accept the offer, so long as DVH and its affiliates are not in default under any lease with us or any of the subleases with its subtenants, we must first present the offer to DVH and allow DVH the right to purchase the

facility upon

the same price, terms and conditions as set forth in the offer; however, if the offer is made after February 28, 2007, in lieu of exercising its right of first refusal, DVH may exercise its option to purchase as provided above. So long as Gulf States is not in default under any lease with us or in default under any sublease, Gulf States will have the option to purchase the Covington Facility (i) at the expiration of the initial term and each extension term of the lease, to be exercised by 60 days' written notice prior to the expiration of the initial term and each extension term, and (ii) within five days of written notification from us exercising our right to terminate the engagement of the tenant's or its affiliate's management company as the management company for the facility as a result of an event of default under the lease. The purchase price for the Covington Facility purchase options will be equal to the greater of (i) the appraised value of the facility based on a 15 year lease in place, or (ii) the purchase price paid by us for the Covington Facility, increased annually by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1. If we elect to purchase the North Cypress Facility upon completion of construction, at the expiration of the facility lease the tenant will have the option, so long as no event of default has occurred, to purchase our interest in the property leased pursuant to the facility lease at a purchase price equal to the greater of (i) the appraised value of the leased property or (ii) the purchase price paid by us to tenant pursuant to the purchase and sale agreement relating to the hospital improvements plus our interest in any capital additions funded by us, as increased by the amount equal to the greater of (A) 2.5% from the date of the facility lease execution or (B) the rate of increase in the CPI as of each January 1 which has passed during the lease term; provided that in no event shall the purchase price be less than the fair market value of the property leased. After the first full 12 month period after construction of the West Houston MOB and the West Houston Hospital, respectively, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, it has the right to purchase the West Houston MOB or the West Houston Hospital at a price equal to the greater of (i) that amount determined under a formula that would provide us an internal rate of return of at least 18% and (ii) the appraised value based on a 15 year lease in place. Upon written notice to us within 90 days of the expiration of the applicable lease, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, Stealth will have the option to purchase the West Houston MOB or the West Houston Hospital at a price equal to the greater of (i) the total development costs (including any capital additions funded by us, but excluding any capital additions funded by Stealth) increased by 2.5% per year, and (ii) the appraised value based on a 15 year lease in place. The Stealth leases also provide that under certain limited circumstances, Stealth will have the right to present us with a choice of one out of three proposed exchange facilities to be substituted for the leased facility. At the expiration of the lease for the Bucks County Facility, 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. If we do not approve a change of control transaction involving BCO, BCO will also have the option, exercisable for 30 days after our failure to approve the change of control, to purchase the facility at the greater of (i) the above formula for the end-of-lease-term purchase option or (ii) an amount that would provide us an internal rate of return of 13%.

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

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

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

We own, and in the future expect to own, interests in our facilities through wholly or majority owned subsidiaries of our operating partnership. Stealth, L.P., the tenant of our West Houston Hospital, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P., which owns the West Houston Hospital. Physicians and others associated with our tenant or subtenants of the West Houston MOB own approximately 24% of the aggregate equity 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 ARE AND WILL CONTINUE TO 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, developing a women's hospital and integrated medical office building in Bensalem, Pennsylvania which we expect to be completed in August 2006 and financing the development of a community hospital in Houston, Texas which we expect to be completed in December 2006. We have entered into letters of commitment and contracts to develop properties in the future. Our development and related construction activities may subject us to the following risks:

- we may have to compete for suitable development sites;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- local conditions such as an oversupply of, or a reduction in demand for, rehabilitation hospitals, long-term acute care hospitals, ambulatory surgery centers, medical office buildings, specialty hospitals, skilled nursing facilities, regional and community hospitals, women's and children's hospitals and other single-discipline facilities.

- 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, skilled nursing facilities, regional and community hospitals, women's and children's hospitals and other single-discipline facilities.

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

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

In April 2003, Stealth, which then owned the property on which the West Houston Facilities are being constructed, arranged for a Phase I environmental assessment to be performed. The assessor recommended further investigation based on field screening of soil samples collected during a geotechnical investigation. Accordingly, the tenant arranged for a Phase II environmental soil sampling to be performed in June 2003 to assess shallow soils for the presence of petroleum hydrocarbons and volatile organic

compounds. Based on the findings of this sampling, the tenant was advised that no further tests were warranted and that the property was suitable for the proposed development.

In April 2005, we arranged for a Phase I environmental assessment to be performed at the Denham Springs Facility. The assessor recommended further soil and groundwater sampling due to the property's previous use as a hospital that involved X-ray and photochemical developing activities. Accordingly, we arranged for a Phase II environmental soil and groundwater sampling. On May 19, 2005, we received a Phase II report which concluded that one groundwater sample was at or exceeded Louisiana Department of Environmental Quality (LDEQ) Numerical Acute and Chronic Criteria standards for several metals. Concentrations of metals in the soil samples were either below quantification limits or below LDEQ regulatory guidelines. Based on this sampling, we were advised to present the findings to LDEQ for review and determination. We were also advised that additional action or investigation may be required by the agency. New sampling and analysis was forwarded to LDEQ in July 2005 and on September 15, 2005, LDEQ confirmed that no additional action is necessary at this time.

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

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

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

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

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

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

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

RISKS RELATING TO THE HEALTHCARE INDUSTRY

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

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

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

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

The healthcare industry is highly regulated by federal, state and local laws, and is directly affected by federal conditions of participation, state licensing requirements, facility inspections, state and federal reimbursement policies, regulations concerning capital and other expenditures, certification requirements and other such laws, regulations and rules. In addition, establishment of healthcare facilities and transfers of operations of healthcare facilities are subject to regulatory approvals not required for establishment of or transfers of other types of commercial operations and real estate. Sanctions for failure to comply with these regulations and laws include, but are not limited to, loss of or inability to obtain licensure, fines and

loss of or inability to obtain certification to participate in the Medicare and Medicaid programs, as well as potential criminal penalties. The failure of any tenant to comply with such laws, requirements and regulations could affect its ability to establish or continue its operation of the facility or facilities and could adversely affect the tenant's ability to make lease payments to us which could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders. In addition, restrictions and delays in transferring the operations of healthcare facilities, in obtaining new third-party payor contracts including Medicare and Medicaid provider agreements, and in receiving licensure and certification approval from appropriate state and federal agencies by new tenants may affect our ability to terminate lease agreements, remove tenants that violate lease terms, and replace existing tenants with new tenants. Furthermore, these matters may affect new tenants ability to obtain reimbursement for services rendered, which could adversely affect their ability to pay rent to us and to pay principal and interest on their loans from us.

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

We believe that the healthcare industry is currently experiencing:

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

- changes in third-party reimbursement policies;

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

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

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

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

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

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

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

We cannot assure you that we will meet all the conditions for the safe harbor for space rental in structuring lease arrangements involving facilities in which local physicians are investors and tenants, and it is unlikely that we will meet all conditions for the safe harbor in those instances in which percentage rent

is contemplated and we have physician investors. In addition, federal regulations require that our tenants with purchase options pay fair market value purchase prices for facilities in which we have physician investment. We cannot assure you that all of our purchase options will be at fair market value. Any purchase not at fair market value may present risks of challenge from healthcare regulatory authorities.

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

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

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

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

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

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

RISKS RELATING TO OUR ORGANIZATION AND STRUCTURE

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

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

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

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

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

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

Additionally, Title 8, Subtitle 3 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter and our amended and restated bylaws, or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not

presently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price of our common stock.

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

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

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

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

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

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

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

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

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

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

As described below, our officers and directors may have conflicts of interest in connection with their duties to us and the limited partners of our operating partnership and with allocation of their time between our business and affairs and their other business interests. In addition, from time to time, we may acquire

or develop facilities in transactions involving prospective tenants in which our directors or officers have an interest. In transactions of this nature, there will be conflicts between our interests and the interests of the director or officer involved, and that director or officer may be in a position to influence the terms of those transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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

THROUGH A WHOLLY-OWNED SUBSIDIARY, 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

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

We believe that we qualify as a REIT for federal income tax purposes and have elected to be taxed as a REIT under the federal income tax laws commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004. Our qualification as a REIT depends 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 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.

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

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

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

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

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

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

RISKS RELATING TO AN INVESTMENT IN OUR COMMON STOCK

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

On July 13, 2005, we completed an initial public offering of our common stock, which is listed on the New York Stock Exchange. While there has been significant trading in our common stock since the initial public offering, we cannot assure you that an active trading market in our common stock will be sustained. Even if active trading of our common stock continues, the market price of our common stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above your purchase price.

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

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

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

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

- changes in market valuations of similar companies;

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

- additions or departures of key management personnel;

- actions by institutional stockholders;

- 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.

FUTURE SALES OF COMMON STOCK MAY HAVE ADVERSE EFFECTS ON OUR STOCK PRICE.

We cannot predict the effect, if any, of future sales of common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock, or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock. We may issue from time to time additional common stock or units of our operating partnership in connection with the acquisition of facilities and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of common stock or the perception that these sales could occur may adversely 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 LOCK-UP AGREEMENTS TO LIMIT THE NUMBER OF SHARES OF COMMON STOCK SOLD INTO THE MARKET.

All of our directors and executive officers are 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 until January 4, 2006, subject to limited exceptions. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters of our initial public offering, 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. 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.

Upon expiration or waiver of the restrictions under the lock-up agreements, up to approximately 4.1 million shares of our common stock will be available for sale into the market, subject only to applicable securities rules and regulations, which could reduce the market price for our common stock.

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

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

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 our initial public 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.

USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling stockholders of the shares of common stock offered by this prospectus.

CAPITALIZATION

The following table sets forth:

- our actual capitalization as of June 30, 2005; and

- our pro forma capitalization, as adjusted to give effect to the sale of shares of common stock in our initial public offering at a public offering price of $10.50 per share, our payment of a distribution of $0.16 per share of common stock on July 14, 2005 to stockholders of record on June 20, 2005 and our payment of a distribution of $0.17 per share on September 29, 2005 to stockholders of record on September 15, 2005.

	AS OF JUNE 30, 2005	
	HISTORICAL	PRO FORMA, AS ADJUSTED
LONG TERM DEBT	$ 73,204,167	$ 73,204,167
MINORITY INTERESTS	2,137,500	2,137,500
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $0.001 par value, 100,000,000 shares authorized; 26,082,862 shares issued and outstanding at June 30, 2005; 39,445,885 shares issued and outstanding, as adjusted	26,083	39,446(1)
Additional paid in capital	233,678,165	361,753,969
Accumulated deficit	(1,043,786)	(9,812,527)
Total stockholders' equity	232,660,462	351,980,888
Total capitalization	$308,002,129	$427,322,555

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(1) Includes 106,000 shares of restricted common stock awarded to our founders on July 14, 2005 and 82,000 shares of restricted common stock awarded to our employees in April 2005 under 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, options for 46,664 shares of which are vested; (ii) 35,000 shares of common stock issued in July 2005 pursuant to the exercise of a vested warrant granted to an unaffiliated third party; (iii) 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; (iv) 490,680 shares of restricted common stock awarded to our executive officers and directors on August 18, 2005 and (v) 2,052 shares of common stock available for future awards under our equity incentive plan.

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 maintain our status as a REIT, we must distribute to our stockholders an amount at least equal to 90% of our REIT taxable income, excluding net capital gain. See "United States Federal Income Tax Considerations." The distributions will be authorized by our board of directors and declared by us based upon a number of factors, including:

- our actual results of operations;

- the rent received from our tenants;

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

- debt service requirements;

- capital expenditure requirements for our facilities;

- our taxable income;

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

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

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

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

DISTRIBUTION
PER SHARE
DECLARATION
DATE RECORD
DATE DATE
OF
DISTRIBUTION
OF COMMON
STOCK - ---

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

-- --------

--- August
18, 2005
September
15, 2005
September
29, 2005
$0.17 May
19, 2005
June 20,
2005 July
14, 2005
$0.16 March
4, 2005
March 16,
2005 April
15, 2005
$0.11
November
11, 2004
December
16, 2004

January 11,
2005 $0.11
September
2, 2004
September
16, 2004
October 11,
2004 $0.10

The two distributions declared in 2004, aggregating $0.21 per share, were comprised of approximately $0.13 per share in ordinary income and $0.08 per share in return of capital. For federal income tax purposes, our distributions were limited in 2004 to our tax basis earnings and profits of $0.13 per share. Accordingly, for tax purposes, $0.08 per share of the distributions we paid in January 2005 will be treated as a 2005 distribution; the tax character of this amount, along with that of the April 15, 2005, July 14, 2005 and September 29, 2005 distributions, will be determined subsequent to determination of our 2005 taxable income.

SELECTED FINANCIAL INFORMATION

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

The following table sets forth our selected financial and operating data on an historical and pro forma basis. Our selected historical balance sheet information as of December 31, 2004, and the historical statement of operations and other data for the year ended December 31, 2004, have been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical balance sheet information as of June 30, 2005 and the historical statement of operations and other data for the six months ended June 30, 2005 have been derived from our unaudited historical balance sheet as of June 30, 2005 and from our unaudited statement of operations for the six months ended June 30, 2005 included elsewhere in this prospectus. The unaudited historical financial statements include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation of our financial condition and results of operations as of such dates and for such periods under accounting principles generally accepted in the U.S.

The unaudited pro forma consolidated balance sheet data as of June 30, 2005, are presented as if completion of our initial public offering and completion of our probable acquisitions had occurred on June 30, 2005.

The unaudited pro forma consolidated statement of operations and other data for the six months ended June 30, 2005 are presented as if our acquisition of the Desert Valley Facility, the Covington Facility and the Redding Facility, completion of our initial public offering and completion of our probable acquisitions had occurred on January 1, 2005, and our December 31, 2004 unaudited pro forma consolidated statement of operations are presented as if our acquisition of the current portfolio of facilities (the six Vibra Facilities, the Desert Valley Facility, the Covington Facility and the Redding Facility), our making of the Vibra loans, completion of our initial public offering and completion of our probable acquisitions had occurred on January 1, 2004. The pro forma information does not give effect to any of our facilities under development or probable development transactions. The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

	FOR THE SIX MONTHS ENDED JUNE 30, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
OPERATING INFORMATION:				
Revenues				
Rent income	$14,629,750	$11,393,116	$27,360,679	$ 8,611,344
Interest income from loans	2,329,189	2,329,189	5,037,049	2,282,115
Total revenues	16,958,939	13,722,305	32,397,728	10,893,459
Operating expenses				
Depreciation and amortization	2,533,665	1,816,403	5,072,811	1,478,470
General and administrative	3,165,877	3,165,877	5,057,284	5,057,284
Total operating expenses	5,699,542			

4,982,280 10,902,444 7,214,601
Operating
income.......................
11,259,397 8,740,025 21,495,284
3,678,858 Net other income
(expense)............. (800,280)
(800,280) 897,491 897,491 Net
income...............................
10,459,117 7,939,745 22,392,775
4,576,349 Net income per share,
basic.............. 0.27 0.30 0.69
0.24 Net income per share,
diluted............ 0.26 0.30 0.69
0.24 Weighted average shares
outstanding --
basic................... 39,459,836
26,096,813 32,673,856 19,310,833
Weighted average shares outstanding
-- diluted................
39,468,867 26,105,844 32,675,657
19,312,634

	AS OF JUNE 30, 2005		AS OF DECEMBER 31, 2004
	PRO FORMA	HISTORICAL	HISTORICAL
BALANCE SHEET INFORMATION:			
Gross investment in real estate assets	$254,436,964	$238,151,964	$151,690,293
Net investment in real estate	251,142,091	234,857,091	150,211,823
Construction in progress	50,529,769	50,529,769	24,318,098
Cash and cash equivalents	141,578,197	34,357,866	97,543,677
Loans receivable	42,498,111(1)	48,498,111	50,224,069(1)
Total assets	448,878,440	333,744,392	306,506,063
Total debt	73,204,167	73,204,167	56,000,000
Total liabilities	94,760,052	98,946,430	73,777,619
Total stockholders' equity	351,980,888	232,660,462	231,728,444
Total liabilities and stockholders' equity	448,878,440	333,744,392	306,506,063

	FOR THE SIX MONTHS ENDED JUNE 30, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
OTHER INFORMATION:				
Funds from operations(2)	$12,992,782	$ 9,756,148	$27,465,586	$ 6,054,819
Cash Flows:				
Provided by operating activities		3,468,571		9,918,898
Used for investing activities		(80,265,755)		(195,600,642)
Provided by financing activities		13,611,373		283,125,421

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

(2) Funds from operations, or FFO, represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. Management considers funds from operations a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that funds from operations provides a meaningful supplemental indication of our performance. We compute funds from operations in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, in its March 1995 White Paper (as amended in November 1999 and April 2002), which

may differ from the methodology for calculating funds from operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions. Funds from operations should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity.

The following table presents a reconciliation of FFO to net income for the six months ended June 30, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	FOR THE SIX MONTHS ENDED JUNE 30, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
FUNDS FROM OPERATIONS:				
Net income	$10,459,117	$7,939,745	$22,392,775	$4,576,349
Depreciation and amortization	2,533,665	1,816,403	5,072,811	1,478,470
Funds from operations	$12,992,782	$9,756,148	$27,465,586	$6,054,819

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

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

OVERVIEW

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

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

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

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

We currently own five rehabilitation hospitals and two long-term acute care hospitals that are leased to affiliates of a single operating company, one community hospital with an integrated medical office building leased to another operating company and one long-term acute care hospital leased to another operating company. We are also developing a community hospital and an adjacent medical office building that are leased to a single operating company, and a women's hospital with an integrated medical office building that is leased to a separate operating company. In addition, we have entered into a ground sublease with, and an agreement to provide a construction loan to, a recently organized healthcare facility operator for the development of a community hospital on property in which we currently have a ground

lease interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, subject to certain limited conditions, we will purchase the facility for an amount equal to the cost of construction and lease the facility to the operator. In the event we do not purchase the facility, the ground sublease will continue and the construction loan will become due. In that event, we expect to seek to convert the construction loan to a 15 year term loan secured by the facility. We have also made and in the future may make loans to our tenants to facilitate the acquisition of healthcare businesses and for working capital and have made and from time to time may make construction or mortgage loans to facility owners or other parties.

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

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

- the historical and prospective operating margins (measured by a tenant's earnings before interest, taxes, depreciation, amortization and facility rent) of each tenant and at each facility;

- the ratio of our tenants' operating earnings to facility rent and to facility rent plus other fixed costs, including debt costs;

- trends in the source of our tenants' revenue, including the relative mix of Medicare, Medicaid/MediCal, commercial insurance, and private pay patients;

- the effect of evolving healthcare regulations on our tenants' profitability

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

- trends in the cost and availability of capital, including market interest rates, that our prospective tenants may use for their real estate assets instead financing their real estate assets through lease structures;

- unforeseen changes in healthcare regulations that may limit the opportunities for physicians to participate in the ownership of healthcare providers and healthcare real estate;

- reductions in reimbursements from Medicare, state healthcare programs and commercial insurance providers that may reduce our tenants' profitability and our lease rates; and

- competition from other financing sources.

CRITICAL ACCOUNTING POLICIES

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

assumptions as to future uncertainties and, as a result, actual results could materially differ from these estimates. Our accounting estimates will include the following:

Revenue Recognition. Our revenues, which are comprised largely of rental income, include rents that each tenant pays in accordance with the terms of its respective lease reported on a straight-line basis over the initial term of the lease. Since some of our leases provide for rental increases at specified intervals, straight-line basis accounting requires us to record as an asset, and include in revenues, unbilled rent that we will only receive if the tenant makes all rent payments required through the expiration of the term of the lease. Accordingly, our management must determine, in its judgment, to what extent the unbilled rent receivable applicable to each specific tenant is collectible. We will review each tenant's unbilled rent receivable on a quarterly basis and take into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the facility is located. In the event that the collectibility of unbilled rent with respect to any given tenant is in doubt, we are required to record an increase in our allowance for uncollectible accounts or record a direct write-off of the specific rent receivable, which would have an adverse effect on our net income for the year in which the reserve is increased or the direct write-off is recorded and would decrease our total assets and stockholders' equity.

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

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

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

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

When circumstances such as adverse market conditions indicate a possible impairment of the value of a facility, we will review the recoverability of the facility's carrying value. The review of recoverability will be based on our estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the facility's use and eventual disposition. Our forecast of these cash flows will consider factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to

recover the carrying value of a facility, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the facility. We will be required to make subjective assessments as to whether there are impairments in the values of our investments in real estate.

Purchase Price Allocation. We record above-market and below-market in-place lease values, if any, for the facilities we own which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. We amortize any resulting capitalized below-market lease values (presented in the accompanying balance sheet as value of assumed lease obligations) as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. Because our strategy to a large degree involves the origination of long term lease arrangements at market rates, we do not expect the above-market and below-market in-place lease values to be significant for many of our anticipated transactions.

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

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

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

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

Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. We expect to formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking each hedge transaction. We plan to review

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

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

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

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

DISCLOSURE OF CONTRACTUAL OBLIGATIONS

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

CONTRACTUAL OBLIGATIONS	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 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
Long-term debt..............................	2,566,663	53,433,337	--	--	56,000,000
Total:......................................	$34,919,033	$54,119,065	$712,080	$2,200,532	$91,950,710

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 six months ended June 30, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	FOR THE SIX MONTHS ENDED JUNE 30, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
Funds from operations:				
Net income......................	$10,459,117	$7,939,745	$22,392,775	$4,576,349
Depreciation and amortization...	2,533,665	1,816,403	5,072,811	1,478,470

- Funds from operations...........	$12,992,782	$9,756,148	$27,465,586	$6,054,819

RESULTS OF OPERATIONS

The results of our historical operations are generated substantially by investments we have made since we completed our private offering and raised approximately $233.0 million in common equity in the second quarter of 2004. We are also in the process of developing additional healthcare facilities that have not yet begun generating revenue, and we expect to acquire additional existing healthcare facilities in the foreseeable future. Accordingly, we expect that future results of operations will vary materially from our historical results.

THREE MONTHS ENDED JUNE 30, 2005 COMPARED TO THREE MONTHS ENDED JUNE 30, 2004

Net income for the three months ended June 30, 2005 was $4,379,811 compared to a net loss of $1,069,892 in the three months ended June 30, 2004. We completed our private offering of common equity early in the second quarter of 2004, prior to which we had no revenues and limited operations. At June 30, 2004 we had eight employees, no operating properties and one development property in the early stages of

construction. Our activities in the second quarter of 2004 were concentrated in evaluating potential acquisitions and negotiating the purchase of properties. Accordingly, we do not believe that comparison of 2005's second quarter to the same quarter in 2004 provides significant relevant information about possible future trends or results of operations.

Revenue of $7,241,777 in the three months ended June 30, 2005 was comprised of rents (85%) and fee and interest income from loans (15%). All of this revenue was derived from properties that we acquired since July 1, 2004. During this three month period, we received percentage rents of approximately $604,000. These percentage rents occurred due to an increase in patient census at the Vibra Facilities from the first quarter of 2005 to the second quarter. Also, the Desert Valley -- Victorville facility, which we acquired on February 28, 2005, provided a full three months of rent revenue. Interest income from loans was affected due to Vibra paying down approximately $7.3 million of principal, Vibra accounted for 87% of our gross revenues during this period. We intend to focus our acquisition efforts to achieve a greater diversity of tenants in the near-term and foreseeable future.

Depreciation and amortization during in the three months ended June 30, 2005 was attributable to properties that we acquired since July 1, 2004.

General and administrative expenses in the three months ended June 30, 2005, which totaled $1,415,067, were comprised primarily of compensation of approximately $1.0 million, with the balance made up primarily of legal, office and other administrative expenses.

Other income of $358,214 in the three months ended June 30, 2005 consisted of interest and dividends, primarily from the temporary investment of the net proceeds of our April 2004 private placement and proceeds from debt.

Interest expense in the three months ended June 30, 2005 was $831,117. Capitalized interest of $608,378 was recorded in the three months, primarily on the West Houston medical office building and community hospital construction projects.

SIX MONTHS ENDED JUNE 30, 2005 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2004.

Net income for the six months ended June 30, 2005 was $7,939,745 compared to a net loss of $1,563,618 in the six months ended June 30, 2004.

At June 30, 2004, we had eight employees, no operating properties and one development property in the early stages of construction. Our activities in the first six months of 2004 were primarily evaluating potential acquisitions and negotiating the purchase of properties. Accordingly, we do not believe that comparison of the first six months of 2005 to the same period in 2004 provides significant relevant information about possible future trends or results of operations.

Revenue of $13,722,305 in the six months ended June 30, 2005 was comprised of rents (84%) and fee and interest income from loans (16%), all of which was derived from investments made since July 1, 2004. During this six month period, we received percentage rents of approximately $999,000 from Vibra. Our receipt of percentage rents is dependent upon that tenant reaching certain revenue levels, and there is no assurance that our tenant will continue to achieve this revenue level. Our largest tenant, Vibra, accounted for 87% of our revenues during this period. We intend to focus our acquisition efforts to achieve a greater diversity of tenants in the near-term and foreseeable future.

Depreciation and amortization in the six months ended June 30, 2005 was attributable to properties that we acquired since July 1, 2004.

General and administrative expenses in the six months ended June 30, 2005, which totaled $3,165,877, were comprised primarily of compensation of approximately $1.8 million, with the balance made up primarily of legal and other professional fees, occupancy costs for our headquarters office and other administrative expenses.

Other income of $741,986 in the six months ended June 30, 2005 consisted of interest and dividends, primarily from the temporary investment of the net proceeds of our April 2004 private placement and proceeds from long-term debt.

Interest expense in the six months ended in June 30, 2005 was $1,542,266, net of capitalized interest. Capitalized interest of approximately $1,003,779 was recorded in the six months primarily on the West Houston medical office building and community hospital construction projects.

YEAR ENDED DECEMBER 31, 2004

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity needs are to (i) provide for normal operating expenses, (ii) fund the costs of acquiring and developing facilities, and (iii) make distributions to our stockholders. We believe that these needs will be partially satisfied by cash on hand and cash flows provided by operating and financing activities. In addition, we expect that our primary source of external financing for the near future will be debt secured by our real estate assets and additional offerings of equity.

As of September 23, 2005, we had approximately $108.0 million in cash and temporary liquid investments. We expect to close a $100.0 million secured revolving credit facility which will replace our existing $75.0 million term loan (with a present balance of approximately $40.4 million) thereby providing us with approximately $59.0 million in additional borrowing availability. In addition, we have approximately $43.0 million available under a construction/term facility with a bank. We expect to use these resources over the next 12 months for completion of development projects currently under construction and acquisition of additional existing facilities and for development projects.

We have definitive agreements to fund the following development projects and acquisitions (in millions):

	ORIGINAL COMMITMENT	EXPENDED	REMAINING COMMITMENT
North Cypress community hospital..........................	$ 64.0	$ 2.1	$ 61.9
West Houston community hospital and medical office building..	63.9	45.8	18.1
Bucks County women's hospital and medical office building..	38.0	2.2	35.8
Total...	$165.9	$50.1	$115.8

We have letters of commitment or other arrangements to acquire or develop additional facilities with an aggregate cost of $93.0 million. These transactions are subject to various contingencies that must be satisfied before definitive agreements could be executed. Accordingly, there is no assurance that these transactions will be consummated.

We intend to utilize various types of debt to finance a portion of the costs to complete our proposed development facilities and acquire and develop additional facilities. We expect this debt will include long-term, fixed-rate mortgage loans, variable-rate term loans, secured revolving lines of credit and construction financing facilities. We believe we will be able generally to finance up to approximately 50-60% of the cost of our healthcare facilities; however, there is no assurance that we will be able to obtain or maintain those levels of debt on our portfolio of real estate assets on favorable terms in the future. Our ratio of debt to stockholders' equity at June 30, 2005 was 32% as compared to 24% at December 31, 2004.

INVESTING ACTIVITIES

In the first six months of 2005 we acquired three new healthcare facilities for a total cost of $64.5 million. Our cash outlays for these properties totaled $56.5 million, which is net of contingent payments and facility improvement reserves. We also invested $26.4 million in our developments, primarily the West Houston community hospital and medical office building. In addition, we made loan advances, net of contingent payments, of $4.9 million. In February 2005, Vibra reduced the principal amount of its loans from us by $7.7 million.

DISTRIBUTION POLICY

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

The table below is a summary of our distributions.

DECLARATION DATE	RECORD DATE	DATE OF DISTRIBUTION

DISTRIBUTION
PER SHARE -

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August 18,
2005
September
15, 2005
September
29, 2005
$0.17 May
19, 2005
June 20,
2005 July
14, 2005
$0.16 March
4, 2005
March 16,
2005 April
15, 2005
$0.11
November
11, 2004
December
16, 2004
January 11,
2005 $0.11
September
2, 2004
September
16, 2004
October 11,
2004 $0.10

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

2005 and September 29, 2005 distributions, will be determined subsequent to determination of our 2005 taxable income.

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

INFLATION

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

OUR BUSINESS

OUR COMPANY

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

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

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

We completed a private placement of our common stock in April 2004 in which we raised net proceeds of approximately $233.5 million. Shortly after completion of our private placement, we began to acquire our current portfolio of 13 facilities, consisting of nine facilities that are in operation and four facilities that are under development. Five of the facilities that are in operation are rehabilitation hospitals, three are long-term acute care hospitals and one is a community hospital with an integrated medical office building. Two of the facilities under development are a community hospital and an adjacent medical office building. Our third facility under development is a women's hospital with an integrated medical office building. With respect to our fourth facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease

interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, subject to certain limited conditions, we will purchase the facility for an amount equal to the cost of construction and lease the facility to the operator for a 15 year lease term. In the event we do not purchase the facility, the ground sublease will continue and the construction loan will become due. In that event, we expect to seek to convert the construction loan to a 15 year term loan secured by the facility.

We completed an initial public offering of our common stock in July 2005 in which, with the overallotment option that was exercised in August 2005, we raised net proceeds of approximately $125.7 million. With the net proceeds of our initial public offering, along with our available cash and cash equivalents, we intend to expand our portfolio of facilities by acquiring or developing additional net-leased healthcare facilities.

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

In December 2004 we borrowed $75.0 million from Merrill Lynch under a loan agreement which has a term of three years. We have used a portion of the loan proceeds for acquisition of our current portfolio of facilities and plan to use additional loan proceeds for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (3.86% at September 29, 2005) plus 300 basis points. We had $74.1 million outstanding under this loan as of March 31, 2005. The loan is secured by our interests in the Vibra Facilities. The loan with Merrill Lynch includes financial covenants requiring us to meet an interest coverage ratio (ratio of our earnings before interest, taxes, depreciation and amortization to interest expense) of 2 to 1, a fixed charge coverage ratio (ratio of earnings before interest, taxes, depreciation and amortization to the sum of total debt service, assumed capital expenditures pertaining to the Vibra Facilities, income taxes and preferred dividends) greater than 1.65 to 1, a net debt to total asset valuation ratio (ratio of total net debt to the product of nine and the sum of net income, interest expense, depreciation and amortization minus management fees not exceeding 1% of net revenue and $300 per licensed bed per annum) not greater than 70%, and, for each Vibra Facility, a base rent coverage ratio (ratio of earnings of the applicable lessee of the Vibra Facility before interest, taxes, depreciation, amortization, rent and management fees to base rent payable by the lessee) equal to or greater than 1.25 to 1 and to maintain minimum tangible net worth of at least $200 million. As of the date of this prospectus, we are in compliance with all material financial covenants under our loan with Merrill Lynch.

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

The facility will initially be secured by our interests in the Vibra Facilities, or the borrowing base properties. The maximum availability under the facility will be equal to 65% of the collateral value of the borrowing base properties. The facility will bear interest at one month LIBOR plus up to 275 basis points depending on the amount of the facility leveraged. We expect the facility with Merrill Lynch to include financial covenants requiring us to maintain a maximum total leverage ratio (ratio of consolidated indebtedness to gross asset value) of 65%, a minimum consolidated fixed charge coverage ratio of 1.65 to 1 and to maintain minimum tangible net worth equal to $200.0 million plus 75% of net proceeds from any additional equity issuances. Execution of this credit facility is subject to Merrill Lynch's underwriting and

credit approval and completion of acceptable legal documentation. Accordingly, there is no assurance that we will enter into this facility on these terms, or at all.

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

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

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. In addition to Medicare certified rehabilitation beds, rehabilitation hospitals may also operate

Medicare certified skilled nursing, psychiatric, long-term, or acute care beds. These hospitals are often the best medical alternative to traditional acute care hospitals where under the Medicare prospective payment system there is pressure to discharge patients after relatively short stays.

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

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

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

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

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

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

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

UNDERWRITING PROCESS

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

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

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

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

ASSET MANAGEMENT

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

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

OUR FORMATION TRANSACTIONS

The following is a summary of our formation transactions:

- We were formed as a Maryland corporation on August 27, 2003 to succeed to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed by certain of our founders in December 2002. In connection with our formation, we issued our founders 1,630,435 shares of our common stock in exchange for nominal cash consideration, the membership interests of Medical Properties Trust, LLC were transferred to us and Medical Properties Trust, LLC became our wholly-owned subsidiary. Upon its formation in September 2003, our operating partnership assumed certain obligations of Medical Properties Trust, LLC. Upon completion of our private placement in April 2004, 1,108,527 shares of the 1,630,435 shares of common stock held by our founders were redeemed and they now collectively hold 1,047,088 shares of our common stock. Our founders agreed to the redemption of a portion of their shares of our common stock for nominal consideration primarily in order to facilitate the completion of our April 2004 private placement.

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

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

- In April 2004 we completed a private placement of 25,300,000 shares of common stock at an offering price of $10.00 per share. Friedman, Billings, Ramsey & Co., Inc. acted as the initial purchaser and sole placement agent. The total net proceeds to us, after deducting fees and expenses of the offering, were approximately $233.5 million. The net proceeds of our private placement, together with borrowed funds, have been or will be used to acquire our current portfolio of 13 facilities, consisting of nine facilities that are in operation and four that are under development, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately $187.6 million to acquire our nine existing facilities, have loaned $47.6 million to Vibra to acquire the operations at the Vibra Facilities and for working capital purposes, $6.2 million of which has been repaid, have made a mortgage loan of $6.0 million to an affiliate of one of our prospective tenants, have funded $51.3 million of a projected total of $63.1 million of development costs for the West Houston Facilities and $8.8 million of a projected total of $38.0 million of development costs for the Bucks County Facility and have advanced $9.7 million pursuant to the North Cypress construction loan.

- On July 13, 2005, we completed an initial public offering of 12,066,823 shares of common stock, priced at $10.50 per share. Of these shares of common stock, 701,823 shares were sold by selling stockholders and 11,365,000 shares were sold by us. Friedman, Billings, Ramsey & Co., Inc. served as the sole book-running manager and J.P. Morgan Securities Inc. served as co-lead manager for the offering. Wachovia Capital Markets, LLC and Stifel, Nicolaus & Company, Incorporated served as co-managers for the offering. The underwriters exercised an option to purchase an additional 1,810,023 shares of common stock to cover over-allotments on August 5, 2005. We raised net proceeds of approximately $125.7 million pursuant to the offering after deducting the underwriting discount and offering expenses.

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

OUR OPERATING PARTNERSHIP

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

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

MPT Operating Partnership, L.P. is a limited partner of MPT West Houston MOB, L.P. and MPT West Houston Hospital, L.P., which respectively own the Houston medical office building and the Houston community hospital in our portfolio which are under development. MPT West Houston MOB, LLC and MPT West Houston Hospital, LLC, our wholly-owned subsidiaries, are the respective general partners of these entities. Physicians and others associated with our tenant or subtenants of the West Houston MOB own approximately 24% of the aggregate equity interests in MPT West Houston MOB, L.P. 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 West Houston Facilities.

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

ENVIRONMENTAL MATTERS

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

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

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

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

COMPETITION

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

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

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

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

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

HEALTHCARE REGULATORY MATTERS

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

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

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

The Anti-Kickback Statute defines the term "remuneration" very broadly and, accordingly, local physician investment in our facilities could trigger scrutiny of our lease arrangements under the Anti-Kickback Statute. In addition to certain statutory exceptions, the Office of Inspector General of the Department of Health and Human Services, or OIG, has issued "Safe Harbor Regulations" that describe practices that will not be considered violations of the Anti-Kickback Statute. These include a safe harbor for space rental arrangements which protects payments made by a tenant to a landlord under a lease arrangement meeting certain conditions. We intend to use our commercially reasonable efforts to structure lease arrangements involving facilities in which local physicians are investors and tenants so as to satisfy, or meet as closely as possible, the conditions for the safe harbor for space rental. We cannot assure you, however, that we will meet all the conditions for the safe harbor, and it is unlikely that we will meet all conditions for the safe harbor in those instances in which percentage rent is contemplated and we have physician investors. In addition, federal regulations require that our tenants with purchase options pay fair market value purchase prices for facilities in which we have physician investment. We intend our lease

agreement purchase option prices to be fair market value; however, we cannot assure you that all of our purchase options will be at fair market value. Any purchase not at fair market value may present risks of challenge from healthcare regulatory authorities. The fact that a particular arrangement does not fall within a statutory exception or safe harbor does not mean that the arrangement violates the Anti-Kickback Statute. The statutory exception and Safe Harbor Regulations simply provide a guaranty that qualifying arrangements will not be prosecuted under the Anti-Kickback Statute. The implication of the Anti-Kickback Statute could limit our ability to include local physicians as investors or tenants or restrict the types of leases into which we may enter if we wish to include such physicians as investors having direct or indirect ownership interests in our facilities.

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

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

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

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

In those cases where physicians invest in our subsidiaries or our facilities, we intend to fashion our lease arrangements with healthcare providers to meet the applicable indirect compensation exceptions

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

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

Recent Regulatory and Legislative Developments. Medicare Part A pays for hospital inpatient operating and capital related costs associated with acute care hospital inpatient stays on a prospective basis. Pursuant to this inpatient prospective payment system, or IPPS, CMS categorizes each patient case according to a list of diagnosis-related groups, or DRGs. Each DRG has an assigned payment that is based upon the expected amount of hospital resources necessary to treat a patient in that DRG. On August 12, 2005, CMS published a Final Rule for IPPS for fiscal year 2006. The Final Rule includes a 3.7% increase in payment rates, a number of changes to the DRGs and enhancements to the voluntary quality reporting program. Hospitals are required to submit certain clinical data on ten (10) quality measures in order to receive full payment for fiscal year 2006. CMS expects aggregate payments to IPPS hospitals to increase by $3.3 billion over the previous year.

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 August 15, 2005, CMS published the fiscal year 2006 Final Rule for inpatient rehabilitation facilities, or IRFs. The Final Rule adopts a number of refinements to the IRF prospective payment system, including an across-the-board 1.9% decrease in the standard payment amount based on evidence that coding increases instead of increases in patient acuity have led to increased payments to IRFs. The Final Rule also includes a 3.6% market basket increase and increases from 19.1% to 21.3% the payment rate adjustment for IRFs located in rural areas. Further, the Final Rule reduces the outlier threshold for cases with unusually high costs from $11,211 to $5,132. In addition, the Final Rule contains policy changes including the adoption of new labor market area definitions which are based on the new Core Based Statistical Areas announced by the Office of Management and Budget, or OMB, late in 2000. These increases are expected to benefit those tenants of ours who operate IRFs. 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 July 14, 2005, Senators Rick Santorum and Ben Nelson introduced legislation in response to the Final Rule entitled "Preserving Patient Access to Inpatient Rehabilitation Hospitals Act of 2005." The legislation seeks to limit the scope of the Final Rule so that additional research may be conducted on the clinical criteria for reimbursement of IRFs. The bill would implement the compliance and enforcement threshold at 50 percent for two years and apply retroactively to facilities that lost their IRF status and payments on or after July 1, 2005, if such facilities are in compliance with the 50 percent threshold. We do not know whether the legislation will be passed.

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

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

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

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

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

enrollment applications prior to June 9, 2005 or requested an advisory opinion about the applicability of the moratorium.

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

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

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

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

The Balanced Budget Act of 1997, or BBA, mandated implementation of a prospective payment system for skilled nursing facilities. Under this prospective payment system, and for cost reporting periods beginning on or after July 1, 1998, skilled nursing facilities are paid a prospective payment rate adjusted for case mix and geographic variation in wages formulated to cover all costs, including routine, ancillary and capital costs. In 1999 and 2000 the BBA was refined to provide for, among other revisions, a 20% add-on for 12 high acuity non-therapy Resource Utilization Grouping categories, or RUG categories, and a 6.7% add-on for all 14 rehabilitation RUG categories. These categories may expire when CMS releases its refinements to the current RUG payment system. On August 4, 2005, CMS published a Final Rule updating skilled nursing facility payment rates for fiscal year 2006. The Final Rule eliminates the temporary add-on payments that Congress directed in the Balanced Budget Refinement Act of 1999 and introduces nine (9) new payment categories. The Final Rule also permanently increases rates for all RUGs to reflect variations in non-therapy ancillary costs. Further, fiscal year 2006 payment rates include a market basket update increase of 3.1%, a slight increase over what had been anticipated in the Proposed Rule. In addition, the Final Rule contains policy changes including the adoption of new labor market area definitions which are based on the new Core Based Statistical Areas announced by the Office of Management and Budget, or OMB, late in 2000.

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

INSURANCE

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

EMPLOYEES

We employ 17 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 13 healthcare facilities, nine of which are in operation and four of which are under development. The Vibra Facilities consist of four rehabilitation hospitals and two long-term acute care hospitals. The Desert Valley Facility is a community hospital with an integrated medical office building. The Covington Facility is a long-term acute care hospital facility. The Redding Facility is a rehabilitation hospital. All of the leases for the hospitals currently in operation have initial terms of 15 years. Two of the facilities under development are the West Houston Hospital and the adjacent West Houston MOB that is master-leased by the tenant of the hospital. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end 15 years after completion of construction. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end 10 years after completion of construction. Construction of the West Houston MOB is projected to be completed in August 2005 and construction of the West Houston Hospital is projected to be completed in October 2005. Our third facility under development is the Bucks County Facility. The initial lease term for the Bucks County Facility will begin when construction commences and will end 15 years after completion of construction. We target completion of construction for the Bucks County Facility for August 2006. With respect to the fourth facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, subject to certain limited conditions, we will purchase the facility for an amount equal to the cost of construction and lease the facility to the operator for a 15 year lease term. In the event we do not purchase the facility, the ground sublease will continue and the construction loan will become due. In that event, we expect to seek to convert the construction loan to a 15 year term loan secured by the facility. We anticipate the North Cypress Facility will be completed in December 2006. The leases for all of the facilities in our current portfolio provide for contractual base rent and an annual rent escalator. The leases for the Vibra Facilities and the Bucks County Facility also provide for percentage rent based on an agreed percentage of the tenants' gross revenue. The following tables set forth information, as of June 30, 2005, regarding our current portfolio of facilities:

Operating Facilities
2005 2006 2004
CONTRACTUAL
CONTRACTUAL NUMBER OF
ANNUALIZED BASE BASE
LOCATION TYPE TENANT
BEDS(1) BASE RENT
RENT(2) RENT(2) - ----
---- -----------------
------------- -------
-- ----------- -------
------- -------------
- 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 Redding,
California(8)..........
Rehabilitation Vibra
hospital Healthcare,
LLC(4) 88 --
950,250(9)
1,913,949(9)
Operating Facilities
GROSS PURCHASE LEASE
LOCATION PRICE(3)
EXPIRATION - --------
------------ ---------
------ Bowling Green,
Kentucky...............
$ 38,211,658 July 2019
Marlton, New
Jersey(5)..............
32,267,622 July 2019
Victorville,
California(7)..........
28,000,000 February
2020 New Bedford,
Massachusetts..........
22,077,847 August 2019
Redding,
California(8)..........
20,750,000 June 2020

Operating Facilities
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
Covington,
Louisiana.... Long-term
acute Gulf States care
hospital Long-Term
Acute Care of
Covington, L.L.C. 58 --
674,188 1,224,537
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 --- ---
-------- ---------- --

TOTAL..................
-- -- 694 $13,150,010
$18,309,077 $22,076,948
=== ===========
=========== ===========
Operating Facilities
GROSS PURCHASE LEASE
LOCATION PRICE(3)
EXPIRATION - -------- -
---------- ----------
---- Fresno,
California......
18,681,255 July 2019
Covington,
Louisiana....
11,500,000 June 2020
Thornton,
Colorado......
8,491,481 August 2019
Kentfield,
California... 7,642,332
July 2019 -----------
TOTAL..................
$187,622,195 --
============

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

(1) Based on the number of licensed beds.

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

(3) Includes acquisition costs.

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

(5) Our interest in this facility is held through a ground lease on the property. The purchase price shown for this facility does not include our payment obligations under the ground lease, the present value of which we

have calculated to be $920,579. The calculation of the base rent to be received from Vibra for this facility takes into account the present value of the ground lease payments.

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

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

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

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

Facilities Under Development

DEVELOPMENT TYPE	LOCATION	TENANT	NUMBER OF BEDS(1)	2004 CONTRACTUAL BASE RENT	2005 CONTRACTUAL BASE RENT	2006 PROJECTED ANNUALIZED BASE RENT	COST(2)
Community hospital	Houston, Texas.......	North Cypress Medical Center Operating Company, Ltd.	64	$ --	$ --(3)	$ --(3)	$ 64,028,000
Community hospital(5)	Houston, Texas.......	Stealth, L.P.	105(6)	--	772,196(7)	4,749,005(7)	43,099,310
Women's hospital/medical office building(9)	Bensalem, Pennsylvania	Bucks County Oncoplastic Institute, LLC	30	--	--(10)	1,627,820(10)	38,000,000
Medical office building(12)	Houston, Texas.......	Stealth, L.P.	n/a	--	503,130(7)	2,049,415(7)	20,855,119
TOTAL................	--	--	199	$ --	$ 1,275,326	$ 8,426,240	$165,982,429

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===========
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Facilities Under
Deve LEASE LOCATION
EXPIRATION - -------
- -----------------
Houston,
Texas....... (4)
Houston,
Texas....... October
2020(8) Bensalem,
Pennsylvania August
2021(11) Houston,
Texas....... October
2015(13)
TOTAL................
--

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

(1) Based on the number of proposed beds.

(2) Includes acquisition costs.

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

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

(5) Expected to be completed in October 2005.

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

(7) Based on leases in place as of the date of this prospectus, estimated total development costs and estimated dates of completion. Assumes completion of construction in October 2005 for the West Houston Hospital and in August 2005 for the West Houston

MOB. Does not include rents that accrue during the construction period and are payable over the remaining lease term following the completion of construction.

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

(9) Expected to be completed in August 2006.

(10) Based on the lease in place as of the date of this prospectus, estimated total development costs and estimated date of completion. Assumes completion of construction in August 2006.

(11) Following completion, the lease term will extend for a period of 15 years.

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

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

commitment fees were paid, and the working capital loans were repaid, on February 9, 2005.

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

Vibra has entered into a $17.0 million credit facility with Merrill Lynch, and that loan is secured by an interest in Vibra's receivables related to the Vibra Facilities. There was approximately $10.7 million outstanding under the facility on June 30, 2005. Our loan to Vibra is subordinate to Merrill Lynch with respect to Vibra's receivables. At March 31, 2005, Vibra was not in compliance with a facility rent

coverage covenant under its Merrill Lynch credit facility. The Merrill Lynch credit facility documents were subsequently amended to retroactively change the rent coverage covenant from a by facility rent coverage to a consolidated rent coverage calculation, such that Vibra was in compliance with the amended covenant at March 31, 2005.

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

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

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

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

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

management fees that the tenants for the Vibra Facilities pay to Vibra Management, LLC are subordinated to the rents payable to us under the leases for the Vibra Facilities.

We have included the audited and unaudited consolidated financial statements for Vibra Healthcare, LLC as of and for the year ended December 31, 2004 and as of and for the six months ended June 30, 2005. We believe that the financial statements of Vibra Healthcare, LLC are the most meaningful financial information respecting the ability of Vibra to make the lease and loan payments which it is obligated to make to us. We do not believe that historical financial information on the Vibra Facilities prior to our acquisition of those facilities would be meaningful because the facilities had three different owners in the year prior to our acquisition. Also during that time, the owners did not lease those facilities to lessees but operated the facilities themselves, and the facilities were not operated in the same manner as they are currently being operated. We also believe that the financial statements of the guarantors provide limited financial information due to the limited resources which those guarantors possess. We do not believe the financial statements of the Vibra guarantors other than Vibra would be helpful to prospective investors. Therefore, we have provided the financial statements of Vibra Healthcare, LLC, which includes consolidated financial information on the actual lessees of the Vibra Facilities and the parent entity, which is one of the guarantors of the leases and the borrower under the Vibra loan.

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

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

			DEPRECIATION FEDERAL TAX BASIS			2004 REAL ESTATE	
	LAND	BUILDINGS	RATE	METHOD	LIFE IN YEARS	ANNUAL TAXES	RATE
Bowling Green, KY......	$3,070,000	$35,141,658	2.5%	Straight-line	40	$ 24,750	0.07%
Thornton, CO...........	2,130,000	6,361,481	2.5%	Straight-line	40	186,188	2.18%
Fresno, CA.............	1,550,000	17,131,255	2.5%	Straight-line	40	102,359	0.61%
Kentfield, CA..........							

2,520,000
5,122,332 2.5%
Straight-line
40 91,201 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 is 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 is 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 is equal to 12.23% of the purchase price, including acquisition costs. On January 1, 2006 and on each January 1 thereafter, the base rent will be increased by 2.5%.

THORNTON, COLORADO

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

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

REDDING FACILITY

General. On June 30, 2005, Ocadian Care Centers, LLC, or Ocadian, assigned a long-term ground lease for land located in Redding, California to Northern California Rehabilitation Hospital, LLC, a subsidiary of Vibra. On the same date, Ocadian sold the facility located on the land, which we refer to in this prospectus as the Redding Facility, to the Vibra subsidiary, subject to the ground lease. Also on June 30, 2005, the Vibra subsidiary assigned this ground lease interest to us and we purchased the Redding Facility. On the same date, we subleased the land and leased the Redding Facility back to the Vibra subsidiary. The term of the ground lease expires on November 16, 2075. See "Lease" below for more detail. The Vibra subsidiary has subleased the operations and the right to occupy the Redding Facility back to Ocadian during a transition term until the Vibra subsidiary obtains certain healthcare licenses necessary to operate the Redding Facility. The Vibra subsidiary will manage the facility on behalf of Ocadian during this transition term. Upon receipt of the healthcare licenses, the sublease and management agreement between the Vibra subsidiary and Ocadian will terminate. The Vibra subsidiary expects this sublease and management arrangement to continue for about 30 to 60 days from the date of this prospectus.

The Redding Facility contains approximately 70,000 square feet of space and is currently licensed for a total of 88 beds including 14 acute care beds, 24 rehabilitation beds and 50 skilled nursing beds. The Vibra subsidiary intends to convert a portion of the Redding Facility's licensed skilled nursing, general acute care and rehabilitation beds to long-term acute care beds.

Our purchase price for assignment of the ground lease interest and for the Redding Facility was $20,750,000 million; however, payment of $2.0 million of the purchase price is being deferred pending completion, to our satisfaction, of the conversion of certain beds to long-term acute care beds, and an additional $750,000 of the purchase price is being deferred and will be paid out of a special reserve account to pay for renovations. The Vibra subsidiary used and will use the proceeds from the concurrent sale and assignment to us to acquire the Redding Facility and the operations at the facility, upgrade equipment, make certain renovations, convert certain beds to long-term acute care beds and for working capital. The purchase price for the Redding Facility was arrived at through arms-length negotiations based upon our analysis of various factors, including the demographics of the area in which the facility is located,

the capability of the tenant to operate the facility, healthcare spending trends in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the tenant, and the financial and economic returns which we require for making an investment.

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

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

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

Lease Guaranty and Security. The lease is guaranteed by Vibra, Vibra Management, LLC and The Hollinger Group, and is cross-defaulted with all other leases and other agreements between us, or our affiliates, on the one hand, and the tenant and Mr. Hollinger, or their affiliates, on the other hand, including the leases for the Vibra Facilities and the Vibra loan. The guaranties of Vibra, Vibra Management and The Hollinger Group of the lease for the Redding Facility are of equal priority with the guaranties relating to the leases for the Vibra Facilities and the Vibra loan. We believe that these agreements are important elements of our underwriting of newly-formed healthcare operating companies because they create incentives for their owners and managements to successfully operate our tenants. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the total lease obligations. We have included the audited and unaudited consolidated financial statements for Vibra Healthcare, LLC as of and for the year ended December 31, 2004 and as of and for the six months ended June 30, 2005, respectively.

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

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

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

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

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

California...........
$ -- $20,750,000
2.5% Straight-line
40 $49,681 1.1%

DESERT VALLEY FACILITY

General. On February 28, 2005, we acquired a fee simple interest in the Desert Valley Facility located in Victorville, California, which is approximately 75 miles from Los Angeles, California. The

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

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

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

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

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

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

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

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

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

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

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

COVINGTON, LOUISIANA

General. On June 9, 2005, we acquired a fee simple interest in a long-term

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

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

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

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

Lease Guaranty and Security. The lease is guaranteed by Gulf States and Team Rehab. The lease is cross-defaulted with our loan agreement with Denham Springs Healthcare Properties, L.L.C. and will be cross-defaulted with our lease of the Denham Springs Facility if we purchase that facility. In addition, as security for the lease, the tenant has granted us a security interest in all personal property, other than receivables and operating licenses, located and to be located at the facility. Pursuant to the lease, the tenant has obtained and delivered to us an unconditional and irrevocable letter of credit, naming us beneficiary, in an amount equal to $598,500. At 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 amount of the letter of credit is to be increased to six months' base rent.

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

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

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

Purchase Options. The lease provides that so long as the tenant is not in default under the lease, our lease for the Denham Springs Facility, if we purchase that facility, or any sublease, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default,

the tenant will have the option to purchase the facility (i) at the expiration of the initial term and each extension term of the lease, to be exercised by 60 days' written notice prior to the expiration of the initial term and each extension term, and (ii) within five days of written notification from us exercising our right to terminate the engagement of the tenant's or its affiliate's management company as the management company for the facility as a result of an event of default under the lease. The purchase price for those options shall be equal to the greater of (i) the appraised value of the facility, assuming the lease remains in effect for 15 years and not taking into account any purchase options contained therein, or (ii) the purchase price paid by us for the facility, increased annually by an amount equal to the greater of (A) 2.5% per year from the date of the lease, or (B) the rate of increase in the CPI on each January 1.

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

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

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

DENHAM SPRINGS LOAN

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

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

Lease. As a condition to the loan, Denham Springs Healthcare Properties, L.L.C., the owner of the facility, terminated its existing lease with Gulf States Long Term Acute Care of Denham Springs, L.L.C. and entered into a new 15-year net-lease with Gulf States Long Term Acute Care of Denham Springs, L.L.C., with three options to renew for five years each. Under the lease, the tenant is responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. Beginning

on June 9, 2005, the annual base rent is equal to 10.5% of the purchase price, including any costs or charges that may be capitalized. The lease provides that on each January 1 during the term of the lease, the base rent will be increased by an amount equal to the greater of (i) 2.5% per annum of the prior year's base rent, or (ii) the percentage by which the CPI on November 1 shall have increased over the CPI figure in effect on the then just previous November 1, provided that the CPI adjustment for 2005 is to be prorated. The loan agreement among us, Denham Springs Healthcare Properties, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C. entitles us to receive all reports and other correspondence under this lease during the loan term.

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

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

In April 2005, we arranged for a Phase I environmental assessment to be performed at the Denham Springs Facility. The assessor recommended further soil and groundwater sampling due to the property's previous use as a hospital that involved X-ray and photochemical developing activities. Accordingly, we arranged for a Phase II environmental soil and groundwater sampling. On May 19, 2005, we received a Phase II report which concluded that one groundwater sample was at or exceeded Louisiana Department of Environmental Quality (LDEQ) Numerical Acute and Chronic Criteria standards for several metals. Concentrations of metals in the soil samples were either below quantification limits or below LDEQ regulatory guidelines. Based on this sampling, we were advised to present the findings to LDEQ for review and determination. New sampling and analysis was forwarded to LDEQ in July 2005 and on September 15, 2005, LDEQ confirmed that no additional action is necessary at this time.

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

NORTH CYPRESS FACILITY

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

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

Leases. We entered into two ground leases, one for the hospital tract and one for a parking area tract, with the current owners of that land. We then ground subleased the two tracts to North Cypress. If we purchase the hospital tract, the ground lease for the hospital tract will terminate. If we purchase the hospital improvements at the end of the construction term, the ground sublease will terminate and be replaced by the facility lease which will have a term of 15 years with three options to renew for five years each. The ground sublease and the facility lease are each a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, all rent and other costs and expenses due and payable under the ground lease, taxes, utilities, insurance, maintenance and capital improvements. Rent pursuant to

the ground sublease during the construction period is a monthly amount equal to the sum of (A) the product of (i) 10.5% multiplied by (ii) the total amount of funds disbursed under the construction loan as of the date this payment is due divided by 12 plus (B) the sum of all rents paid under the ground leases. Subsequent to the completion of construction of the hospital improvements, base rent under the ground sublease will be an amount equal to 10.5% multiplied by the total amount of funds disbursed under the construction loan plus the sum of all rents paid pursuant to the ground leases. The facility lease requires the tenant to pay monthly rent in an annual amount equal to 10.5% multiplied by the total amount of the funds disbursed under the construction loan plus the sum of all rents paid pursuant to the ground leases. On January 1, 2006, and on each January 1 thereafter, the base rent will increase by an amount equal to the greater of (A) 2.5% per year of the prior year's base rent, excluding the ground lease rent component, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. The leases require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards. The facility lease requires the tenant to pay us, commencing on the commencement date of the facility lease and on each January 1 during the term thereof, an amount equal to $7,500 to cover the cost of the physical inspections of the facility, which fee will, on each January 1, be increased by 2.5% per annum. In addition to this ongoing inspection fee, the MPT lender is entitled to receive an inspection fee of $75,000 to cover the lender's inspection costs during the construction period.

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

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

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

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

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

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

WEST HOUSTON FACILITIES

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

West Houston GP, L.P., an affiliate of GPMV, holds a 25% general partnership interest in Stealth. The limited partners of Stealth, which currently hold a 75% interest, consist of 85 physicians. The sole business of Stealth is the operation of the West Houston Hospital offering multi-specialty services and the West Houston MOB. Because those facilities are still in the construction phase, Stealth has had no meaningful operations to date. Our operating partnership owns an approximate 94% limited partnership interest in the hospital limited partnership and Stealth owns an approximate 6% limited partnership interest. MPT West Houston Hospital, LLC, a wholly-owned limited liability company of our operating partnership, owns the 0.1% general partnership interest in the hospital limited partnership. Currently, our operating partnership owns approximately 76% of the limited partnership interests in the MOB limited partnership and MPT West Houston MOB, LLC, a wholly-owned subsidiary of our operating partnership, owns the 0.1% general partnership interest. Physicians and others associated with our tenant or subtenants of the West Houston MOB own approximately 24% of the aggregate equity interests in the MOB limited partnership.

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, exercisable until November 2010, 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, plus any amounts subsequently paid by us with respect to this parcel. Stealth also has a right of first offer, exercisable until November 2010, to purchase this parcel should we determine to sell it to a third party. In consideration for Stealth's agreement to limit the term of the foregoing option and right of first offer, we have agreed to pay Stealth up to $3.5 million, upon its request and in $500,000 increments. Any additional amounts paid will be included in total development costs and will increase the rental payable to us accordingly. We have no further obligation to honor any payment requests after August 31, 2006.

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 for the adjacent West Houston MOB. During the construction period, we will advance funds pursuant to requests made in accordance with the terms of the development agreements between us and the developers. We have agreed to fund 100% of the total development costs for the West Houston Hospital and the adjacent West Houston MOB. Our agreement with Stealth provides that $17,006,803 of this funding will be in the form of an equity contribution for the West Houston Hospital, with the remaining funding being in the form of debt, and for the adjoining West Houston MOB, our agreement with Stealth provides that $5.0 million of the funding will be in the form of an equity contribution or subordinated debt, with the remaining funding being in the form of debt. If we obtain third-party construction financing, the debt portion of the development costs will be provided by the third-party lender.

Leases. We are leasing the facilities to Stealth during the construction phase with rent accruing until the completion dates and the accrued rent to be paid over the remaining lease term once the facilities are completed. Following the completion dates, the lease term will extend for a period of 15 years for the West Houston Hospital and 10 years for the West Houston MOB. Stealth will have three options to renew each lease for a period of five years each. On January 1, 2006 and on each January 1 thereafter, the base rent for the West Houston Hospital will increase 2.5% and the base rent for the West Houston MOB will increase 2.0%. The leases are net-leases with Stealth responsible for all costs and expenses associated with

the operation, maintenance and repair of the facilities. Triumph has subleased an entire floor of the West Houston Hospital in order to operate 34 long-term acute care beds. The sublease is for a term of 180 months following the completion of the construction of the West Houston Hospital. The sublease grants to Triumph options to extend the term of the sublease for three additional periods of five years each. The sublease requires Triumph to pay rent in an amount equal to 12% of all rent and other charges payable by Stealth to us under our lease with Stealth, with certain exclusions. The sublease provides that Stealth's obligations under the sublease are conditioned upon the execution of a guaranty by Triumph HealthCare of Texas, L.L.C. and Triumph HealthCare, L.L.P. The sublease grants Stealth the right to relocate Triumph to a new facility to be constructed adjacent to and attached to the West Houston Hospital. In order to exercise the relocation right, Stealth must give Triumph at least 270 days' notice prior to the date of such relocation. Triumph must vacate the subleased premises on or before the relocation date specified in the notice from Stealth, which cannot be earlier than 270 days after the date of the relocation notice.

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

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

The leases also provide that under certain limited circumstances, the tenant will have the right to present us with a choice of one out of three proposed exchange facilities to be substituted for the leased facility. The tenant will have the right to propose substitute facilities, if not in default, at any time prior to

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

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

Security. The leases for the West Houston Facilities are cross-defaulted and are guaranteed by West Houston G.P., L.P. and West Houston Joint Ventures, Inc., affiliates of Stealth. To secure its performance of its lease obligations under the West Houston Hospital lease, Stealth has obtained a certificate of deposit in the amount of $1,905,234, of which we are the beneficiary. The sublease between Stealth and Triumph requires Triumph to obtain a certificate of deposit in the amount of $400,000 to secure the performance of its obligations under its sublease with Stealth. However, subject to execution of definitive agreements, we, Stealth and Triumph have agreed that Triumph shall obtain and deliver to us a $400,000 letter of credit, in lieu of the certificate of deposit, to be held by us. The sublease has been assigned to us as collateral security for Stealth's performance under its lease. Under the lease and the sublease, each of Stealth and Triumph, respectively, are required to give us a security interest in these certificates of deposit and to enter into control agreements with us and the issuing banks which provide that the banks will follow our instructions regarding the certificates of deposit. Once the West Houston Hospital commences operations, Stealth is required to substitute a letter of credit in the amount of $1,905,234 in place of the $1,905,234 certificate of deposit; and on May 1, 2005, the sublease required that Triumph substitute a letter of credit in the amount of $1.0 million in place of the $400,000 certificate of deposit. Triumph has not yet made this substitution. The lease further provides that the Stealth letter of credit may be released in two increments of 50% of the total amount of the letter of credit over a 2 year period following the date on which Stealth generates a total rent (excluding additional charges) coverage from EBITDAR of at least 200% for 12 consecutive months.

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

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

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

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

BENSALEM, PENNSYLVANIA

General. On September 16, 2005, we acquired a fee simple interest in 15 acres of land located in Bucks County, Pennsylvania, which is approximately 15 miles from Philadelphia, Pennsylvania, for a purchase price of approximately $5.4 million pursuant to an agreement with Glenview Corporate Center Limited Partnership. On the same date, we entered into an agreement with Bucks County Oncoplastic Institute, LLC, or BCO, and DSI Facility Development, LLC, or the developer, each an unaffiliated third party, to develop a women's hospital facility with an integrated medical office building on the land. The total development costs to develop the facility, including the cost of the land, are estimated at approximately $38.0 million. To date, including the acquisition costs of the land, we have incurred approximately $8.8 million of the total development costs.

Lease. We have formed a Delaware limited partnership, MPT of Bucks County, L.P., to own the facility. We have entered into a lease with BCO for both the land and the improvements. The lease will extend for the construction term and 15 years thereafter with BCO having two five-year renewal options and a third option to renew the lease until August 15, 2035. The lease is a net-lease with BCO responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The lease will require BCO to pay monthly rent in a per annum amount equal to 10.75% multiplied by the total amount of the funds disbursed under the development agreement. The lease provides that on January 1, 2007, 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 further provides that, upon completion of construction, and beginning with the calendar month after the completion date, BCO will pay, in addition to base rent, percentage rent in an amount equal to 1.75% of revenues for the preceding month. The lease also requires BCO to carry customary insurance which is adequate to satisfy our underwriting standards. The lease requires BCO to pay us on January 1, 2006 an amount equal to $7,500 to cover the cost of the physical inspections of the facility, which fee will, beginning on January 1, 2007, and continuing on each January 1 thereafter, be increased by 2.5% per annum. In addition to the inspection fee, the total development costs also include a fee equal to $75,000 to cover our inspection of the facility during the construction period. We loaned BCO the funds for this fee, which loan bears interest at a rate of 10.75%.

Capital Improvement Reserve. The lease requires 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 provides 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%. The lease provides that all extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and that BCO will pay into the reserve such funds as necessary for all extraordinary repairs.

Development Agreements. We have agreed to pay DSI Facility Development, LLC, an affiliate of BCO, a developer fee of $515,000, a construction management fee of $687,500 and a developer bonus based upon the cost savings if the facility is completed for less than the estimated total development costs.

Security. As security for the lease, BCO has granted us a security interest in all personal property, other than receivables, located and to be located at the facility, which security interest is subject to any lien of any purchase money equipment lender. The lease requires 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. BCO substituted a cash deposit for the letter of credit, which we will continue to hold until a certificate of occupancy is issued, and we loaned BCO the funds for this cash deposit, which loan bears interest at the rate of 20% per annum. At the time the letter of credit is delivered, we will retain the cash deposit and it shall be applied toward the promissory note. As a condition to closing and as a continuing covenant under the lease, BCO is required to achieve a tangible net worth of $5.0 million, which may be satisfied by an equity injection, operating earnings or approved line of credit. Until BCO satisfies such covenant, our lease for the Buck's County Facility is guaranteed to the extent of $5.0 million by 14 guarantors. Six of these guarantors have pledged cash, cash equivalents or marketable securities equivalent to their maximum guaranty limits. Eight of the guarantors have delivered financial statements which we believe reflect the necessary financial wherewithal to satisfy their guaranty obligations. The lease will be cross-defaulted to any other lease or agreement between the parties. BCO is newly formed and has had no significant operations to date.

Purchase Options. The lease provides 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. If we do not approve a change of control transaction involving BCO, BCO shall also have the option, exercisable for 30 days after our failure to approve the change of control, to purchase the facility at the greater of (i) the above formula for the end-of-lease-term purchase option or (ii) an amount that would provide us an internal rate of return of 13%.

Commitment Fee. At closing, BCO executed a promissory note in favor of us for the $345,000 commitment fee, which note bears interest at a rate of 10.75% and is payable interest only with a balloon payment approximately 15 years following completion of construction.

OUR PENDING ACQUISITIONS AND DEVELOPMENTS

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

Operating Facilities

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

Care of Denham Springs, L.L.C. -- -------
--- -----------
TOTAL......................................
-- -- 99 $1,470,000 $14,000,000 -- ==
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* Under letter of commitment.

(1) Based on the number of licensed beds.

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

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

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

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

Development Facility

ANNUAL MINIMUM PROJECTED NUMBER OF
INCREASE IN DEVELOPMENT LEASE TYPE
TENANT BEDS(1) RENT COST
EXPIRATION ---- --------------- --
------- ----------- ----------- --
-------- Bloomington,
Indiana*...........................
Community Monroe 32 2.5%(2)
32,000,000 (3) hospital Hospital,
LLC === ===========

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

* Under letter of commitment.

(1) Based on the number of proposed beds.

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

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

DENHAM SPRINGS, LOUISIANA

General. On June 9, 2005, we entered into a definitive purchase, sale and loan agreement, or purchase agreement, relating to the acquisition of the Covington Facility and the making of a $6.0 million loan to Denham Springs Healthcare Properties, L.L.C., an unrelated third party. The purchase agreement also provides for the purchase and leaseback of the Denham Springs Facility, for a purchase price of $6.0 million and on substantially the same terms as applied to our purchase of the Covington Facility. Our purchase of the Denham Springs

Facility is subject to the favorable resolution of the environmental issues discussed above. The Denham Springs Facility is located in Denham Springs, Louisiana, which is approximately 10 miles from Baton Rouge, Louisiana. The Denham Springs Facility contains approximately 36,000 square feet of space and is licensed for 59 beds.

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

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

Lease. At the time we purchase the Denham Springs Facility, we will lease 100% of the facility to Gulf States Long Term Acute Care of Denham Springs, L.L.C. for a 15-year term, with three options to renew for five years each. The lease will be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. The lease will require the tenant to pay base rent in an amount equal to 10.5% per annum of the purchase

price plus any costs and charges that may be capitalized. On each January 1, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on November 1 shall have increased over the CPI in effect on the immediately preceding November 1; provided, however, on January 1, 2006, the adjustment shall be prorated. The lease will also require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

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

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

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

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

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

HAMMOND, LOUISIANA

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

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

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

The letter of commitment provides that, at the time of the mortgage loan closing, we will enter into a put-call option agreement with Hammond Properties providing that either party will have the option, exercisable within 90 days following the one year anniversary of the loan closing, to cause the purchase and sale of the facility, subject to applicable conditions, for a purchase price of the greater of (i) $10,285,714 or (ii) the quotient determined by dividing the annual rental payments by .105 (but not to exceed $11.0 million). The purchase price was arrived at through arm's-length negotiations based upon our analysis of various factors, including the demographics of the area in which the facility is located, the capability of the tenant to operate the facility, healthcare spending in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the facility, and the financial and economic returns which we require for making an investment.

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

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

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

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

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

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

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

BLOOMINGTON, INDIANA

General. On February 28, 2005, we entered into a letter of commitment with Monroe Hospital Operating Company, or Monroe Hospital, to develop a community hospital in Bloomington, Indiana, which is approximately 50 miles from Indianapolis, Indiana. The letter of commitment provides that we will enter into a contract with Monroe Hospital or one of its affiliates to, among other things, purchase the land. We intend to enter into a development agreement with an affiliate of Monroe Hospital to develop the facility. The land is currently owned by Southern Indiana Medical Park II, LLC, an entity owned by two members and directors of Monroe Hospital. Southern Indiana Medical Park II, LLC and Monroe Hospital have entered into a letter of intent relating to the purchase of the land. The total development costs to develop the facility, including the cost of the land, will be approximately $32.0 million.

Lease. We have formed a Delaware limited liability company, MPT of Bloomington, LLC, which will own the facility. The letter of commitment provides that, at the time we purchase the land, we will ground lease 100% of the land and all improvements to be constructed thereon to Monroe Hospital for the construction period. Following construction, the lease will continue for a term of 15 years with three options to renew for five years each. The letter of commitment provides that the lease will be a net-lease

with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. The letter of commitment provides that the lease will require the tenant to pay monthly rent in a per annum amount equal to 10.50% multiplied by the purchase price of the land and the total amount of the funds disbursed under the development agreement. During the construction period, the rent will be deferred and will be paid after the construction period over the 15 year lease term. The letter of commitment also provides that on January 1, 2007, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. The letter of commitment provides that the lease will also require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards, and require the tenant to pay us on the commencement date of the lease an amount equal to $5,000 to cover the cost of the physical inspections of the facility, which fee will, beginning on January 1, 2006, and continuing on each January 1 thereafter, be increased by 2.5% per annum. The letter of commitment provides that the lease will be cross-defaulted with any other lease between us and the tenant or its affiliates.

Repair and Replacement Reserve. The letter of commitment provides that the lease will require the tenant, beginning on the completion of construction of the facility, to make annual deposits into a reserve account in the amount of $2,500 per bed per year. The letter of commitment also provides that the lease will require that beginning on the first January 1 after the completion of construction, and on each January 1 thereafter, the payment of $2,500 per bed per year into the improvement reserve will be increased by 2.5%.

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

Monroe Hospital is newly formed and has had no significant operations to date. The development transaction is conditioned upon Monroe Hospital receiving equity contributions of at least $9.0 million and maintaining sufficient tangible net worth to absorb reasonable costs and expenses, including our lease payments, during the start-up period. Monroe Hospital has executed a contract with Surgical Development Partners, LLC, a hospital management company, to manage the day-to-day operations of the hospital, including staffing, scheduling, billing and collections, governmental compliance and relations, and other functions. Surgical Development Partners, LLC intends to make a substantial equity investment in Monroe Hospital. The letter of commitment provides that we will have the right to require Monroe Hospital to replace the management company under certain conditions.

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

Development Agreement. We have agreed to pay Monroe Hospital Development, LLC, an affiliate of Surgical Development Partners, LLC, a developer fee of approximately $850,000 and an additional amount to be agreed upon for post construction development services.

Commitment Fee. The letter of commitment provides that we are entitled to a commitment fee at closing equal to 0.5% of $32.0 million if closing occurs before June 1, 2005, less the sum of $100,000

which we have already received as a commitment fee, and that we may increase the commitment fee if closing occurs after May 31, 2005. We will also be entitled to receive at closing the sum of $50,000 as a construction fee.

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

OUR ACQUISITION AND DEVELOPMENT PIPELINE

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

DIVERSIFIED SPECIALTY INSTITUTES, INC. ACQUISITION AND DEVELOPMENT FUNDING

General. On March 3, 2005, we entered into a letter agreement with Diversified Specialty Institutes, Inc., or DSI. An affiliate of DSI is the proposed tenant of the women's hospital and medical office building in Bensalem, Pennsylvania that we have contracted with to develop and leaseback. The letter agreement provides that, subject to DSI identifying facilities for acquisition or development, which it is not required to do, and subject to certain other conditions set forth in the letter agreement, we have agreed to make available to DSI or its affiliates acquisition and development funding in the total amount of $50.0 million to be used to finance the potential future acquisition or development of healthcare facilities, in each case subject to our due diligence and approval. The arrangement will remain outstanding until March 2, 2006, and be available to finance any acquisition facility or development facility that is subject to definitive agreements as of March 2, 2006, notwithstanding that the closing or completion of the acquisition facility or development facility may not have occurred as of March 2, 2006. We have agreed that the definitive documents relating to the arrangement must close by October 31, 2005.

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

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

Lease. We expect to form a Delaware limited liability company or a limited partnership to own each facility acquired or developed pursuant to the commitment. The letter of commitment provides that, at the time of our purchase of any acquisition or development facility, we intend to lease back to the applicable tenant 100% of the land and all improvements, including improvements to be constructed in the case of a development facility, for a 15-year term, with three options to renew for five years each, so long as the options are exercised at least six months prior to the expiration of the lease or the applicable extended

term. The letter of commitment provides that each lease will be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance.

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

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

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

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

The letter agreement provides that each lease will require that, as of the commencement date of the lease, the tenant to have a tangible net worth of no less than $5.0 million in cash equity or shall have access to a working capital line of no less than $5.0 million that is personally guaranteed by Dr. Tannenbaum and such other persons as may be approved by us.

Purchase Options. The letter agreement provides that each lease will provide that so long as tenant is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default under its, and its affiliates, leases with us or any of our affiliates or any of the leases with its subtenants, at the expiration of the initial term of the lease, and at the expiration of each extended term thereafter, upon at least 60 days' prior written notice, tenant will have the option to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, or, in the case of a development facility (ii) the total development costs (including any capital additions

funded by us), as increased by an amount equal to the greater of (A) 2.5% per year from the date of the lease, or (B) the rate of increase in the CPI on each January 1, or, in the case of an acquisition facility, (ii) the amount of (A) the purchase price paid for the facility, including costs of third party reports, legal fees and all other acquisition costs.

ADDITIONAL ARRANGEMENTS

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

On July 26, 2005, we entered into a letter of commitment with DVH to purchase a hospital facility located in Sherman Oaks, California for a purchase price of $20.0 million, subject to adjustment based on an appraisal of the facility. The letter of commitment also provides that we will make available to DVH $5.0 million for expansion of the facility. The transaction is subject to DVH's acquisition of the facility from the current owner. If we purchase the facility, we will lease it back to DVH, or an affiliate of DVH, for a period of 15 years with three five-year renewal options. The lease will require the tenant to pay base rent in an amount equal to 10.5% of the purchase price, which rent shall be increased to include, on a pro rated basis, 10.5% of any amounts financed by us for the expansion of the facility. The rent shall also increase annually by the greater of 2.0% or the increase in CPI from the prior year. The letter of commitment provides that, as security for the tenant's obligations under the lease, DVH, Desert Valley Hospital, Inc. and Desert Valley Medical Group, Inc. will guaranty the lease and the tenant will grant us a security interest in all its personal property, except for accounts receivable. The lease will also be cross-defaulted with all other leases and other agreements between us or our affiliates, on one hand, and the lessee or its affiliates on the other hand. As consideration for entering into this arrangement, DVH has paid us a commitment fee of $100,000. The letter of commitment provides that DVH will pay us an additional $25,000 commitment fee upon the execution of a development agreement in connection with the expansion of the facility.

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

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

MANAGEMENT

OUR DIRECTORS AND EXECUTIVE OFFICERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE -- BOARD OF DIRECTORS AND COMMITTEES

Our board of directors has adopted a code of ethics and business conduct relating to the conduct of our business by our employees, officers and directors, and has also adopted corporate governance guidelines to assist the board of directors in the administration of its duties. Our corporate governance guidelines and the listing standards of the NYSE require that a majority of the members of our board of directors be

independent. Board members are recommended for nomination by our ethics, nominating and corporate governance committee. Nominations must satisfy the standards established by that committee for membership on our board of directors.

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

Our board of directors has established audit, compensation, ethics, nominating and corporate governance and investment committees, the principal functions and membership of which are briefly described below. The charters of the audit, compensation and ethics, nominating and corporate governance committees, along with our code of ethics and business conduct and our corporate governance guidelines, are available on our website at www.medicalpropertiestrust.com. Information on our website should not be considered a part of this prospectus.

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

AUDIT COMMITTEE

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

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

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

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

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

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

COMPENSATION COMMITTEE

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

- evaluate the performance of our executive officers;

- review and approve the compensation for our executive officers;

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

- administer our equity incentive plan.

The compensation committee also reviews and approves corporate goals and objectives relevant to the chief executive officer's compensation, evaluates the chief executive officer's performance in light of those goals and objectives, and establishes the chief executive officer's compensation levels based on its evaluation. The compensation committee has the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of the chief executive officer or any other executive officer or director. 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 authorized to, among other things, consider and take action with respect to all acquisitions, developments and leasing of healthcare facilities in which our aggregate investment will exceed $10.0 million.

VACANCIES ON OUR BOARD OF DIRECTORS

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

LIMITED LIABILITY AND INDEMNIFICATION

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholder for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and

deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter limits the personal liability of our directors and officers for money damages to the fullest extent permitted under Maryland law.

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

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

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

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

DIRECTOR COMPENSATION

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

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

EXECUTIVE COMPENSATION

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

NAME AND POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	ALL OTHER COMPENSATION
Edward K. Aldag, Jr.	2004	$350,000	$350,000	$50,462(1)	$30,769(2)
Chairman, Chief Executive Officer and President	2003	145,833(3)	145,833	10,492(4)	9,249(5)
Emmett E. McLean...............................	2004	$250,000	$250,000	$24,385(6)	$15,385(2)
Executive Vice President, Chief Operating Officer, Treasurer and Assistant Secretary	2003	104,167(3)	104,167	--	10,896(7)
R. Steven Hamner...............................	2004	$250,000	$250,000	$24,385(6)	$15,385(2)
Executive Vice President and Chief Financial Officer	2003	104,167(3)	104,167	--	5,918(8)
William G. McKenzie............................	2004	$175,000	$175,000	$ --	$ --
Vice Chairman of the Board	2003	72,917(3)	72,917	--	--
Michael G. Stewart.............................	2004	$ 43,527(9)	$ 42,188	$ 1,700(10)	
Executive Vice President, Secretary and General Counsel	2003	--	--	--	--

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(1) 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.

(2) 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.

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

(4) 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.

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

(6) 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.

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

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

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

$250,000.

(10) Represents automobile allowance.

EMPLOYMENT AGREEMENTS

We have employment agreements with each of the named executive officers. These employment agreements provide the following annual base salaries: Edward K. Aldag, Jr., $350,000; Emmett E. McLean, $250,000; R. Steven Hamner, $250,000; Michael G. Stewart, $250,000; and William G. McKenzie, $175,000. The base salaries for Messrs. Aldag, McLean and Hamner were increased by 5% effective January 1, 2005. On each January 1 hereafter, each of the executive officers is to receive a minimum increase in his base salary equal to the increase in the Consumer Price Index. These agreements provide that the executive officers, other than Mr. McKenzie, agree to devote substantially all of their business time to our operation. The employment agreement for each of the named executive officers is for a three year term which is automatically extended at the end of each year within such term for an additional one year period, unless either party gives notice of non-renewal as provided in the agreement. These employment agreements permit us to terminate each executive's employment with appropriate notice for or without "cause." "Cause" is generally defined to mean:

- conviction of, or the entry of a plea of guilty or nolo contendere to, a felony (excluding any felony relating to the negligent operation of a motor vehicle or a conviction or plea of guilty or nolo contendere arising under a statutory provision imposing per se criminal liability due to the position

held by the executive with us, provided the act or omission of the executive or officer with respect to such matter was not taken or omitted to be taken in contravention of any applicable policy or directive of the board of directors);

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

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

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

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

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

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

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

If the named executive officer's employment ends for any reason, we will pay accrued salary, bonuses and incentive payments already determined, and other existing obligations. In addition, if we terminate the named executive officer's employment without cause or if any of them terminates his employment for good reason, we will be obligated to pay (i) a lump sum payment of severance equal to the sum of (x) the product of three and the sum of the salary in effect at the time of termination plus the average cash bonus

(or the highest cash bonus, in the case of Mr. Aldag) paid to such executive during the preceding three years, grossed up for taxes in the case of Mr. Aldag, and (y) the incentive bonus prorated for the year in which the termination occurred, (ii) other than for Mr. McKenzie, the cost of the executive's continued participation in the company's benefit and welfare plans (other than the 401(k) plan) for a three year period (or for a five year period in the case of Mr. Aldag), and (iii) certain other benefits as provided for in the employment agreement. Additionally, in the event of a termination by us for any reason other than cause or by the executive for good reason, all of the options and restricted stock granted to the executive will become fully vested, and the executive will have whatever period remains under the options in which to exercise all vested options.

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

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

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

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

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

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

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

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

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

BENEFIT PLANS

ANNUAL INCENTIVE BONUS POLICY

Our compensation committee has adopted an incentive bonus policy for 2005. This policy provides that our executive officers will receive cash bonuses of not less than 40% nor more than 100% of their base salaries for 2005 if certain targets or objectives are met. At the election of the executive officer, any portion of the bonus for 2005 may be taken in our common stock. Our compensation committee will reevaluate the incentive bonus policy for our executive officers on an annual basis, 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. In addition, the compensation committee may approve any additional bonus awards to any executive officer.

401(K) PLAN

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

EQUITY INCENTIVE PLAN

We have adopted the Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan, or equity incentive plan, for the purpose of attracting and retaining directors, executive officers and other key employees and consultants, including officers and employees of our operating partnership. The equity incentive plan provides that the aggregate number of shares of common stock as to which awards can be made pursuant to the equity incentive plan is 791,180. On April 25, 2005, our compensation committee awarded 82,000 shares of restricted stock to Mr. Stewart and certain non-management employees. The shares awarded to the non-management employees will vest 20% per year over five years beginning on July 7, 2006, provided they remain our employees. On October 6, 2004, our compensation committee awarded 106,000 shares of restricted stock to Messrs. Aldag, Hamner, McKenzie and McLean effective July 14, 2005. The shares granted to Messrs. Aldag, Hamner, McKenzie, McLean and Stewart vest at a rate of 8.33% per quarter beginning on September 30, 2005, so long as each executive officer remains an employee of ours. In addition, upon a change in control or if any of these executive officers is terminated for certain reasons, the shares will vest 100%. On August 18, 2005, our compensation committee awarded 490,680 shares of restricted stock to our executive officers and members of our board of directors. These shares vest at a rate of 8.33% per quarter beginning on September 30, 2005, so long as each executive officer remains an employee of ours and each director remains a member of our board of directors. In addition, upon a change in control or if any of the executive officers is terminated for certain reasons, or a director dies or becomes permanently disabled, the shares will vest 100%. As of the date of this prospectus, there remain 2,052 shares available for awards under the equity incentive plan. The compensation committee recommended to the board of directors, and the board of directors has approved and recommended that our stockholders approve an amendment to the equity incentive plan at our October 12, 2005 annual meeting to increase by 3,900,000 the number of 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 all matters and questions relating to an employee's termination of employment, subject to the participant's employment agreement.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

MARKET PRICE OF OUR COMMON STOCK

Our common stock is listed on the NYSE under the symbol "MPW." The following table shows the high and low sales prices for our common stock since our common stock became eligible for trading on the NYSE:

	HIGH SALES PRICE	LOW SALES PRICE
July 8, 2005 to September 29, 2005..........................	$11.20	$9.62

Before our common stock was listed on the New York Stock Exchange, shares of our common stock were eligible for trading in the Private Offering, Resales and Trading through Automated Linkages Market of the National Association of Securities Dealers, Inc., or the PORTAL Market. Individuals and institutions that sold shares of our common stock before our common stock was listed on the New York Stock Exchange were not obligated to report their sales to the PORTAL Market. Therefore, the last sales price that was reported on the PORTAL Market may not have been reflective of sales of our common stock that occurred and were not reported. The table below reflects the high and low prices for trades of our shares on the PORTAL Market known to us for each of the periods indicated.

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

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of August 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. The SEC has defined "beneficial" ownership of a security to mean the possession, directly or indirectly, of voting power or investment power. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (a) the exercise of any option, warrant or right, (b) the conversion of a security, (c) the power to revoke a trust, discretionary account or similar arrangement, or (d) the automatic termination of a trust, discretionary account or similar arrangement. Each beneficial owner named in the table has the sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table. Unless otherwise indicated, the address of each named beneficial owner is Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama, 35242.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF ALL SHARES OF COMMON STOCK(1)
Edward K. Aldag, Jr.	499,022(2)	1.25%
R. Steven Hamner	199,022(3)	*
William G. McKenzie	150,022(4)	*
Emmett E. McLean	199,022(5)	*
Michael G. Stewart	50,000(6)	*
Virginia A. Clarke	24,166(7)	*
G. Steven Dawson	50,833(8)	*
Bryan L. Goolsby	24,166(7)	*
Robert E. Holmes, Ph.D.	31,833(8)	*
L. Glenn Orr, Jr.	24,166(7)	*
All executive officers and directors as a group (10 persons)	1,300,752(9)	3.25%
Friedman Billings Ramsey Group, Inc. 1001 Nineteenth St. North Arlington, Virginia 22209	2,842,959(10)	7.11%
Jeffrey L. Feinberg c/o JLF Asset Management, L.L.C. 2775 Via de la Valle, Suite 204 Del Mar, CA 92014	2,399,300(11)	6.00%

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

(1) Based on 39,969,065 shares of common stock outstanding as of August 31, 2005. Shares of common stock that are deemed to be beneficially owned by a stockholder within 60 days after August 31, 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) Includes 217,805 shares of restricted common stock.

(3) Includes 125,218 shares of restricted common stock.

(4) Includes 52,342 shares of restricted common stock.

(5) Includes 93,815 shares of restricted common stock.

(6) Includes 50,000 shares of restricted common stock.

(7) Includes 6,666 shares of common stock issuable upon exercise of a vested stock option and 17,500 shares of restricted common stock.

(8) Includes 13,333 shares of common stock issuable upon exercise of a vested stock option and 17,500 shares of restricted common stock.

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

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

(11) Based on a Schedule 13G filed on July 25, 2005. Includes shares of common stock held by Jeffrey L. Feinberg, individually, JLF Partners I., L.P., JLF Partners II, L.P. and JLF Offshore Fund, Ltd. to which JLF Asset Management, L.L.C. serves as the management company and/or investment manager. Jeffrey L. Feinberg is the managing member of JLF Asset Management, L.L.C. Jeffrey L. Feinberg and JLF Asset Management, L.L.C. share investment and voting power over these shares of common stock.

The 521,908 shares of our common stock held by our founders 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, vested on July 7, 2005.

SELLING STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock by the selling stockholders as of June 30, 2005 and the number of shares that may be offered for resale by this prospectus. The percentages of all shares of common stock beneficially owned before and after resale of the shares of common stock by the selling stockholders is based on 39,969,065 shares of common stock outstanding as of August 31, 2005. The SEC has defined "beneficial" ownership of a security to mean the possession, directly or indirectly, of voting power and/or investment power. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that the 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. Except as otherwise noted, the beneficial owners named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws, where applicable.

The selling stockholders may offer all, a portion or none of the shares owned by them and covered by this prospectus. In preparing the table below, we have assumed that the selling stockholders will sell all of the common stock covered by this prospectus. Shares of common stock may also be sold by donees, pledgees or other transferees or successors in interest of the selling stockholders. Except as described below, to our knowledge, none of the selling stockholders has had a material relationship with us or any of our affiliates within the past three years.

Any selling stockholder that is identified as a broker-dealer will be deemed to be an "underwriter" within the meaning of Section 2(11) of the Securities Act, unless such selling stockholder obtained the stock as compensation for services. In addition, any affiliate of a broker-dealer will be deemed to be an "underwriter" within the meaning of Section 2(11) of the Securities Act, unless such selling stockholder purchased in the ordinary course of business and, at the time of its purchase of the stock to be resold, did not have any agreements or understandings, directly or indirectly, with any person to distribute the stock. As a result, any profits on the sale of the common stock by selling stockholders who are deemed to be "underwriters" and any discounts, commissions or concessions received by any such broker-dealers who are deemed to be "underwriters" will be deemed to be underwriting discounts and commissions under the Securities Act. Selling stockholders who are deemed to be "underwriters" will be subject to prospectus delivery requirements of the Securities Act and to certain statutory liabilities, including, but not limited to, those under Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF
SHARES OF ALL SHARES OF OF
COMMON STOCK(1) SHARES OF COMMON
STOCK COMMON STOCK -------------
------------ COMMON STOCK
OFFERED BY THIS BENEFICIALLY
NUMBER OF BENEFICIALLY
PROSPECTUS FOR OWNED BEFORE
SHARES OF SELLING STOCKHOLDER
OWNED RESALE RESALE(2) COMMON
STOCK PERCENTAGE - -------------
------ ----------- ------------
--- ------------ ----------- -
--------- Unaffiliated(3) Aetna
Services, Inc. Small Cap
Equity(4).........................
25,800 25,800 * 0 * AG Arb
Partners, L.P.(5)...........
88,000 88,000 * 0 * AG CNG Fund,
L.P.(5)............... 45,000

45,000 * 0 * AG Funds, L.P.
(5).................. 50,000
50,000 * 0 * AG MM, L.P.
(5).................... 28,000
28,000 * 0 * AG Princess, L.P.
(5)............... 22,000 22,000
* 0 *

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF
SHARES OF ALL SHARES OF OF
COMMON STOCK(1) SHARES OF COMMON
STOCK COMMON STOCK -------------
------------ COMMON STOCK
OFFERED BY THIS BENEFICIALLY
NUMBER OF BENEFICIALLY
PROSPECTUS FOR OWNED BEFORE
SHARES OF SELLING STOCKHOLDER
OWNED RESALE RESALE(2) COMMON
STOCK PERCENTAGE - -------------
------ ----------- -----------
--- ------------ ----------- -
--------- AG Super Fund, L.P.
(5)............ 275,000 275,000
* 0 * Allan
Rothstein...................
5,000 5,000 * 0 * Atlas
Capital(6)..................
150,000 150,000 * 0 * Anita U.
Schorsch(5)............... 1,000
1,000 * 0 * Anthony Bruno and
Kathleen Bruno
JTWROS..........................
1,000 1,000 * 0 * Anthony V.
Bruno and Christina S. Bruno
JTWROS....................
1,000 1,000 * 0 * Arkansas
Teachers Retirement
System(4).......................
45,000 45,000 * 0 * Augustus
V.L. Brokaw III TTEE Augustus
V.L. Brokaw III Revocable Trust
Dated
10/14/1993(9)...................
1,300 1,300 * 0 * Australian
Retirement Fund -- Global Small
Companies
Portfolio(7)....................
42,300 42,300 * 0 * Axia
Offshore Parters, Ltd. ....
31,874 31,874 * 0 * Axia
Partners, L.P. ....
16,460 16,460 * 0 * Axia
Partners Qualified, L.P. .....
66,412 66,412 * 0 * Alpha US Sub
Fund I, LLC........... 8,254
8,254 * 0 * Bel Air
Opportunistic Fund, L.P.
(8).........................
40,000 40,000 * 0 * Bert
Fingerhut Roth IRA............
5,000 5,000 * 0 * Bill
Ham(9)........................
20,000 20,000 * 0 * Bill Ham --
IRA Rollover(9)........ 8,000
8,000 * 0 * Black
Foundation(9)................
1,800 1,800 * 0 * Bonnie Paley
Minzer Revocable
Trust...........................
1,000 1,000 * 0 * Boston
Partners Asset Management,
LLC.............................
769,500 769,500 1.9% 0 * Brian
C. Porter(10)...............
334 334 * 0 * Burke F.
Hayes(10)................. 334
334 * 0 * Caroline Hicks Roth
IRA............ 2,500 2,500 * 0
* Carrhae & Co.
(13).................. 36,250
36,250 * 0 * Case Western
Reserve
University(7)...................

16,200 16,200 * 0 * Central
States Southeast & Southwest
Areas Pension
Fund(13).........................
57,250 57,250 * 0 * Charles
Affron and Mirella Affron
JTWROS...........................
1,000 1,000 * 0 * Charles F.
Wedel................... 2,000
2,000 * 0 * Clearpond & Co.
(12)................ 525,500
525,500 1.3% 0 * Connection
Machine Services, Inc.
(8)..........................
4,000 4,000 * 0 * Continental
Casualty Company(5).... 100,000
100,000 * 0 * Cotran
Investments, Ltd. ....
50,000 50,000 * 0 * Cynthia
Rothstein..................
5,000 5,000 * 0 * Daniel W.
Huthwaite & Constance R.
Huthwaite........................
2,250 2,250 * 0 *

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF
SHARES OF ALL SHARES OF OF
COMMON STOCK(1) SHARES OF COMMON
STOCK COMMON STOCK -------------
------------ COMMON STOCK
OFFERED BY THIS BENEFICIALLY
NUMBER OF BENEFICIALLY
PROSPECTUS FOR OWNED BEFORE
SHARES OF SELLING STOCKHOLDER
OWNED RESALE RESALE(2) COMMON
STOCK PERCENTAGE - -------------
------ ----------- -----------
--- ------------ ----------- -
--------- David M.
Golush.................... 4,600
4,600 * 0 * David A.
Todd(9)................... 5,200
5,200 * 0 * Delaware Dividend
Income Fund, a Series of
Delaware Group Equity
Funds(11)........................
19,700 19,700 * 0 * Delaware
Investments Dividend and Income
Fund, Inc.(11)............
35,000 35,000 * 0 * Delaware
Investments Global Dividend and
Income Fund, Inc.
(11).........................
9,400 9,400 * 0 * Dennis M.
Langley.................. 50,000
50,000 * 0 * DNB NOR Globalspar
(I)............. 172,105 172,105
* 0 * DNB NOR Globalspar
(II)............ 481,895 481,895
1.2% 0 * Donald P. and Jean M.
McDougall.... 2,250 2,250 * 0 *
Dorothy S.
Rasplicka............... 2,450
2,450 * 0 * Douglas
Woloshin...................
2,000 2,000 * 0 * Emergency
Services Superannuation Board --
Global Smaller Companies
Portfolio(7).....................
29,300 29,300 * 0 * Emily L.
Todd(9)................... 6,500
6,500 * 0 * Endeavor Capital
Offshore Fund, Ltd.
(12).........................
180,700 180,700 * 0 * Endeavor
Capital Partners, L.P.
(12).........................
60,700 60,700 * 0 * Endeavor
Capital Partners II, L.P.
(12).........................
12,300 12,300 * 0 * Eric J.
Gaaserud(10)............... 334
334 * 0 * Evan L.
Julber.....................
14,900 14,900 * 0 * Evelyn Berry
Spousal Rollover
IRA(13)..........................
1,525 1,525 * 0 * First
Financial Fund, Inc.(7)......
419,500 419,500 1.0% 0 *
Francesca V. Ozdoba Pension &
Profit Sharing
Plan.............. 1,000 1,000 *
0 * Francis and Cynthia
O'Connor(10)... 7,214 7,214 * 0
* Fred G.
Neuwirth...................
2,500 2,500 * 0 * Friedman,
Billings, Ramsey & Co., Inc.
(14).........................

52,388 52,388 * 0 * FBR Ashton
Income Fund, LLC(15).... 50,000
50,000 * 0 * FBR Ashton Limited
Partnership(15)..................
500,000 500,000 1.25% 0 * FBR
Ashton Special Situations Fund,
L.P.
(15).........................
445,000 445,000 1.11% 0 *
Friedman Billings Ramsey Group,
Inc.
(15).........................
1,795,571 1,795,571 4.5% 0 *
Frorer Partners, L.P.
(16).......... 25,000 25,000 * 0
* GLG Partners (Financials
Fund)..... 290,000 220,000 *
70,000 * Goldman Sachs Asset
Management
Foundation.......................
3,175 3,175 * 0 *

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF
SHARES OF ALL SHARES OF OF
COMMON STOCK(1) SHARES OF COMMON
STOCK COMMON STOCK -------------
------------ COMMON STOCK
OFFERED BY THIS BENEFICIALLY
NUMBER OF BENEFICIALLY
PROSPECTUS FOR OWNED BEFORE
SHARES OF SELLING STOCKHOLDER
OWNED RESALE RESALE(2) COMMON
STOCK PERCENTAGE - -------------
------ ----------- -----------
--- ------------ ----------- -
--------- Goldman Sachs Asset
Management, L.P.
(7).........................
112,000 112,000 * 0 * Goldman
Sachs JB Were Investment
Management Pty., Ltd.
(7)......... 3,000 3,000 * 0 *
Greenlight Capital, L.P.
.... 165,600 165,600 * 0 *
Greenlight Capital Offshore,
Ltd.
....
598,000 598,000 1.5% 0 *
Greenlight Capital Qualified,
L.P.
....
469,600 469,600 1.2% 0 *
Greenlight Reinsurance, Ltd.
...... 185,000 185,000 * 0 *
Guggenheim Portfolio Company
III,
LLC(12).........................
33,100 33,100 * 0 * Henry Ripp
IRA.................... 2,000
2,000 * 0 * Hillel & Elaine
Weinberger......... 10,000
10,000 * 0 * Indiana State
Teachers Retirement
Fund(4).........................
41,900 41,900 * 0 * Iprofile --
US Equity Pool(5)...... 1,500
1,500 * 0 * Institutional
Benchmarks Master Fund, Ltd.(17)
.... 3,562 3,562 *
0 * Invesco Perpetual Asset
Management......................
220,000 220,000 * 0 * Investors
of America, L.P.(5)......
301,400 301,400 * 0 * J&S Black
F.L.P.(9)................ 5,900
5,900 * 0 * J. Rock Tonkel, Jr.
(10)........... 1,666 1,666 * 0
* JB Were Global Small Companies
Fund(7).........................
203,500 203,500 * 0 * Jack Sear,
Trustee of Jack Sear Revocable
Trust................. 1,000
1,000 * 0 * Jack
Barish.......................
5,000 5,000 * 0 * James V.
Kimsey...................
10,000 10,000 * 0 * James Locke
and Susan Locke Tenants by their
Entirety(5)............. 8,000
8,000 * 0 * James C.
Neuhauser(10)........... 1,666
1,666 0 * Jay
Rasplicka.....................
5,450 5,450 * 0 * Jean C. Brokaw
TTEE Jean C. Brokaw Revocable
Trust Dated
10/14/1993(9)...................

1,300 1,300 * 0 * Jed
Hart...........................
2,500 2,500 * 0 * Jeffrey &
Stacey Feinberg(18)......
354,000 354,000 * 0 * Jeffrey C.
Kahn.................... 500 500
* 0 * Jeffry L.
Lacy(9).................. 1,800
1,800 * 0 * Jody Irwin, Separate
Property(9)... 2,600 2,600 * 0 *
JLF Partners I, L.P.
(18)........... 697,901 697,901
1.7% 0 * JLF Partners II, L.P.
(18).......... 45,279 45,279 * 0
* JLF Offshore Deferred
Account(18)......................
300,000 300,000 * 0 * JLF
Offshore Fund, Ltd.(18)........
1,002,120 1,002,120 2.5% 0 John
A. Hartford Foundation Inc.
(13).........................
11,250 11,250 * 0 *

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF
SHARES OF ALL SHARES OF OF
COMMON STOCK(1) SHARES OF COMMON
STOCK COMMON STOCK -------------
------------ COMMON STOCK
OFFERED BY THIS BENEFICIALLY
NUMBER OF BENEFICIALLY
PROSPECTUS FOR OWNED BEFORE
SHARES OF SELLING STOCKHOLDER
OWNED RESALE RESALE(2) COMMON
STOCK PERCENTAGE - -------------
------ ----------- -----------
--- ------------ ----------- -
--------- John A. Johnston &
Robin L.
Johnston.........................
1,000 1,000 * 0 * John Angelo,
Michael Gordon, Fred Berger
TTEES of the AG Sav & Inv Plan
FBO Jed A. Hart.............
2,500 2,500 * 0 * John Black,
IRA Rollover(9)........ 3,800
3,800 * 0 * John William
Edgemond.............. 3,000
3,000 * 0 * John F.
Syburg.....................
1,000 1,000 * 0 * Judith S.
Roth..................... 5,000
5,000 * 0 * John M.
Reeves.....................
3,000 3,000 * 0 * Julian E.
Gillespie and Heather A.
Gillespie(10)...................
4,000 4,000 * 0 * Kayne Anderson
REIT Fund, L.P.
(5)..........................
125,000 125,000 * 0 * Kristin
Junkin IRA................
1,500 1,500 * 0 * Lawrence
Chimerine................ 400
400 * 0 * LG&E Energy Corp.
(4).............. 12,300 12,300
* 0 * Liebro Partners
LLC................ 3,000 3,000
* 0 * Louis Scowcroft Peery
Charitable
Foundation......................
1,800 1,800 * 0 * Lucie Wray
Todd(9)................ 10,000
10,000 * 0 * Lupa Family
Partners, L.P.(19)..... 38,910
38,910 * 0 * Lyxor/Third Point
Fund
Limited(20).....................
109,128 109,128 * 0 * M&M
Arbitrage LLC(17).............
19,973 19,973 * 0 * M&M
Arbitrage Fund II, LLC(17).....
21,520 21,520 * 0 * M&M
Arbitrage Offshore Ltd.(17) ...
53,122 53,122 * 0 * Magnolia
Charitable Trust, Emily L. Todd
and David A. Todd,
TTEEs(9)........................
4,300 4,300 * 0 * Marcy A.
Newberger Revocable
Trust...........................
2,250 2,250 * 0 * Mary L.G.
Theroux, Trustee Mary L.G.
Theroux Charitable Remainder
Unitrust 5-14-
96(9)............. 6,200 6,200
* 0 * Mary L.G. Theroux, TTEE of
the Mary L.G. Theroux Revocable
Living Trust U/A

9/30/68(9)............. 4,800
4,800 * 0 * Maritime Life
Discovery Fund(7).... 40,600
40,600 * 0 * Mark Bruno and
Martha Bruno
JTWROS...........................
1,000 1,000 * 0 * Mark J.
Roach......................
1,000 1,000 * 0 * Martin
Hirschhorn..................
10,000 10,000 * 0 *
Massachusetts Pension Reserves
Investment Management Board REIT
Portfolio(7).....................
103,900 103,900 * 0 * Mavian,
LLC........................ 575
575 * 0 * Mercury Real Estate
Advisors LLC... 34,000 34,000 *
0 *

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF
SHARES OF ALL SHARES OF OF
COMMON STOCK(1) SHARES OF COMMON
STOCK COMMON STOCK -------------
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OFFERED BY THIS BENEFICIALLY
NUMBER OF BENEFICIALLY
PROSPECTUS FOR OWNED BEFORE
SHARES OF SELLING STOCKHOLDER
OWNED RESALE RESALE(2) COMMON
STOCK PERCENTAGE - -------------
------ ----------- -----------
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--------- Miami University
Endowment(13)..... 1,675 1,675 *
0 * Miami University
Foundation(13).... 2,000 2,000 *
0 * Michael A. Claggett, IRA
Rollover(9).....................
1,000 1,000 * 0 * Michael C.
Bruno.................. 5,000
5,000 * 0 * Millennium Partners,
L.P.(21)...... 2,200,000
1,500,000 5.5% 700,000 1.8%
Murray
Gorin......................
5,000 5,000 * 0 * Munder Real
Estate Equity Investment
Fund(22)............. 104,400
104,400 * 0 * Mutual of America
Institutional Funds, Inc. All
American
Fund(5).........................
3,940 3,940 * 0 * Mutual of
America Institutional Funds,
Inc. Aggressive Equity
Fund(5).........................
5, 740 5,740 * 0 * Mutual of
America Investment Corporation
All American
Fund(5).........................
34,720 34,720 * 0 * Mutual of
America Investment Corporation
Aggressive Equity
Fund(5).........................
130,600 130,600 * 0 * NCR
Pension Trust-REIT Concentrated
Sector
Portfolio(7).............
45,400 45,400 * 0 * Neese Family
Equity Investments Ltd.
(13)........................
2,250 2,250 * 0 * Nutmeg
Partners, L.P.(5)...........
60,000 60,000 * 0 * Optimix
Investment Management
Limited.........................
17,000 17,000 * 0 * Pacific
Credit Corp.(7)...........
8,000 8,000 * 0 * Pennant
Offshore Partners Ltd.
(23)........................
374,850 374,850 * 0 * Pennant
Onshore Partners, L.P.
(23)........................
80,080 80,080 * 0 * Pennant
Onshore Qualified, L.P.
(23)........................
245,070 245,070 * 0 * Peter A.
Gallagher................. 2,250
2,250 * 0 * Peter A.
Kirsch.................... 300
300 * 0 * Phillip
Caplan(10).................
3,667 3,667 * 0 * PHS Bay Colony

Fund, L.P.(5)....... 22,000
22,000 * 0 * PHS Patriot Fund,
L.P.(5).......... 10,000 10,000
* 0 * Pinnacle Oil
Company............... 10,000
10,000 * 0 * Pitney Bowes
Pension Plan(4)....... 16,700
16,700 * 0 * Prudential Real
Estate Securities Fund(6)
(7).......................
36,100 36,100 * 0 * Public
Employees' Retirement System of
Mississippi-REIT
Portfolio(7).....................
33,500 33,500 * 0 * PWB Value
Partners, L.P. ....
387,666 387,666 * 0 * Quota
Rabbico N.V.(18).............
48,424 48,424 * 0 * Ralph
Pasture Pension Plan.........
2,000 2,000 * 0 * Raytheon
Master Pension Trust- Real
Estate Hedged
Portfolio(7)....... 60,500
60,500 * 0 *

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF
SHARES OF ALL SHARES OF OF
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STOCK COMMON STOCK -------------
------------ COMMON STOCK
OFFERED BY THIS BENEFICIALLY
NUMBER OF BENEFICIALLY
PROSPECTUS FOR OWNED BEFORE
SHARES OF SELLING STOCKHOLDER
OWNED RESALE RESALE(2) COMMON
STOCK PERCENTAGE - -------------
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--------- The Real Estate
Investment Trust
Series(11)......................
849,735 849,735 2.1% 0 * The
Real Estate Investment Trust
Portfolio(11)...................
587,165 587,165 1.5% 0 * The
Real Estate Investment Trust II
Portfolio(11)...................
66,800 66,800 * 0 * Realty
Enterprise Fund LLC(5)......
30,000 30,000 * 0 * Retail
Employees Superannuation
Trust(7)........................
55,100 55,100 * 0 * Retirement
Plan for Hospital
Employees(4)....................
10,000 10,000 * 0 * Richard
Feinberg..................
7,500 7,500 * 0 * Robert
Feinberg...................
5,000 5,000 * 0 * Richard A.
Kraemer & Gail G. Kraemer --
TIC.................. 10,000
10,000 * 0 * Richard J.
Hendrix(10)............ 5,333
5,333 * 0 * Ron Clarke, IRA
Rollover(9)........ 500 500 * 0
* Royal Capital Management/
Seneca Capital Managed
Account.......... 7,900 7,900 *
0 * Royal Capital Value Fund,
Ltd. .... 220,700 220,700 * 0 *
Royal Capital Value Fund,
LP....... 52,200 52,200 * 0 *
Royal Capital Value Fund (QP),
LP..............................
504,200 504,200 1.3% 0 * SAC
Strategic Investments,
LLC(12).........................
73,200 73,200 * 0 * Sarah P.
Fleischer Family Trust No.
1...............................
2,500 2,500 * 0 * Satellite Fund
I, L.P. 1,770 1,770
* 0 * Satellite Fund II, L.P.
.... 23,230 23,230 * 0 *
SCCM Financial Inc.
.... 3,000 3,000 * 0
* SEI Institutional Trust Small
Cap
Fund(7).........................
55,500 55,500 * 0 * SEI
Institutional Investments Trust
Small Cap
Fund(7)................ 128,000
128,000 * 0 * SEI Institutional
Managed Trust Real Estate
Fund(7).............. 11,400
11,400 * 0 * SEI Institutional
Managed Trust Small Cap Growth
Fund(7)......... 169,000 169,000

* 0 * SEI Institutional Managed Trust Small Cap Value Fund(7).......... 39,400 39,400 * 0 * SEI US Small Companies Fund(7)..... 14,700 14,700 * 0 * Seligman Global Fund Series, Inc.- Global Smaller Companies Fund(7)........................... 73,200 73,200 * 0 * Small Capitalization Equity Fund(4)........................... 9,000 9,000 * 0 * Small Capitalization Equity Fund Collective Trust(4).............. 41,600 41,600 * 0 * Steven H. Goldberg(10)............. 2,214 2,214 * 0 *

MAXIMUM BENEFICIAL OWNERSHIP NUMBER OF PERCENTAGE OF AFTER RESALE OF SHARES NUMBER OF SHARES OF ALL SHARES OF OF COMMON STOCK(1) SHARES OF COMMON STOCK COMMON STOCK ------------- ------------ COMMON STOCK OFFERED BY THIS BENEFICIALLY NUMBER OF BENEFICIALLY PROSPECTUS FOR OWNED BEFORE SHARES OF SELLING STOCKHOLDER OWNED RESALE RESALE(2) COMMON STOCK PERCENTAGE - ------------- ------ ----------- ----------- --- ------------ ----------- - --------- Steven Rothstein.................. 5,000 5,000 * 0 * Steven Vartan..................... 500 500 * 0 * SVS Asset Management, LLC(13)...... 1,275 1,275 * 0 * TALVEST Global Small Cap Fund(7)... 24,400 24,400 * 0 * Telstra Super Pty LTD-Super Global Smaller Companies(7)............. 35,600 35,600 * 0 * Terrebonne Investors (Bermuda) L.P. (7)......................... 21,300 21,300 * 0 * Terrebonne Partners, L.P.(7)....... 18,600 18,600 * 0 * Texas County and District Retirement System-REIT(7)........ 182,300 182,300 * 0 * The Church Pension Fund -- Real Estate Securities Portfolio(7)... 30,900 30,900 * 0 * Third Point Partners, L.P. (20)..... 174,945 174,945 * 0 * Third Point Ultra, Ltd. (20)........ 48,634 48,634 * 0 * Third Point Offshore Fund Ltd. (20)........................ 357,208 357,208 * 0 * Third Point Resources Ltd.(20)..... 32,320 32,320 * 0 * Third Point Resources L.P.(20)..... 27,765 27,765 * 0 * Thomas B. Parsons................. 1,000 1,000 * 0 * Timothy B. Matz and Jane F. Matz JTWROS(5)........................ 5,000 5,000 * 0 * Timothy P. O'Brien(10)............ 3,334 3,334 * 0 * Thomas D. & Elizabeth G. Eckert.... 20,000 20,000 * 0 * Tombstone Limited Partnership...... 20,000 20,000 * 0 * United Capital Management, Inc. ... 20,000 20,000 * 0 * University of Delaware(7).......... 18,600 18,600 * 0 * Vantagepoint Aggressive Opportunities Fund(7)........... 176,000 176,000 * 0 * Vestal Venture Capital............ 63,000 63,000 * 0 * Wellington Management Portfolios (Dublin)-Global Smaller Companies Equity(7)........................ 36,000 36,000 * 0 * Wichita Retirement Systems(4)...... 9,900 9,900 * 0 * William A. Hazel Revocable Trust... 4,500 4,500 * 0 * William & Flora Hewlette Foundation-Real Estate

Securities
Portfolio(7)....................
23,800 23,800 * 0 * William S.
McLeod BSSC Master Def. Contrib.
P/S Plan................ 2,000
2,000 * 0 * Wray & Todd
Interests, Ltd.(9)..... 15,000
15,000 * 0 * WTC-CIP Real Asset
Portfolio(7).... 49,200 49,200 *
0 * WTC-CTF Real Asset
Portfolio(7).... 153,600 153,600
* 0 * Y&H Soda
Fountain(13).............. 5,475
5,475 * 0 * Yaupon Fund
LTD.................... 5,042
5,042 * 0 * Yaupon Partners
LP................. 19,958
19,958 * 0 *

MAXIMUM BENEFICIAL OWNERSHIP
NUMBER OF PERCENTAGE OF AFTER
RESALE OF SHARES NUMBER OF SHARES
OF ALL SHARES OF OF COMMON
STOCK(1) SHARES OF COMMON STOCK
COMMON STOCK ---------------------
---- COMMON STOCK OFFERED BY THIS
BENEFICIALLY NUMBER OF
BENEFICIALLY PROSPECTUS FOR OWNED
BEFORE SHARES OF SELLING
STOCKHOLDER OWNED RESALE RESALE(2)
COMMON STOCK PERCENTAGE - --------
----------- ----------- ---------
------ ------------ -----------
---------- York Capital
Management, L.P.
(24).........................
24,452 24,452 * 0 * York Credit
Opportunities Fund, L.P.
(24).........................
90,000 90,000 * 0 * York
Investment Limited(24)........
195,548 195,548 * 0 *
SUBTOTAL:.........................
21,612,032 20,842,032 54.1%
770,000 1.8% Affiliated
Stockholders............ Charles
Carpenter and Laura L.
Pitts(25).......................
2,000 2,000 * 0 * Edward K. Aldag,
Jr.(26)........... 281,217 281,217
* 0 * Emmett E.
McLean(27).............. 105,207
105,207 * 0 * G. Steven
Dawson(28)............... 20,000
20,000 * 0 * Keith T.
Ghezzi(29)................ 5,000
5,000 * 0 * Michael G.
Stewart(30)............. 30,000
30,000 * 0 * Patricia W.
Green(31)............. 1,000
1,000 * 0 * Richard S. Hamner --
IRA
Rollover(32)....................
2,000 2,000 * 0 * R. Steven and
Glenda R. Hamner
JTWROS(32).......................
71,804 71,804 * 0 * Robert E.
Holmes, PhD.(28)......... 1,000
1,000 * 0 * William G.
McKenzie(33)............ 97,680
97,680 * 0 *
SUBTOTAL:.........................
616,908 616,908 1.5% 0 * Other
Selling Stockholders(34).....
3,280,276 4,050,276 8.3% 0 *
TOTAL:............................
25,411,039 25,411,039 63.6%
770,000 1.8%

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

* Holdings represent less than 1% of all shares of common stock outstanding.

(1) Assumes that each named selling stockholder sells all of the shares of our common stock that it holds that are covered by this prospectus and neither acquires nor disposes of any other shares of common stock, or right to purchase other shares of common stock subsequent to the date as of which it provided information to us regarding its holdings. Because the selling stockholders are not obligated to sell all or any portion of the shares of our common stock shown as offered by them, we cannot estimate the actual number of shares of our common stock that will be held by any selling

stockholder upon completion of this offering.

(2) Based on 39,969,065 shares of common stock outstanding as of August 31, 2005.

(3) Except as otherwise indicated in Note 14, holders of our shares of common stock that are unaffiliated with us were subject to lock-up agreements that expired on September 6, 2005.

(4) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. ING Investment Management Co. has sole voting power and sole investment power over the shares of common stock held by this stockholder. William E. Bartol is a Vice President of ING Investment Management Co., and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(5) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares.

(6) Atlas Capital Management, L.P. is the general partner of Atlas Capital (QP) L.P. Atlas Capital, LP. and Atlas Capital Offshore Fund, Ltd. are the general partners of Atlas Capital Master Fund, L.P. The shares of common stock held by Atlas Capital (QP) L.P. and Atlas Capital Master Fund, L.P. are being presented on a group basis.

(7) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. Wellington Management Company, LLP is an investment adviser registered under the Investment Advisers Act of 1940, as amended ("Wellington"). In its capacity as an investment adviser, Wellington is deemed to share beneficial ownership over the shares of common stock held by this stockholder, and shares investment discretion and voting power over such shares.

(8) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. Bel Air Investment Advisors LLC has sole voting power and sole investment power with respect to the shares of common stock held by this stockholder. Michael Powers is a Portfolio Manager of Bel Air Investment Advisors LLC, and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(9) Roger E. King, President of King Investment Advisors, Inc. is the investment advisor for this stockholder and has voting power over the shares of common stock held by this stockholder.

(10) This selling stockholder is an employee of Friedman, Billings, Ramsey & Co., Inc., a broker-dealer. The selling stockholder represented to us that it obtained the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. Friedman, Billings, Ramsey & Co., Inc. served as the initial purchaser and placement agent for our April 2004 private placement. In addition, Friedman, Billings, Ramsey & Co., Inc. served as the sole book-running manager of our initial public offering.

(11) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. Delaware Management Business Trust has sole voting power with respect to the shares of common stock held by this stockholder. Delaware Management Holdings, Inc. is the parent of Delaware Management Business Trust. Delaware Management Holdings, Inc. is a subsidiary of Lincoln National Corporation, a public company.

(12) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. Endeavour Capital Advisors has investment discretion over the shares of common stock held by this stockholder. Endeavor Capital Advisors has advised us that no one individual exercises voting and investment power over the shares of common stock held by this stockholder.

(13) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. Wasatch Advisors has sole voting power and sole investment power over the shares of common stock held by this stockholder. John Mazanec is a Portfolio Manager of Wasatch Advisors, and in that role exercises voting and investment power over the shares of commons stock held by this stockholder.

(14) This selling stockholder is a registered broker-dealer, and received these shares as compensation for financial advisory services. Friedman, Billings, Ramsey & Co., Inc. served as the initial purchaser and placement agent for our April 2004 private placement. In addition, Friedman, Billings, Ramsey & Co., Inc. served as the sole book-running manager of our initial public offering. Friedman, Billings, Ramsey & Co., Inc. is subject to a lock-up agreement that expires on October 12, 2005. Eric Billings is the Chairman and Chief Executive Officer of Friedman, Billings, Ramsey & Co., and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(15) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented to us that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly or indirectly, with any person to distribute the shares. Eric Billings is the Chairman and Chief Executive Officer of Friedman Billings Ramsey Group, Inc., and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(16) Peter Frorer is the general partner of Frorer Partners, L.P., and has sole voting power and sole investment power with respect to the shares of common stock held by Frorer Partners, L.P.

(17) Sole voting and investment power is held by Mangan & McColl Partners, LLC. John F. Mangan, Jr. is the Managing Member of Mangan & McColl Partners, and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(18) JLF Asset Management, L.L.C. serves as the management company and/or investment manager to JLF Partners I, L.P., JLF Partners II, L.P. JLF Offshore Deferred Account and JLF Offshore Fund, Ltd. Jeffrey L. Feinberg is the managing member of JLF Asset Management, L.L.C.

(19) Blavin & Company, Inc. has sole voting power and sole investment power over the shares of common stock held by this stockholder. Paul Blavin is the Chief Executive Officer of Blavin & Company, Inc., and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(20) Third Point LLC is the investment manager for Third Point Partners, L.P., Third Point Ultra, Ltd., Third Point Offshore Fund Ltd., Third Point Resources Ltd., Third Point Resources, L.P. and Lyxor/Third Point Fund Limited. Daniel S. Loeb is the Managing Member of Third Point LLC, and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(21) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. The 2,200,000 shares of common stock beneficially owned by this stockholder includes 700,000 shares of common stock held by its affiliate, Millenco, L.P. The general partner of this stockholder is Millennium Management, L.L.C., a Delaware limited liability company ("Millennium Management"). Millennium Management may be deemed to have voting control and investment discretion over securities owned by this stockholder. Israel A. Englander is the managing member of Millennium Management, and may be deemed to be the beneficial owner of any shares deemed to be owned by Millennium Management. This stockholder has advised us that the foregoing should not be construed as an admission by either Millennium Management or Mr. Englander as to beneficial ownership of the shares of common stock owned by this stockholder.

(22) This selling stockholder is an affiliate of a broker-dealer. The selling stockholder represented that it purchased the shares in the ordinary course of business and, at the time of purchase of the shares to be resold, the selling stockholder did not have any agreement or understandings, directly, or indirectly, with any person to distribute the shares. Munder Capital Management, an affiliate of Comerica Securities, Inc., is the investment adviser to Munder Real Estate Equity Investment Fund and Munder Micro-Cap Equity Fund.

(23) Pennant Capital Management, LLC serves as the management company to Pennant Onshore Partners, L.P., Pennant Offshore Partners, Ltd, and Pennant Onshore Qualified, L.P. Alan Fournier is the Managing Member of Pennant Capital Management, and in that role exercises voting and investment power over the shares of common stock held by this stockholder.

(24) The shares held by this stockholder are registered in the street name of its custodian Bear Stearns.

(25) Mr. Pitts was a member of our board of directors from April 2004 until April 2005.

(26) Mr. Aldag is our Chairman, President and Chief Executive Officer.

(27) Mr. McLean is our Executive Vice President, Chief Financial Officer and Treasurer.

(28) Mr. Dawson and Mr. Holmes are members of our board of directors.

(29) Dr. Ghezzi was a member of our board of directors from March 2004 until April 2005.

(30) Mr. Stewart is our Executive Vice President, General Counsel and Secretary.

(31) Joseph V. Green, the spouse of this stockholder, was a member of our board of directors from April 2004 until April 2005.

(32) Mr. Hamner is our Executive Vice President and Chief Financial Officer and a member of our board of directors.

(33) Mr. McKenzie is our Vice Chairman of the Board of Directors.

(34) The number of shares of common stock included in these columns represents shares of common stock owned by stockholders who have not yet been specifically identified. Only those selling stockholders specifically identified above may sell their shares pursuant to this prospectus. Information concerning other stockholders who wish to become selling stockholders will be set forth in amendments to the registration statement of which this prospectus forms a part or supplements to this prospectus from time to time, if and when required.

REGISTRATION RIGHTS AND LOCK-UP AGREEMENTS

REGISTRATION RIGHTS AGREEMENT

At the time of our April 2004 private placement, we entered into a registration rights agreement with Friedman, Billings, Ramsey & Co., Inc. and various holders of our common stock. 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."

Piggy-Back Rights. Under the terms of the registration rights agreement, if we proposed to file a registration statement providing for the initial public offering of shares of our common stock, the holders of our common stock purchased in the April 2004 private placement had a right to include their shares in that registration statement and participate in the initial public offering, subject to certain limitations. Pursuant to the registration statement relating to our initial public offering, we registered, and purchasers in our April 2004 private placement sold, 701,823 shares of our common stock held by them.

Demand Rights. 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 the resale registration statement of which this prospectus is a part registering 24,859,131 shares of our common stock issued in connection with our April 2004 private placement. Pursuant to the registration rights agreement, 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 this 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 this resale registration statement to become effective under the Securities Act as promptly as practicable after the filing and to maintain this 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 this 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 this 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 this resale registration statement.

Notwithstanding the foregoing, we will be permitted, under limited circumstances, to suspend the use, from time to time, of this prospectus, 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 maintain the effectiveness of this resale registration statement, 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 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 until January 4, 2006, subject to limited exceptions. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters of our initial public offering, 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. Friedman, Billings, Ramsey & Co., Inc. and its affiliates are subject to a lock-up agreement that expires on October 12, 2005.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

OUR FORMATION

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

James P. Bennett was formerly an owner, officer, director and consultant of the company's predecessor, Medical Properties Trust, LLC, but has not been affiliated with us since August 2003. Our predecessor had a consulting agreement with Mr. Bennett pursuant to which he was to be paid a monthly consulting fee, certain fringe benefits and, under certain circumstances, a fee based upon the completion of specified acquisition transactions. We believe we owe Mr. Bennett $411,238. Mr. Bennett disputes this amount and has notified us that he believes he is entitled to be paid consulting fees of approximately $1.6 million. On August 26, 2005, Mr. Bennett filed a lawsuit against us, certain of our directors, Friedman, Billings, Ramsey & Co., Inc. and KPMG LLP in the Circuit Court of Jefferson County, Alabama, alleging, among other things, breach of contract and tortious interference with a contract or business relationship, and demanding compensatory and punitive damages in an unspecified amount. We intend to vigorously defend against this lawsuit.

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 THE UNDERWRITERS OF OUR INITIAL PUBLIC OFFERING

On November 13, 2003, we entered into an engagement letter agreement with Friedman, Billings, Ramsey & Co., Inc., one of the underwriters of our initial public 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 July 15, 2005, Friedman Billings Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc., beneficially owned, directly or indirectly through affiliates, 2,868,857 shares of our common stock or approximately 7.62% of our outstanding common stock. We have an account with Friedman, Billings, Ramsey & Co., Inc. through which we managed approximately $141.7 million of our cash and cash equivalents as of July 15, 2005.

OTHER RELATIONSHIPS

In December 2004 and January 2005, the law firm of Locke, Liddell & Sapp LLP, of which Mr. Goolsby is a partner, provided certain legal services to our Ethics, Nominating and Corporate Governance Committee.

INVESTMENT POLICIES AND POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

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

INVESTMENTS IN REAL ESTATE OR INTERESTS IN REAL ESTATE

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

- Integral Healthcare Real Estate: We acquire and develop net-leased healthcare facilities providing state-of-the-art healthcare services. In our experience, healthcare service providers, including physicians and hospital operating companies, choose to remain in an established location for relatively long periods since changing the location of their physical facilities does not assure that other critical components of the healthcare delivery system, such as laboratory support, access to specialized equipment, patient referral sources, nursing and other professional support, and patient convenience, will continue to be available at the same level of quality and efficiency. Consequently, we believe market conditions will remain favorable for long-term net-leased healthcare facilities, and we do not presently expect high levels of tenant turnover. Moreover, we believe that our partnering approach will afford us the opportunity to play an integral role in the strategic planning process for the financing of replacement facilities and the development of alternative uses for existing facilities.

- Net-lease Strategy: Our healthcare facilities are leased to healthcare operators pursuant to long-term net-lease agreements under which our tenants are responsible for virtually all costs of occupancy, including property taxes, utilities, insurance and maintenance. We believe an important investment consideration is that our leases to healthcare operators provide a means for us to participate in the anticipated growth of the healthcare sector of the United States economy. Our leases generally provide for either contractual annual rent increases ranging from 1.0% to 3.0% and, where feasible and in compliance with applicable healthcare laws and regulations, percentage rent. We expect that such rental rate adjustments will provide us with significant internal growth.

- Diversified Investment Strategy: Our facilities and the Pending Acquisition and Development Facilities are diversified geographically, by service type within the healthcare industry and by types of operator. We have invested and intend to invest in a portfolio of net-leased healthcare facilities providing state-of-the-art healthcare services. Our facilities and Pending Acquisition and Development Facilities include new and established facilities, both small and large facilities, including rehabilitation hospitals, long-term acute care hospitals, ambulatory surgical centers, regional and community hospitals, medical office buildings, skilled nursing facilities and specialized single-discipline facilities. Our facilities are and we expect will continue to be located across the country. In addition, our tenants and prospective tenants are diversified across many healthcare service areas. Because of the expected diversity of our facilities in terms of facility type, geographic location and tenant, we believe that our financial performance is less likely to be materially affected by changes in reimbursement or payment rates by private or public insurers or by changes in local or regional economies.

- Financing Strategy: We intend to employ leverage in our capital structure in amounts we determine from time to time. At present, we intend to limit our debt to approximately 50-60% of

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

There are no limitations on the amount or percentage of our total assets that may be invested in any one facility. Additionally, no limits have been set on the concentration of investments in any one location or facility type or with any one tenant. Our current policy requires the approval of the investment committee of our board of directors for acquisitions or developments of facilities which exceed $10.0 million.

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

- increase in our stock value through increases in the cash flows and values of our facilities;

- achievement of long-term capital appreciation, and preservation and protection of the value of our interest in our facilities; and

- providing regular cash distributions to our stockholders, a portion of which may constitute a nontaxable return of capital because it will exceed our current and accumulated earnings and profits, as well as providing growth in distributions over time.

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

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

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

DISPOSITIONS

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

FINANCING POLICIES

We intend to employ leverage in our capital structure in amounts we determine from time to time. At present, we intend to limit our debt to approximately 50-60% of the aggregate costs of our facilities, although we may temporarily exceed those levels from time to time. We expect our borrowings to be a combination of long-term, fixed-rate, non-recourse mortgage loans, variable-rate secured term and revolving credit facilities, and other fixed and variable-rate short to medium-term loans. Our board of directors considers a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of facilities to be acquired, the estimated market value of our facilities and the ability of particular facilities, and our company as a whole, to generate cash flow to cover expected debt service.

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

LENDING POLICIES

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

EQUITY CAPITAL POLICIES

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

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

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

In the future we may institute a dividend reinvestment plan, which would allow our stockholders to acquire additional common stock by automatically reinvesting their cash distributions. 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 distributions 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. As of the date of this prospectus, we have 39,969,065 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.

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 our initial public offering and subject to the exceptions described below, no person or persons acting as a group may own, or be deemed to own by virtue of the attribution provisions of the Code, more than (i) 9.8% of the number or value, whichever is more restrictive, of the outstanding shares of our common stock or (ii) 9.8% of the number or value, whichever is more restrictive, of the issued and outstanding preferred or other shares of any class or series of our stock. We refer to this restriction as the "ownership limit." The ownership limitation in our charter is more restrictive than the restrictions on ownership of our common stock imposed by the Code.

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

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

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

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

Our charter generally prohibits:

- any person from actually or constructively owning shares of our capital stock that would result in us being "closely held" under Section 856(h) of the Code; and

- any person from transferring shares of our capital stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

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

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

the trust, provided that if we have already taken irreversible action, then the trustee shall not have the authority to rescind and recast such vote.

Shares of our capital stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares of our capital stock at market price, the market price on the day of the event which resulted in the transfer of such shares of our capital stock to the trust) and (ii) the market price on the date we, or our designee, accepts such offer. We have the right to accept such offer until the trustee has sold the shares of our capital stock held in the trust pursuant to the provisions discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the purported owner and any dividends or other distributions held by the trustee with respect to such capital stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limits. After that, the trustee must distribute to the purported owner an amount equal to the lesser of (i) the net price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the market price on the day of the event which resulted in the transfer of such shares of our capital stock to the trust) and (ii) the net sales proceeds received by the trust for the shares. Any proceeds in excess of the amount distributable to the purported owner will be distributed to the beneficiary.

All persons who own, directly or by virtue of the attribution provisions of the Code, more than 5% (or such other percentage as provided in the regulations promulgated under the Code) of the lesser of the number or value of the shares of our outstanding capital stock must give written notice to us within 30 days after the end of each calendar year. In addition, each stockholder will, upon demand, be required to disclose to us in writing such information with respect to the direct, indirect and constructive ownership of shares of our stock as our board of directors deems reasonably necessary to comply with the provisions of the Code applicable to a REIT, to comply with the requirements or any taxing authority or governmental agency or to determine any such compliance.

All certificates representing shares of our capital stock will bear a legend referring to the restrictions described above.

These ownership limits could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price over the then prevailing market price for the holders of some, or a majority, of our outstanding shares of common stock or which such holders might believe to be otherwise in their best interest.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Co.

MATERIAL PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following is a summary of certain provisions of Maryland law and of our charter and bylaws. For a complete description, we refer you to the applicable Maryland laws and to our charter and bylaws, copies of which are exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

THE BOARD OF DIRECTORS

Our charter and bylaws provide that the number of our directors is to be established by our board of directors but may not be fewer than one nor more than 15. Currently, our board is comprised of eight directors. Any vacancy, other than one resulting from an increase in the number of directors, may be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors, though less than a quorum. Any vacancy resulting from an increase in the number of our directors must be filled by a majority of the entire board of directors. A director elected to fill a vacancy shall be elected to serve until the next election of directors and until his successor shall be elected and qualified.

Pursuant to our charter, each member of our board of directors is elected until the next annual meeting of stockholders and until his successor is elected, with the current members' terms expiring at the annual meeting of stockholders to be held in 2005. Holders of shares of our common stock have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, all of the members of our board of directors will stand for election and our directors will be elected by a plurality of votes cast. Directors may be removed with or without cause by the affirmative vote of two-thirds of the votes entitled to be cast in the election of directors.

BUSINESS COMBINATIONS

Maryland law prohibits "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, certain transfers of assets, certain stock issuances and reclassifications. Maryland law defines an interested stockholder as:

- any person who beneficially owns 10% or more of the voting power of the corporation's voting stock; or

- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation.

A person is not an interested stockholder if the board of directors approves in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving the transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five year prohibition, any business combination between a corporation and an interested stockholder generally must be recommended by the board of directors and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock; and

- two-thirds of the votes entitled to be cast by holders of the voting stock other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or shares held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are approved by the board of directors before the time that the interested stockholder becomes an interested stockholder.

As permitted by Maryland law, our charter includes a provision excluding our company from these provisions of the MGCL and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any interested stockholder of ours unless we later amend our charter, with stockholder approval, to modify or eliminate this exclusion provision. We believe that our ownership restrictions will substantially reduce the risk that a stockholder would become an "interested stockholder" within the meaning of the Maryland business combination statute. There can be no assurance, however, that we will not opt into the business combination provisions of the MGCL at a future date.

CONTROL SHARE ACQUISITIONS

The MGCL provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror or by officers or directors who are our employees are excluded from shares entitled to vote on the matter. "Control shares" are voting shares which, if aggregated with all other shares previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power except solely by virtue of a revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions, including an undertaking to pay expenses, may compel a corporation's board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by Maryland law, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares, except those for which voting rights have previously been approved, for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, then all other stockholders are entitled to demand and receive fair value for their stock, or provided for in the "dissenters" rights provisions of the MGCL may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our charter contains a provision exempting from the control share acquisition statute any and all acquisitions by any person of our stock. There can be no assurance that we will not opt into the control share acquisition provisions of the MGCL in the future.

MARYLAND UNSOLICITED TAKEOVERS ACT

Maryland law also permits Maryland corporations that are subject to the Exchange Act and have at least three outside directors to elect by resolution of the board of directors or by provision in its charter or bylaws to be subject to some corporate governance provisions that may be inconsistent with the corporation's charter and bylaws. Under the applicable statute, a board of directors may classify itself without the vote of stockholders. A board of directors classified in that manner cannot be altered by amendment to the charter of the corporation. Further, the board of directors may, by electing into applicable statutory provisions and notwithstanding the charter or bylaws:

- provide that a special meeting of the stockholders will be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at the meeting;

- reserve for itself the right to fix the number of directors;

- provide that a director may be removed only by the vote of the holders of two-thirds of the stock entitled to vote;

- retain for itself sole authority to fill vacancies created by the death, removal or resignation of a director; and

- provide that all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors, in office, even if the remaining directors do not constitute a quorum for the remainder of the full term of the class of directors in which the vacancy occurred.

A board of directors may implement all or any of these provisions without amending the charter or bylaws and without stockholder approval. A corporation may be prohibited by its charter or by resolution of its board of directors from electing any of the provisions of the statute. We are not prohibited from implementing any or all of these provisions. While certain of these provisions are already addressed by our charter and bylaws, the law would permit our board of directors to override further changes to the charter or bylaws. If implemented, these provisions could discourage offers to acquire our stock and could increase the difficulty of completing an offer.

AMENDMENT TO OUR CHARTER

Our charter may be amended only if declared advisable by the board of directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter, except that our board of directors is able, without stockholder approval, to amend our charter to change our corporate name or the name or designation or par value of any class or series of stock.

DISSOLUTION OF OUR COMPANY

A voluntary dissolution of our company must be declared advisable by a majority of the entire board of directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

Our bylaws provide that:

- with respect to an annual meeting of stockholders, the only business to be considered and the only proposals to be acted upon will be those properly brought before the annual meeting:

  - pursuant to our notice of the meeting;

- by, or at the direction of, a majority of our board of directors; or

- by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws;

- with respect to special meetings of stockholders, only the business specified in our company's notice of meeting may be brought before the meeting of stockholders unless otherwise provided by law; and

- nominations of persons for election to our board of directors at any annual or special meeting of stockholders may be made only:

  - by, or at the direction of, our board of directors; or

  - by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in our bylaws.

Generally, under our bylaws, a stockholder seeking to nominate a director or bring other business before our annual meeting of stockholders must deliver a notice to our secretary not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date of mailing of the notice to stockholders for the prior year's annual meeting. For a stockholder seeking to nominate a candidate for our board of directors, the notice must describe various matters regarding the nominee, including name, address, occupation and number of shares of common stock held, and other specified matters. For a stockholder seeking to propose other business, the notice must include a description of the proposed business, the reasons for the proposal and other specified matters.

INDEMNIFICATION AND LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter limits the personal liability of our directors and officers for monetary damages to the fullest extent permitted under current Maryland law, and our charter and bylaws provide that a director or officer shall be indemnified to the fullest extent required or permitted by Maryland law from and against any claim or liability to which such director or officer may become subject by reason of his or her status as a director or officer of our company. Maryland law allows directors and officers to be indemnified against judgments, penalties, fines, settlements, and expenses actually incurred in connection with any proceeding to which they may be made a party by reason of their service on those or other capacities unless the following can be established:

- the act or omission of the director or officer was material to the cause of action adjudicated in the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful on the merits or otherwise, in the defense of any claim to which he or she is made a party by reason of his or her service in that capacity.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In

addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and

- a written undertaking by the director or on the director's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director did not meet the standard of conduct.

Our charter authorizes us to obligate ourselves to indemnify and our bylaws do obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made a party to the proceeding by reason of his or her service in that capacity; or

- any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above.

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

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

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

We have entered into indemnification agreements with each of our directors and executive officers, and we maintain a directors and officers liability insurance policy. See "Management -- Limited Liability and Indemnification."

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

PARTNERSHIP AGREEMENT

The following is a summary of the material terms of the first amended and restated agreement of limited partnership of our operating partnership. This summary is subject to and qualified in its entirety by reference to the first amended and restated agreement of limited partnership of our operating partnership, a copy of which is an exhibit to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

MANAGEMENT OF OUR OPERATING PARTNERSHIP

MPT Operating Partnership, L.P., our operating partnership, was organized as a Delaware limited partnership on September 10, 2003. The initial partnership agreement was entered into on that date and amended and restated on March 1, 2004. Pursuant to the partnership agreement, as the owner of the sole general partner of the operating partnership, Medical Properties Trust, LLC, we have, subject to certain protective rights of limited partners described below, full, exclusive and complete responsibility and discretion in the management and control of the operating partnership. We have the power to cause the operating partnership to enter into certain major transactions, including acquisitions, dispositions, refinancings and selection of tenants, and to cause changes in the operating partnership's line of business and distribution policies. However, any amendment to the partnership agreement that would affect the redemption rights of the limited partners or otherwise adversely affect the rights of the limited partners requires the consent of limited partners, other than us, holding more than 50% of the units of our operating partnership held by such partners.

TRANSFERABILITY OF INTERESTS

We may not voluntarily withdraw from the operating partnership or transfer or assign our interest in the operating partnership or engage in any merger, consolidation or other combination, or sale of substantially all of our assets, in a transaction which results in a change of control of our company unless:

- we receive the consent of limited partners holding more than 50% of the partnership interests of the limited partners, other than those held by our company or its subsidiaries;

- as a result of such transaction, all limited partners will have the right to receive for each partnership unit an amount of cash, securities or other property equal in value to the greatest amount of cash, securities or other property paid in the transaction to a holder of one share of our common stock, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding shares of our common stock, each holder of partnership units shall be given the option to exchange its partnership units for the greatest amount of cash, securities or other property that a limited partner would have received had it (i) exercised its redemption right (described below) and (ii) sold, tendered or exchanged pursuant to the offer shares of our common stock received upon exercise of the redemption right immediately prior to the expiration of the offer; or

- we are the surviving entity in the transaction and either (i) our stockholders do not receive cash, securities or other property in the transaction or (ii) all limited partners receive for each partnership unit an amount of cash, securities or other property having a value that is no less than the greatest amount of cash, securities or other property received in the transaction by our stockholders.

We also may merge with or into or consolidate with another entity if immediately after such merger or consolidation (i) substantially all of the assets of the successor or surviving entity, other than partnership units held by us, are contributed, directly or indirectly, to the partnership as a capital contribution in exchange for partnership units with a fair market value equal to the value of the assets so contributed as determined by the survivor in good faith and (ii) the survivor expressly agrees to assume all of our obligations under the partnership agreement and the partnership agreement shall be amended after any such merger or consolidation so as to arrive at a new method of calculating the amounts payable upon

exercise of the redemption right that approximates the existing method for such calculation as closely as reasonably possible.

We also may (i) transfer all or any portion of our general partnership interest to (A) a wholly-owned subsidiary or (B) a parent company, and following such transfer may withdraw as general partner and (ii) engage in a transaction required by law or by the rules of any national securities exchange or automated quotation system on which our securities may be listed or traded.

CAPITAL CONTRIBUTION

We contributed to our operating partnership substantially all the net proceeds of our April 2004 private placement as a capital contribution in exchange for units of the operating partnership. The partnership agreement provides that if the operating partnership requires additional funds at any time in excess of funds available to the operating partnership from borrowing or capital contributions, we may borrow such funds from a financial institution or other lender and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds. Under the partnership agreement, we are obligated to contribute the proceeds of any offering of shares of our company's stock as additional capital to the operating partnership. We are authorized to cause the operating partnership to issue partnership interests for less than fair market value if we have concluded in good faith that such issuance is in both the operating partnership's and our best interests. If we contribute additional capital to the operating partnership, we will receive additional partnership units and our percentage interest will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of the limited partners will be decreased on a proportionate basis in the event of additional capital contributions by us. In addition, if we contribute additional capital to the operating partnership, we will revalue the property of the operating partnership to its fair market value, as determined by us, and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property, that has not been reflected in the capital accounts previously, would be allocated among the partners under the terms of the partnership agreement if there were a taxable disposition of such property for its fair market value, as determined by us, on the date of the revaluation. The operating partnership may issue preferred partnership interests, in connection with acquisitions of property or otherwise, which could have priority over common partnership interests with respect to distributions from the operating partnership, including the partnership interests that our wholly-owned subsidiary owns as general partner.

REDEMPTION RIGHTS

Pursuant to Section 8.04 of the partnership agreement, the limited partners, other than us, will receive redemption rights, which will enable them to cause the operating partnership to redeem their limited partnership units in exchange for cash or, at our option, shares of our common stock on a one-for-one basis, subject to adjustment for stock splits, dividends, recapitalization and similar events. Currently, we own 100% of the issued limited partnership units of our operating partnership. Under Section 8.04 of our partnership agreement, holders of limited partnership units will be prohibited from exercising their redemption rights for 12 months after they are issued, unless this waiting period is waived or shortened by our board of directors. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption rights if the delivery of common stock to the redeeming limited partner would:

- result in any person owning, directly or indirectly, common stock in excess of the stock ownership limit in our charter;

- result in our shares of stock being owned by fewer than 100 persons (determined without reference to any rules of attribution);

- result in our being "closely held" within the meaning of Section 856(h) of the Code;

- cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant of our or the partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code; or

- cause the acquisition of common stock by such redeeming limited partner to be "integrated" with any other distribution of common stock for purposes of complying with the registration provisions of the Securities Act.

We may, in our sole and absolute discretion, waive any of these restrictions.

With respect to the partnership units issuable in connection with the acquisition or development of our facilities, the redemption rights may be exercised by the limited partners at any time after the first anniversary of our acquisition of these facilities; provided, however, unless we otherwise agree:

- a limited partner may not exercise the redemption right for fewer than 1,000 partnership units or, if such limited partner holds fewer than 1,000 partnership units, the limited partner must redeem all of the partnership units held by such limited partner;

- a limited partner may not exercise the redemption right for more than the number of partnership units that would, upon redemption, result in such limited partner or any other person owning, directly or indirectly, common stock in excess of the ownership limitation in our charter; and

- a limited partner may not exercise the redemption right more than two times annually.

We currently hold all the outstanding interests in our operating partnership and, accordingly, there are currently no units of our operating partnership subject to being redeemed in exchange for shares of our common stock. The number of shares of common stock issuable upon exercise of the redemption rights will be adjusted to account for stock splits, mergers, consolidations or similar pro rata stock transactions.

The partnership agreement requires that the operating partnership be operated in a manner that enables us to satisfy the requirements for being classified as a REIT, to avoid any federal income or excise tax liability imposed by the Code (other than any federal income tax liability associated with our retained capital gains) and to ensure that the partnership will not be classified as a "publicly traded partnership" taxable as a corporation under Section 7704 of the Code.

In addition to the administrative and operating costs and expenses incurred by the operating partnership, the operating partnership generally will pay all of our administrative costs and expenses, including:

- all expenses relating to our continuity of existence;

- all expenses relating to offerings and registration of securities;

- all expenses associated with the preparation and filing of any of our periodic reports under federal, state or local laws or regulations;

- all expenses associated with our compliance with laws, rules and regulations promulgated by any regulatory body; and

- all of our other operating or administrative costs incurred in the ordinary course of business on behalf of the operating partnership.

DISTRIBUTIONS

The partnership agreement provides that the operating partnership will distribute cash from operations, including net sale or refinancing proceeds, but excluding net proceeds from the sale of the operating partnership's property in connection with the liquidation of the operating partnership, at such time and in such amounts as determined by us in our sole discretion, to us and the limited partners in accordance with their respective percentage interests in the operating partnership.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of the partnership, including any partner loans, any remaining assets of the partnership will be

distributed to us and the limited partners with positive capital accounts in accordance with their respective positive capital account balances.

ALLOCATIONS

Profits and losses of the partnership, including depreciation and amortization deductions, for each fiscal year generally are allocated to us and the limited partners in accordance with the respective percentage interests in the partnership. All of the foregoing allocations are subject to compliance with the provisions of Sections 704(b) and 704(c) of the Code and Treasury regulations promulgated thereunder. The operating partnership expects to use the "traditional method" under Section 704(c) of the Code for allocating items with respect to contributed property acquired in connection with the offering for which the fair market value differs from the adjusted tax basis at the time of contribution.

TERM

The operating partnership will have perpetual existence, or until sooner dissolved upon:

- our bankruptcy, dissolution, removal or withdrawal, unless the limited partners elect to continue the partnership;

- the passage of 90 days after the sale or other disposition of all or substantially all the assets of the partnership; or

- an election by us in our capacity as the owner of the sole general partner of the operating partnership.

TAX MATTERS

Pursuant to the partnership agreement, the general partner is the tax matters partner of the operating partnership. Accordingly, through our ownership of the general partner of the operating partnership, we have authority to handle tax audits and to make tax elections under the Code on behalf of the operating partnership.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the current material federal income tax consequences to our company and to our stockholders generally resulting from the treatment of our company as a REIT. Because this section is a general summary, it does not address all of the potential tax issues that may be relevant to you in light of your particular circumstances. Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C., or Baker Donelson, has acted as our counsel, has reviewed this summary, and is of the opinion that the discussion contained herein fairly summarizes the federal income tax consequences that are material to a holder of shares of our common stock. The discussion does not address all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders that are subject to special treatment under the federal income tax laws, such as insurance companies, tax-exempt organizations (except to the limited extent discussed in "-- Taxation of Tax-Exempt Stockholders"), financial institutions or broker-dealers, and non-United States individuals and foreign corporations (except to the limited extent discussed in "-- Taxation of Non-United States Stockholders").

The statements in this section and the opinion of Baker Donelson, referred to as the Tax Opinion, are based on the current federal income tax laws governing qualification as a REIT. We cannot assure you that new laws, interpretations of law or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in those opinions.

This section is not a substitute for careful tax planning. We urge you to consult your own tax advisors regarding the specific federal state, local, foreign and other tax consequences to you, in light of your own particular circumstances, of the purchase, ownership and disposition of shares of our common stock, our election to be taxed as a REIT and the effect of potential changes in applicable tax laws.

TAXATION OF OUR COMPANY

We were previously taxed as a subchapter S corporation. We revoked our subchapter S election on April 6, 2004 and we have elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004. Our counsel has opined that, for federal income tax purposes, we are and have been organized in conformity with the requirements for qualification to be taxed as a REIT under the Code commencing with our initial short taxable year ended December 31, 2004, and that our current and proposed method of operations as described in this prospectus and as represented to our counsel by us satisfies currently, and will enable us to continue to satisfy in the future, the requirements for such qualification and taxation as a REIT under the Code for future taxable years. This opinion, however, is based upon factual assumptions and representations made by us.

We believe that our proposed future method of operation will enable us to continue to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, as such qualification and taxation as a REIT depends 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 maintain our qualification as a REIT, see "-- Failure to Qualify."

The sections of the Code relating to qualification and operation as a REIT, and the federal income taxation of a REIT and its stockholders, are highly technical and complex. The following discussion sets forth only the material aspects of those sections. This summary is qualified in its entirety by the applicable Code provisions and the related rules and regulations.

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 continue to qualify as a REIT, we must meet various (i) organizational requirements, (ii) gross income tests, (iii) asset tests, and (iv) annual distribution requirements.

Organizational Requirements. A REIT is a corporation, trust or association that meets each of the following requirements:

(1) it is managed by one or more trustees or directors;

(2) its beneficial ownership is evidenced by transferable stock, or by transferable certificates of beneficial interest;

(3) it would be taxable as a domestic corporation, but for its election to be taxed as a REIT under Sections 856 through 860 of the Code;

(4) it is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws;

(5) at least 100 persons are beneficial owners of its stock or ownership certificates (determined without reference to any rules of attribution);

(6) not more than 50% in value of its outstanding stock or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the federal income tax laws define to include certain entities, during the last half of any taxable year; and

(7) it elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.

We must meet requirements one through four during our entire taxable year and must meet requirement five during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. If we comply with all the requirements for ascertaining information concerning the ownership of our outstanding stock in a taxable year and have no reason to know that we violated requirement six, we will be deemed to have satisfied requirement six for that taxable year. We do not have to satisfy requirements five and six for our taxable year ending December 31, 2004. After the issuance of common stock pursuant to our April 2004 private placement we had issued common stock with enough diversity of ownership to satisfy requirements five and six as set forth above. Our charter provides for restrictions regarding the ownership and transfer of our shares of common stock so that we should continue to satisfy these requirements. The provisions of our charter restricting the ownership and transfer of our shares of common stock are described in "Description of Capital Stock -- Restrictions on Ownership and Transfer."

For purposes of determining stock ownership under requirement six, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit sharing trust under the federal income tax laws, and beneficiaries of such a trust will be treated as holding our shares in proportion to their actuarial interests in the trust for purposes of requirement six.

A corporation that is a "qualified REIT subsidiary," or QRS, is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction and credit of a QRS are treated as assets, liabilities, and items of income, deduction and credit of the REIT. A QRS is a corporation, all of the capital stock of which is owned by the REIT. Thus, in applying the requirements described herein, any QRS that we own will be ignored, and all assets, liabilities, and items of income, deduction and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction and credit.

An unincorporated domestic entity, such as a partnership, that has a single owner, generally is not treated as an entity separate from its parent for federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income

of the partnership for purposes of the applicable REIT qualification tests. Thus, our proportionate share of the assets, liabilities and items of income of our operating partnership and any other partnership, joint venture, or limited liability company that is treated as a partnership for federal income tax purposes in which we acquire an interest, directly or indirectly, is treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

A REIT is permitted to own up to 100% of the stock of one or more "taxable REIT subsidiaries." A taxable REIT subsidiary is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly file an election with the IRS to treat the subsidiary as a taxable REIT subsidiary. A taxable REIT subsidiary will pay income tax at regular corporate rates on any income that it earns. In addition, the taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on certain types of transactions between a taxable REIT subsidiary and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis. We may engage in activities indirectly through a taxable REIT subsidiary as necessary or convenient to avoid obtaining the benefit of income or services that would jeopardize our REIT status if we engaged in the activities directly. In particular, we would likely engage in activities through a taxable REIT subsidiary if we wished to provide services to unrelated parties which might produce income that does not qualify under the gross income tests described below. We might also dispose of an unwanted asset through a taxable REIT subsidiary as necessary or convenient to avoid the 100% tax on income from prohibited transactions. See description below under "Prohibited Transactions." A taxable REIT subsidiary may not operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider which is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility. We have formed and made a taxable REIT subsidiary election with respect to MPT Development Services, Inc., a Delaware corporation formed in January 2004. We may form or acquire one or more additional taxable REIT subsidiaries in the future. See "Federal Income Tax Considerations -- Income Taxation of the Partnerships and the Partners -- Taxable REIT Subsidiaries."

Gross Income Tests. We must satisfy two gross income tests annually to maintain our qualification as a REIT. First, at least 75% of our gross income for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

- rents from real property;

- interest on debt secured by mortgages on real property, or on interests in real property;

- dividends or other distributions on, and gain from the sale of, shares in other REITs;

- gain from the sale of real estate assets;

- income derived from the temporary investment of new capital that is attributable to the issuance of our shares of common stock or a public offering of our debt with a maturity date of at least five years and that we receive during the one year period beginning on the date on which we received such new capital; and

- gross income from foreclosure property.

Second, in general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of stock or securities, income from certain hedging instruments or any combination of these. Gross income from our sale of property that we hold primarily for sale to customers

in the ordinary course of business is excluded from both the numerator and the denominator in both income tests. In addition, for taxable years beginning on and after January 1, 2005, income and gain from "hedging transactions" that we enter into to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets and that are clearly and timely identified as such also will be excluded from both the numerator and the denominator for purposes of the 95% gross income test (but not the 75% gross income test). The following paragraphs discuss the specific application of the gross income tests to us.

Rents from Real Property. Rent that we receive from our real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met.

First, the rent must not be based in whole or in part on the income or profits of any person. Participating rent, however, will qualify as "rents from real property" if it is based on percentages of receipts or sales and the percentages:

- are fixed at the time the leases are entered into;

- are not renegotiated during the term of the leases in a manner that has the effect of basing rent on income or profits; and

- conform with normal business practice.

More generally, the rent will not qualify as "rents from real property" if, considering the relevant lease and all the surrounding circumstances, the arrangement does not conform with normal business practice, but is in reality used as a means of basing the rent on income or profits. We have represented to Baker Donelson that we intend to set and accept rents which are fixed dollar amounts or a fixed percentage of gross revenue, and not determined to any extent by reference to any person's income or profits, in compliance with the rules above.

Second, we must not own, actually or constructively, 10% or more of the stock or the assets or net profits of any tenant, referred to as a related party tenant, other than a taxable REIT subsidiary. Failure to adhere to this limitation would cause the rental income from the related party tenant to not be treated as qualifying income for purposes of the REIT gross income tests. The constructive ownership rules generally provide that, if 10% or more in value of our stock is owned, directly or indirectly, by or for any person, we are considered as owning the stock owned, directly or indirectly, by or for such person. We do not own any stock or any assets or net profits of any tenant directly. In addition, our charter prohibits transfers of our shares that would cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant. We should not own, actually or constructively, 10% or more of any tenant other than a taxable REIT subsidiary. We have represented to counsel that we will not rent any facility to a related-party tenant. However, because the constructive ownership rules are broad and it is not possible to monitor continually direct and indirect transfers of our shares, no absolute assurance can be given that such transfers or other events of which we have no knowledge will not cause us to own constructively 10% or more of a tenant other than a taxable REIT subsidiary at some future date. MPT Development Services, Inc., our taxable REIT subsidiary, has made loans to Vibra Healthcare, LLC, the parent entity of our tenants, in an aggregate amount of approximately $41.4 million to acquire the operations at certain facilities. MPT Development Services, Inc. also made a loan of approximately $6.2 million to Vibra and its subsidiaries for working capital purposes which was repaid in February 2005. We believe that the loans to Vibra will be treated as debt rather than equity interests in Vibra, and that our rental income from Vibra will be treated as qualifying income for purposes of the REIT gross income tests. However, there can be no assurance that the IRS will not take a contrary position. If the IRS were to successfully treat the loans to Vibra as equity interests in Vibra, Vibra would be a related party tenant with respect to our company, the rent that we receive from Vibra would not be qualifying income for purposes of the REIT gross income tests, and we could lose our REIT status. However, as stated above, we believe that the loans to Vibra will be treated as debt rather than equity interests in Vibra.

As described above, we currently own 100% of the stock of MPT Development Services, Inc., a taxable REIT subsidiary, and may in the future own up to 100% of the stock of one or more additional

taxable REIT subsidiaries. Under an exception to the related-party tenant rule described in the preceding paragraph, rent that we receive from a taxable REIT subsidiary will qualify as "rents from real property" as long as (i) the taxable REIT subsidiary is a qualifying taxable REIT subsidiary (among other things, it does not operate or manage a healthcare facility), (ii) at least 90% of the leased space in the facility is leased to persons other than taxable REIT subsidiaries and related party tenants, and (iii) the amount paid by the taxable REIT subsidiary to rent space at the facility is substantially comparable to rents paid by other tenants of the facility for comparable space. If in the future we receive rent from a taxable REIT subsidiary, we will seek to comply with this exception.

Third, the rent attributable to the personal property leased in connection with a lease of real property must not be greater than 15% of the total rent received under the lease. The rent attributable to personal property under a lease is the amount that bears the same ratio to total rent under the lease for the taxable year as the average of the fair market values of the leased personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property covered by the lease at the beginning and at the end of such taxable year (the "personal property ratio"). With respect to each of our leases, we believe that the personal property ratio generally will be less than 15%. Where that is not, or may in the future not be, the case, we believe that any income attributable to personal property will not jeopardize our ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge our calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, we could fail to satisfy the 75% or 95% gross income test and thus lose our REIT status.

Fourth, we cannot furnish or render noncustomary services to the tenants of our facilities, or manage or operate our facilities, other than through an independent contractor who is adequately compensated and from whom we do not derive or receive any income. However, we need not provide services through an "independent contractor," but instead may provide services directly to our tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, we may provide a minimal amount of "noncustomary" services to the tenants of a facility, other than through an independent contractor, as long as our income from the services does not exceed 1% of our income from the related facility. Finally, we may own up to 100% of the stock of one or more taxable REIT subsidiaries, which may provide noncustomary services to our tenants without tainting our rents from the related facilities. We do not intend to perform any services other than customary ones for our tenants, other than services provided through independent contractors or taxable REIT subsidiaries. We have represented to Baker Donelson that we will not perform noncustomary services which would jeopardize our REIT status.

Finally, in order for the rent payable under the leases of our properties to constitute "rents from real property," the leases must be respected as true leases for federal income tax purposes and not treated as service contracts, joint ventures, financing arrangements, or another type of arrangement. We generally treat our leases with respect to our properties as true leases for federal income tax purposes. We believe that our lease of the Desert Valley Facility is a true lease; however, because of the nature of the lessee's purchase option thereunder, there can be no assurance that the IRS would not consider this lease a financing arrangement instead of a true lease for federal income tax purposes. In that case, our income from the lease of the Desert Valley Facility would be interest income rather than rent and would be qualifying income for purposes of the 75% gross income test to the extent that our "loan" does not exceed the fair market value of the real estate assets associated with the Desert Valley Facility. All of the interest income from our loan would be qualifying income for purposes of the 95% gross income test. We believe that the characterization of the Desert Valley Facility lease as a financing arrangement would not adversely affect our ability to qualify as a REIT.

If a portion of the rent we receive from a facility does not qualify as "rents from real property" because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. If rent attributable to personal property, plus any other income that is nonqualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of our

gross income during the year, we would lose our REIT status. By contrast, in the following circumstances, none of the rent from a lease of a facility would qualify as "rents from real property": (i) the rent is considered based on the income or profits of the tenant; (ii) the tenant is a related party tenant or fails to qualify for the exception to the related-party tenant rule for qualifying taxable REIT subsidiaries; or (iii) we furnish more than a de minimis amount of noncustomary services to the tenants of the facility, or manage or operate the facility, other than through a qualifying independent contractor or a taxable REIT subsidiary. In any of these circumstances, we could lose our REIT status because we would be unable to satisfy either the 75% or 95% gross income test.

Tenants may be required to pay, besides base rent, reimbursements for certain amounts we are obligated to pay to third parties (such as a tenant's proportionate share of a facility's operational or capital expenses), penalties for nonpayment or late payment of rent or additions to rent. These and other similar payments should qualify as "rents from real property."

Interest. The term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of the amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely because it is based on a fixed percentage or percentages of receipts or sales. Furthermore, to the extent that interest from a loan that is based upon the residual cash proceeds from the sale of the property securing the loan constitutes a "shared appreciation provision," income attributable to such participation feature will be treated as gain from the sale of the secured property.

Fee Income. We may receive various fees in connection with our operations. The fees will be qualifying income for purposes of both the 75% and 95% gross income tests if they are received in consideration for entering into an agreement to make a loan secured by real property and the fees are not determined by income and profits. Other fees are not qualifying income for purposes of either gross income test. Any fees earned by MPT Development Services, Inc., our taxable REIT subsidiary, will not be included for proposes of the gross income tests. We anticipate that MPT Development Services, Inc. will receive most of the management fees, inspection fees, and construction fees in connection with our operations.

Prohibited Transactions. A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We believe that none of our assets will be held primarily for sale to customers and that a sale of any of our assets will not be in the ordinary course of our business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. Nevertheless, we will attempt to comply with the terms of safe-harbor provisions in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we can comply with the safe-harbor provisions or that we will avoid owning property that may be characterized as property that we hold "primarily for sale to customers in the ordinary course of a trade or business." We may form or acquire a taxable REIT subsidiary to hold and dispose of those facilities we conclude may not fall within the safe-harbor provisions.

Foreclosure Property. We will be subject to tax at the maximum corporate rate on any income from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property acquired by a REIT as the result of the REIT's having bid on the property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law after actual or imminent default on a lease of the property or on indebtedness secured by the property, or a "Repossession Action." Property acquired by a Repossession Action will not be considered "foreclosure property" if (i) the REIT held or acquired the property subject to a lease or securing

indebtedness for sale to customers in the ordinary course of business or (ii) the lease or loan was acquired or entered into with intent to take Repossession Action or in circumstances where the REIT had reason to know a default would occur. The determination of such intent or reason to know must be based on all relevant facts and circumstances. In no case will property be considered "foreclosure property" unless the REIT makes a proper election to treat the property as foreclosure property.

Foreclosure property includes any qualified healthcare property acquired by a REIT as a result of a termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease). A "qualified healthcare property" means any real property, including interests in real property, and any personal property incident to such real property which is a healthcare facility or is necessary or incidental to the use of a healthcare facility. For this purpose, a healthcare facility means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease secured by such facility, was operated by a provider of such services which was eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility.

However, a REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property (or, in the case of a qualified healthcare property which becomes foreclosure property because it is acquired by a REIT as a result of the termination of a lease of such property, at the end of the second taxable year following the taxable year in which the REIT acquired such property) or longer if an extension is granted by the Secretary of the Treasury. This period (as extended, if applicable) terminates, and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;

- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or

- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income. For this purpose, in the case of a qualified healthcare property, income derived or received from an independent contractor will be disregarded to the extent such income is attributable to (i) a lease of property in effect on the date the REIT acquired the qualified healthcare property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date) or (ii) any lease of property entered into after such date if, on such date, a lease of such property from the REIT was in effect and, under the terms of the new lease, the REIT receives a substantially similar or lesser benefit in comparison to the prior lease.

Hedging Transactions. From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. For taxable years beginning prior to January 1, 2005, any periodic income or gain from the disposition of any financial instrument for these or similar transactions to hedge indebtedness we incur to acquire or carry "real estate assets" should be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. For taxable years beginning on and after January 1, 2005, income and gain from "hedging transactions" will be excluded from gross income for purposes of the 95% gross income test (but not the 75% gross income test). For those taxable years, a "hedging transaction" will mean any transaction entered

into in the normal course of our trade or business primarily to manage the risk of interest rate or price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets. We will be required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into. Since the financial markets continually introduce new and innovative instruments related to risk-sharing or trading, it is not entirely clear which such instruments will generate income which will be considered qualifying income for purposes of the gross income tests. We intend to structure any hedging or similar transactions so as not to jeopardize our status as a REIT.

Failure to Satisfy Gross Income Tests. If we fail to satisfy one or both of the gross income tests for our 2004 taxable year, we nevertheless may qualify as a REIT for that year if we qualify for relief under certain provisions of the federal income tax laws. Those relief provisions generally will be available if:

- our failure to meet these tests is due to reasonable cause and not to willful neglect;

- we attach a schedule of the sources of our income to our tax return; and

- any incorrect information on the schedule is not due to fraud with intent to evade tax.

For taxable years beginning on and after January 1, 2005, those relief provisions will be available if:

- our failure to meet those tests is due to reasonable cause and not to willful neglect, and

- following our identification of such failure for any taxable year, a schedule of the sources of our income is filed in accordance with regulations prescribed by the Secretary of the Treasury.

We cannot with certainty predict whether any failure to meet these tests will qualify for the relief provisions. As discussed above in "-- Taxation of Our Company," even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amounts by which we fail the 75% and 95% gross income tests, multiplied by a fraction intended to reflect our profitability.

Asset Tests. To maintain our qualification as a REIT, we also must satisfy the following asset tests at the end of each quarter of each taxable year.

First, at least 75% of the value of our total assets must consist of:

- cash or cash items, including certain receivables;

- government securities;

- real estate assets, which includes interest in real property, leaseholds, options to acquire real property or leaseholds, interests in mortgages on real property and shares (or transferable certificates of beneficial interest) in other REITs;

- stock in other REITs; and

- investments in stock or debt instruments attributable to the temporary investment (i.e., for a period not exceeding 12 months) of new capital that we raise through equity offerings or offerings of debt with at least a five year term.

With respect to investments not included in the 75% asset class, we may not hold securities of any one issuer (other than a taxable REIT subsidiary) that exceed 5% of the value of our total assets; nor may we hold securities of any one issuer (other than a taxable REIT subsidiary) that represent more than 10% of the voting power of all outstanding voting securities of such issuer, or more than 10% of the value of all outstanding securities of such issuer.

In addition, we may not hold securities of one or more taxable REIT subsidiaries that represent in the aggregate more than 20% of the value of our total assets, irrespective of whether such securities may also be included in the 75% asset class (e.g., a mortgage loan issued to a taxable REIT subsidiary). Furthermore, no more than 25% of our total assets may be represented by securities that are not included

in the 75% asset class, but this requirement will necessarily be satisfied if the 75% asset class requirement is satisfied.

For purposes of the 5% and 10% asset tests, the term "securities" does not include stock in another REIT, equity or debt securities of a qualified REIT subsidiary or taxable REIT subsidiary, mortgage loans that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT, except that for purposes of the 10% value test, the term "securities" does not include:

- "Straight debt," defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which we or any controlled TRS (i.e., a TRS in which we own directly or indirectly more than 50% of the voting power or value of the stock) holds non-"straight debt" securities that have an aggregate value of more than 1% of the issuer's outstanding securities. However, "straight debt" securities include debt subject to the following contingencies:

  - a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt obligations held by us exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and

  - a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;

- Any loan to an individual or an estate;

- Any "section 467 rental agreement," other than an agreement with a related party tenant;

- Any obligation to pay "rents from real property";

- Any security issued by a state or any political subdivision thereof, the District of Columbia, a foreign government of any political subdivision thereof, or the Commonwealth of Puerto Rico, but only if the determination of any payment thereunder does not depend in whole or in part on the profits of any entity not described in this paragraph or payments on any obligation issued by an entity not described in this paragraph;

- Any security issued by a REIT;

- Any debt instrument of an entity treated as a partnership for federal income tax purposes to the extent of our interest as a partner in the partnership;

- Any debt instrument of an entity treated as a partnership for federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in "-- Requirements for Qualification -- Income Tests."

For purposes of the 10% value test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to securities described in the last two bullet points above.

In connection with the acquisition of the facilities in our current portfolio, MPT Development Services, Inc., our taxable REIT subsidiary, has made loans to Vibra Healthcare, LLC, the parent entity of our tenants, in an aggregate amount of approximately $41.4 million to acquire the operations at those facilities. MPT Development Services, Inc. also made a loan of approximately $6.2 million to Vibra and its subsidiaries for working capital purposes which was repaid in February 2005. Those loans bear interest at

an annual rate of 10.25%. Our operating partnership loaned the funds to MPT Development Services, Inc. to make these loans. The loans from our operating partnership to MPT Development Services, Inc. bear interest at an annual rate of 9.25%.

Baker Donelson is of the opinion that the loans to Vibra will be treated as debt rather than equity interests in Vibra, and that our rental income from Vibra will be treated as qualifying income for purposes of the REIT gross income tests. However, there can be no assurance that the IRS will not take a contrary position. If the IRS were to successfully treat the loans to Vibra as equity interests in Vibra, Vibra would be a "related party tenant" with respect to our company and the rent that we receive from Vibra would not be qualifying income for purposes of the REIT gross income tests. As a result, we could lose our REIT status. In addition, if the IRS were to successfully treat the loans to Vibra as interests held by our operating partnership rather than by MPT Development Services, Inc. and to treat the loans as other than straight debt, we would fail the 10% asset test with respect to such interests and, as a result, could lose our REIT status. Baker Donelson is of the opinion that the loans to Vibra will be treated as straight debt for federal income tax purposes.

We will monitor the status of our assets for purposes of the various asset tests and will manage our portfolio in order to comply at all times with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT status if:

- we satisfied the asset tests at the end of the preceding calendar quarter; and

- the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If we did not satisfy the condition described in the second item, above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

In the event that, at the end of any calendar quarter in a taxable year beginning on or after January 1, 2005, we violate the 5% or 10% test described above, we will not lose our REIT status if (1) the failure is de minimis (up to the lesser of 1% of our assets or $10 million) and (2) we dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified the failure of the asset test. In the event of a more than de minimis failure of the 5% or 10% tests, or a failure of the other assets test, at the end of any calendar quarter in a taxable year beginning on or after January 1, 2005, as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT status if we (1) dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified the failure of the asset test and (2) pay a tax equal to the greater of $50,000 or 35% of the net income from the nonqualifying assets during the period in which we failed to satisfy the asset tests.

Distribution Requirements. Each taxable year, we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount not less than:

- the sum of:

  - 90% of our "REIT taxable income," computed without regard to the dividends-paid deduction or our net capital gain or loss, and

  - 90% of our after-tax net income, if any, from foreclosure property,

- minus

  - the sum of certain items of non-cash income.

We must pay such distributions in the taxable year to which they relate, or in the following taxable year if we declare the distribution before we timely file our federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration.

We will pay federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders. In addition, we will incur a 4% nondeductible excise tax on the excess of a specified required distribution over amounts we actually distribute if we distribute an amount less than the required distribution during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year. The required distribution must not be less than the sum of:

- 85% of our REIT ordinary income for the year;

- 95% of our REIT capital gain income for the year; and

- any undistributed taxable income from prior periods.

We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. See " -- Taxation of Taxable United States Stockholders." If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% excise tax described above. We intend to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% excise tax.

It is possible that, from time to time, we may experience timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our "REIT taxable income." Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute all of our taxable income and thereby avoid corporate income tax and the excise tax imposed on certain undistributed income. In such a situation, we may need to borrow funds or issue additional shares of common or preferred stock.

Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest based upon the amount of any deduction we take for deficiency dividends.

Recordkeeping Requirements. We must maintain certain records in order to qualify as a REIT. In addition, to avoid paying a penalty, we must request on an annual basis information from our stockholders designed to disclose the actual ownership of our shares of outstanding capital stock. We intend to comply with these requirements.

Failure to Qualify. If we failed to qualify as a REIT in any taxable year and no relief provision applied, we would have the following consequences. We would be subject to federal income tax and any applicable alternative minimum tax at rates applicable to regular C corporations on our taxable income, determined without reduction for amounts distributed to stockholders. We would not be required to make any distributions to stockholders, and any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits. Corporate stockholders could be eligible for a dividends-received deduction if certain conditions are satisfied. Unless we qualified for relief under specific statutory provisions, we would not be permitted to elect taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

For taxable years beginning on and after January 1, 2005, if we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we could avoid disqualification if the failure is due to reasonable cause and not to willful neglect and we pay a penalty of

$50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described above in "-- Income Tests" and "-- Asset Tests."

Taxation of Taxable United States Stockholders. As long as we qualify as a REIT, a taxable "United States stockholder" will be required to take into account as ordinary income distributions made out of our current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain. A United States stockholder will not qualify for the dividends-received deduction generally available to corporations. The term "United States stockholder" means a holder of shares of common stock that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;

- a corporation or partnership (including an entity treated as a corporation or partnership for United States federal income tax purposes) created or organized under the laws of the United States or of a political subdivision of the United States;

- an estate whose income is subject to United States federal income taxation regardless of its source; or

- any trust if (i) a United States court is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a United States person.

Distributions paid to a United States stockholder generally will not qualify for the new 15% tax rate for "qualified dividend income." The Jobs and Growth Tax Relief Reconciliation Act of 2003 reduced the maximum tax rate for qualified dividend income from 38.6% to 15% for tax years through 2008. Without future congressional action, the maximum tax rate on qualified dividend income will move to 35% in 2009 and 39.6% in 2011. Qualified dividend income generally includes dividends paid by domestic C corporations and certain qualified foreign corporations to most United States noncorporate stockholders. Because we are not generally subject to federal income tax on the portion of our REIT taxable income distributed to our stockholders, our dividends generally will not be eligible for the new 15% rate on qualified dividend income. As a result, our ordinary REIT dividends will continue to be taxed at the higher tax rate applicable to ordinary income. Currently, the highest marginal individual income tax rate on ordinary income is 35%. However, the 15% tax rate for qualified dividend income will apply to our ordinary REIT dividends, if any, that are (i) attributable to dividends received by us from non-REIT corporations, such as our taxable REIT subsidiary, and (ii) attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a stockholder must hold our common stock for more than 60 days during the 120-day period beginning on the date that is 60 days before the date on which our common stock becomes ex-dividend.

Distributions to a United States stockholder which we designate as capital gain dividends will generally be treated as long-term capital gain, without regard to the period for which the United States stockholder has held its common stock. We generally will designate our capital gain dividends as either 15%, 20% or 25% rate distributions. A corporate United States stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, a United States stockholder would be taxed on its proportionate share of our undistributed long-term capital gain. The United States stockholder would receive a credit or refund for its proportionate share of the tax we paid. The United States stockholder would increase the basis in its shares of common stock by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A United States stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the United States stockholder's shares. Instead, the distribution will reduce the adjusted basis of the shares, and any

amount in excess of both our current and accumulated earnings and profits and the adjusted basis will be treated as capital gain, long-term if the shares have been held for more than one year, provided the shares are a capital asset in the hands of the United States stockholder. In addition, any distribution we declare in October, November, or December of any year that is payable to a United States stockholder of record on a specified date in any of those months will be treated as paid by us and received by the United States stockholder on December 31 of the year, provided we actually pay the distribution during January of the following calendar year.

Stockholders may not include in their individual income tax returns any of our net operating losses or capital losses. Instead, these losses are generally carried over by us for potential offset against our future income. Taxable distributions from us and gain from the disposition of shares of common stock will not be treated as passive activity income; stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the stockholder is a limited partner, against such income. In addition, taxable distributions from us and gain from the disposition of common stock generally will be treated as investment income for purposes of the investment interest limitations. We will notify stockholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital, and capital gain.

Taxation of United States Stockholders on the Disposition of Shares of Common Stock. In general, a United States stockholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our shares of common stock as long-term capital gain or loss if the United States stockholder has held the stocks for more than one year, and otherwise as short-term capital gain or loss. However, a United States stockholder must treat any loss upon a sale or exchange of common stock held for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us which the United States stockholder treats as long-term capital gain. All or a portion of any loss that a United States stockholder realizes upon a taxable disposition of common stock may be disallowed if the United States stockholder purchases other shares of our common stock within 30 days before or after the disposition.

Capital Gains and Losses. The tax-rate differential between capital gain and ordinary income for non-corporate taxpayers may be significant. A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate is currently 35%. The maximum tax rate on long-term capital gain applicable to individuals is 15% for sales and exchanges of assets held for more than one year and occurring on or after May 6, 2003 through December 31, 2008. The maximum tax rate on long-term capital gain from the sale or exchange of "section 1250 property" (i.e., generally, depreciable real property) is 25% to the extent the gain would have been treated as ordinary income if the property were "section 1245 property" (i.e., generally, depreciable personal property). We generally may designate whether a distribution we designate as capital gain dividends (and any retained capital gain that we are deemed to distribute) is taxable to non-corporate stockholders at a 15% or 25% rate.

The characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum of $3,000 annually. A non-corporate taxpayer may carry unused capital losses forward indefinitely. A corporate taxpayer must pay tax on its net capital gain at corporate ordinary-income rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses carried back three years and forward five years.

Information Reporting Requirements and Backup Withholding. We will report to our stockholders and to the IRS the amount of distributions we pay during each calendar year and the amount of tax we withhold, if any. A stockholder may be subject to backup withholding at a rate of up to 28% with respect to distributions unless the holder:

- is a corporation or comes within certain other exempt categories and when required, demonstrates this fact; or

- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A stockholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to us. For a discussion of the backup withholding rules as applied to non-United States stockholders, see "Taxation of Non-United States Stockholders."

Taxation of Tax-Exempt Stockholders. Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, referred to as pension trusts, generally are exempt from federal income taxation. However, they are subject to taxation on their "unrelated business taxable income." While many investments in real estate generate unrelated business taxable income, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute unrelated business taxable income so long as the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts we distribute to tax-exempt stockholders generally should not constitute unrelated business taxable income. However, if a tax-exempt stockholder were to finance its acquisition of common stock with debt, a portion of the income it received from us would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the federal income tax laws are subject to different unrelated business taxable income rules, which generally will require them to characterize distributions they receive from us as unrelated business taxable income. Finally, in certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of our shares of common stock must treat a percentage of the dividends it receives from us as unrelated business taxable income. The percentage is equal to the gross income we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the dividends. This rule applies to a pension trust holding more than 10% of our shares only if:

- the percentage of our dividends which the tax-exempt trust must treat as unrelated business taxable income is at least 5%;

- we qualify as a REIT by reason of the modification of the rule requiring that no more than 50% of our shares of common stock be owned by five or fewer individuals, which modification allows the beneficiaries of the pension trust to be treated as holding shares in proportion to their actual interests in the pension trust; and

- either of the following applies:

  - one pension trust owns more than 25% of the value of our shares of common stock; or

  - a group of pension trusts individually holding more than 10% of the value of our shares of common stock collectively owns more than 50% of the value of our shares of common stock.

Taxation of Non-United States Stockholders. The rules governing United States federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign stockholders are complex. This section is only a summary of such rules. We urge non-United States stockholders to consult their own tax advisors to determine the impact of federal, state, and local income tax laws on ownership of shares of common stock, including any reporting requirements.

A non-United States stockholder that receives a distribution which (i) is not attributable to gain from our sale or exchange of "United States real property interests" (defined below) and (ii) we do not designate a capital gain dividend (or retained capital gain) will recognize ordinary income to the extent of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of

the distribution ordinarily will apply unless an applicable tax treaty reduces or eliminates the tax. However, a non-United States stockholder generally will be subject to federal income tax at graduated rates on any distribution treated as effectively connected with the non-United States stockholder's conduct of a United States trade or business, in the same manner as United States stockholders are taxed on distributions. A corporate non-United States stockholder may, in addition, be subject to the 30% branch profits tax. We plan to withhold United States income tax at the rate of 30% on the gross amount of any distribution paid to a non-United States stockholder unless:

- a lower treaty rate applies and the non-United States stockholder files an IRS Form W-8BEN evidencing eligibility for that reduced rate with us; or

- the non-United States stockholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

A non-United States stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the excess portion of the distribution does not exceed the adjusted basis of the stockholder's shares of common stock. Instead, the excess portion of the distribution will reduce the adjusted basis of the shares. A non-United States stockholder will be subject to tax on a distribution that exceeds both our current and accumulated earnings and profits and the adjusted basis of its shares, if the non-United States stockholder otherwise would be subject to tax on gain from the sale or disposition of shares of common stock, as described below. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. However, a non-United States stockholder may obtain a refund of amounts we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

We must withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. We will, therefore, withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which we qualify as a REIT, a non-United States stockholder will incur tax on distributions attributable to gain from our sale or exchange of "United States real property interests" under the "FIRPTA" provisions of the Code. The term "United States real property interests" includes interests in real property and stocks in corporations at least 50% of whose assets consist of interests in real property. Under the FIRPTA rules, a non-United States stockholder is taxed on distributions attributable to gain from sales of United States real property interests as if the gain were effectively connected with the conduct of a United States business of the non-United States stockholder. A non-United States stockholder thus would be taxed on such a distribution at the normal capital gain rates applicable to United States stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-United States corporate stockholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. We must withhold 35% of any distribution that we could designate as a capital gain dividend. A non-United States stockholder may receive a credit against our tax liability for the amount we withhold.

For taxable years beginning on and after January 1, 2005, for non-U.S. stockholders of our publicly-traded shares, capital gain distributions that are attributable to our sale of real property will not be subject to FIRPTA and therefore will be treated as ordinary dividends rather than as gain from the sale of a United States real property interest, as long as the non-U.S. stockholder did not own more than 5% of the class of our stock on which the distributions are made during the taxable year. As a result, non-U.S. stockholders generally would be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends.

A non-United States stockholder generally will not incur tax under FIRPTA with respect to gain on a sale of shares of common stock as long as, at all times, non-United States persons hold, directly or indirectly, less than 50% in value of the outstanding common stock. We cannot assure you that this test

will be met. In addition, a non-United States stockholder that owned, actually or constructively, 5% or less of the outstanding common stock at all times during a specified testing period will not incur tax under FIRPTA on gain from a sale of common stock if the stock is "regularly traded" on an established securities market. Any gain subject to tax under FIRPTA will be treated in the same manner as it would be in the hands of United States stockholders subject to alternative minimum tax, but under a special alternative minimum tax in the case of nonresident alien individuals.

A non-United States stockholder generally will incur tax on gain from the sale of common stock not subject to FIRPTA if:

- the gain is effectively connected with the conduct of the non-United States stockholder's United States trade or business, in which case the non-United States stockholder will be subject to the same treatment as United States stockholders with respect to the gain; or

- the non-United States stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-United States stockholder will incur a 30% tax on capital gains.

OTHER TAX CONSEQUENCES

Tax Aspects of Our Investments in the Operating Partnership. The following discussion summarizes certain federal income tax considerations applicable to our direct or indirect investment in our operating partnership and any subsidiary partnerships or limited liability companies we form or acquire, each individually referred to as a Partnership and, collectively, as Partnerships. The following discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as Partnerships. We are entitled to include in our income our distributive share of each Partnership's income and to deduct our distributive share of each Partnership's losses only if such Partnership is classified for federal income tax purposes as a partnership (or an entity that is disregarded for federal income tax purposes if the entity has only one owner or member), rather than as a corporation or an association taxable as a corporation. An organization with at least two owners or members will be classified as a partnership, rather than as a corporation, for federal income tax purposes if it:

- is treated as a partnership under the Treasury regulations relating to entity classification (the "check-the-box regulations"); and

- is not a "publicly traded" partnership.

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity does not make an election, it generally will be treated as a partnership for federal income tax purposes. We intend that each Partnership will be classified as a partnership for federal income tax purposes (or else a disregarded entity where there are not at least two separate beneficial owners).

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or a substantial equivalent). A publicly traded partnership is generally treated as a corporation for federal income tax purposes, but will not be so treated for any taxable year for which at least 90% of the partnership's gross income consists of specified passive income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends (the "90% passive income exception").

Treasury regulations, referred to as PTP regulations, provide limited safe harbors from treatment as a publicly traded partnership. Pursuant to one of those safe harbors, or private placement exclusion, interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act, and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. For the determination of the number of partners in a partnership, a person owning an interest in a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in the partnership only if (i) substantially all of the value

of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (ii) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. Each Partnership should qualify for the private placement exclusion.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that the Partnerships will be classified as partnerships for federal income tax purposes. If for any reason a Partnership were taxable as a corporation, rather than as a partnership, for federal income tax purposes, we likely would not be able to qualify as a REIT. See "-- Requirements for Qualification -- Income Tests" and " -- Requirements for Qualification -- Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case we might incur tax liability without any related cash distribution. See "-- Requirements for Qualification -- Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

INCOME TAXATION OF THE PARTNERSHIPS AND THEIR PARTNERS

Partners, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. We will therefore take into account our allocable share of each Partnership's income, gains, losses, deductions, and credits for each taxable year of the Partnership ending with or within our taxable year, even if we receive no distribution from the Partnership for that year or a distribution less than our share of taxable income. Similarly, even if we receive a distribution, it may not be taxable if the distribution does not exceed our adjusted tax basis in our interest in the Partnership.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, allocations will be disregarded for tax purposes if they do not comply with the provisions of the federal income tax laws governing partnership allocations. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain, and loss are intended to comply with the requirements of the federal income tax laws governing partnership allocations.

Tax Allocations With Respect to Contributed Properties. Income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. Similar rules apply with respect to property revalued on the books of a partnership. The amount of such unrealized gain or unrealized loss, referred to as built-in gain or built-in loss, is generally equal to the difference between the fair market value of the contributed or revalued property at the time of contribution or revaluation and the adjusted tax basis of such property at that time, referred to as a book-tax difference. Such allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The United States Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Our operating partnership generally intends to use the traditional method for allocating items with respect to which there is a book-tax difference.

Basis in Partnership Interest. Our adjusted tax basis in any partnership interest we own generally will be:

- the amount of cash and the basis of any other property we contribute to the partnership;

- increased by our allocable share of the partnership's income (including tax-exempt income) and our allocable share of indebtedness of the partnership; and

- reduced, but not below zero, by our allocable share of the partnership's loss, the amount of cash and the basis of property distributed to us, and constructive distributions resulting from a reduction in our share of indebtedness of the partnership.

Loss allocated to us in excess of our basis in a partnership interest will not be taken into account until we again have basis sufficient to absorb the loss. A reduction of our share of partnership indebtedness will be treated as a constructive cash distribution to us, and will reduce our adjusted tax basis. Distributions, including constructive distributions, in excess of the basis of our partnership interest will constitute taxable income to us. Such distributions and constructive distributions normally will be characterized as long-term capital gain.

Depreciation Deductions Available to Partnerships. The initial tax basis of property is the amount of cash and the basis of property given as consideration for the property. A partnership in which we are a partner generally will depreciate property for federal income tax purposes under the modified accelerated cost recovery system of depreciation, referred to as MACRS. Under MACRS, the partnership generally will depreciate furnishings and equipment over a seven year recovery period using a 200% declining balance method and a half-year convention. If, however, the partnership places more than 40% of its furnishings and equipment in service during the last three months of a taxable year, a mid-quarter depreciation convention must be used for the furnishings and equipment placed in service during that year. Under MACRS, the partnership generally will depreciate buildings and improvements over a 39 year recovery period using a straight line method and a mid-month convention. The operating partnership's initial basis in properties acquired in exchange for units of the operating partnership should be the same as the transferor's basis in such properties on the date of acquisition by the partnership. Although the law is not entirely clear, the partnership generally will depreciate such property for federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors. The partnership's tax depreciation deductions will be allocated among the partners in accordance with their respective interests in the partnership, except to the extent that the partnership is required under the federal income tax laws governing partnership allocations to use a method for allocating tax depreciation deductions attributable to contributed or revalued properties that results in our receiving a disproportionate share of such deductions.

Under recently enacted legislation, a first-year bonus depreciation of 50% may be available for certain tenant improvements. In addition, certain qualified leasehold improvement property placed in service before January 1, 2006 will be depreciated over a 15-year recovery period using a straight method and a half-year convention.

Sale of a Partnership's Property. Generally, any gain realized by a Partnership on the sale of property held for more than one year will be long-term capital gain, except for any portion of the gain treated as depreciation or cost recovery recapture. Any gain or loss recognized by a Partnership on the disposition of contributed or revalued properties will be allocated first to the partners who contributed the properties or who were partners at the time of revaluation, to the extent of their built-in gain or loss on those properties for federal income tax purposes. The partners' built-in gain or loss on contributed or revalued properties is the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution or revaluation. Any remaining gain or loss recognized by the Partnership on the disposition of contributed or revalued properties, and any gain or loss recognized by the Partnership on the disposition of other properties, will be allocated among the partners in accordance with their percentage interests in the Partnership.

Our share of any Partnership gain from the sale of inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction subject to a 100% tax. Income from a prohibited transaction may have an adverse effect on our ability to satisfy the gross income tests for REIT status. See "-- Requirements for Qualification -- Income Tests." We do not presently intend to acquire or hold, or to allow any Partnership

to acquire or hold, any property that is likely to be treated as inventory or property held primarily for sale to customers in the ordinary course of our, or the Partnership's, trade or business.

Taxable REIT Subsidiaries. As described above, we have formed and have made a timely election to treat MPT Development Services, Inc. as a taxable REIT subsidiary and may form or acquire additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary may provide services to our tenants and engage in activities unrelated to our tenants, such as third-party management, development, and other independent business activities.

We and any corporate subsidiary in which we own stock must make an election for the subsidiary to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary directly or indirectly owns shares of a corporation with more than 35% of the value or voting power of all outstanding shares of the corporation, the corporation will automatically also be treated as a taxable REIT subsidiary. Overall, no more than 20% of the value of our assets may consist of securities of one or more taxable REIT subsidiaries, irrespective of whether such securities may also qualify under the 75% assets test, and no more than 25% of the value of our assets may consist of the securities that are not qualifying assets under the 75% test, including, among other things, certain securities of a taxable REIT subsidiary, such as stock or non-mortgage debt.

Rent we receive from our taxable REIT subsidiaries will qualify as "rents from real property" as long as at least 90% of the leased space in the property is leased to persons other than taxable REIT subsidiaries and related party tenants, and the amount paid by the taxable REIT subsidiary to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space. The taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to us to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on certain types of transactions between a taxable REIT subsidiary and us or our tenants that are not conducted on an arm's-length basis.

A taxable REIT subsidiary may not directly or indirectly operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider which is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility.

State and Local Taxes. We and our stockholders may be subject to taxation by various states and localities, including those in which we or a stockholder transacts business, owns property or resides. The state and local tax treatment may differ from the federal income tax treatment described above. Consequently, stockholders should consult their own tax advisors regarding the effect of state and local tax laws upon an investment in our common stock.

PLAN OF DISTRIBUTION

We are registering the resale of the shares of common stock offered by this prospectus in accordance with the terms of a registration rights agreement that we entered into with the selling stockholders in connection with our April 2004 private placement. We are also registering the resale of 521,908 shares of common stock held by our founders, and 30,000 shares of restricted common stock held by one of our executive officers who is not one of our founders. The registration of these shares, however, does not necessarily mean that any of the shares will be offered or sold by the selling stockholders or their respective donees, pledgees or other transferees or successors in interest. We will not receive any proceeds from the sale of the common stock offered by this prospectus.

The sale of the shares of common stock by any selling stockholder, including any donee, pledgee or other transferee who receives shares from a selling stockholder, may be effected from time to time by selling them directly to purchasers or to or through broker-dealers. In connection with any sale, a broker-dealer may act as agent for the selling stockholder or may purchase from the selling stockholder all or a

portion of the shares as principal. These sales may be made on the NYSE or other exchanges on which our common stock is then traded, in the over-the-counter market or in private transactions.

The shares may be sold in one or more transactions at:

- fixed prices;

- prevailing market prices at the time of sale;

- prices related to the prevailing market prices; or

- otherwise negotiated prices.

The shares of common stock may be sold in one or more of the following transactions:

- ordinary brokerage transactions and transactions in which a broker-dealer solicits purchasers;

- block trades (which may involve crosses or transactions in which the same broker acts as an agent on both sides of the trade) in which a broker-dealer may sell all or a portion of such shares as agent but may position and resell all or a portion of the block as principal to facilitate the transaction;

- purchases by a broker-dealer as principal and resale by the broker-dealer for its own account pursuant to this prospectus;

- a special offering, an exchange distribution or a secondary distribution in accordance with applicable rules promulgated by the National Association of Securities Dealers, Inc. or stock exchange rules;

- sales "at the market" to or through a market maker or into an existing trading market, on an exchange or otherwise, for the shares;

- sales in other ways not involving market makers or established trading markets, including privately-negotiated direct sales to purchasers;

- any other legal method; and

- any combination of these methods.

In effecting sales, broker-dealers engaged by a selling stockholder may arrange for other broker-dealers to participate. Broker-dealers will receive commissions or other compensation from the selling stockholder in the form of commissions, discounts or concessions. Broker-dealers may also receive compensation from purchasers of the shares for whom they act as agents or to whom they sell as principals or both. Compensation as to a particular broker-dealer may be in excess of customary commissions and will be in amounts to be negotiated.

The distribution of the shares of common stock also may be effected from time to time in one or more underwritten transactions. Any underwritten offering may be on a "best efforts" or a "firm commitment" basis. In connection with any underwritten offering, underwriters or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or from purchasers of the shares. Underwriters may sell the shares to or through dealers, and dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents.

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there any underwriter or coordinating broker-dealer acting in connection with any proposed sale of shares by the selling stockholders. We will file a supplement to this prospectus, if required, under Rule 424(b) under the Securities Act upon being notified by the selling stockholders that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block

trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer. This supplement will disclose:

- the name of the selling stockholders and of participating brokers and dealers;

- the number of shares involved;

- the price at which the shares are to be sold;

- the commissions paid or the discounts or concessions allowed to the broker-dealers, where applicable;

- that the broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and

- other facts material to the transaction.

The selling stockholders and any underwriters, or brokers-dealers or agents that participate in the distribution of the shares may be deemed to be "underwriters" within the meaning of the Securities Act, and any profit on the sale of the shares by them and any discounts, commissions or concessions received by any underwriters, dealers, or agents may be deemed to be underwriting compensation under the Securities Act. Because the selling stockholders may be deemed to be "underwriters" under the Securities Act, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act. The selling stockholders and any other person participating in a distribution will be subject to the applicable provisions of the Exchange Act and its rules and regulations. For example, the anti-manipulative provisions of Regulation M may limit the ability of the selling stockholders or others to engage in stabilizing and other market making activities.

We may be required to file a post-effective amendment to the registration statement of which this prospectus is a part in order to include the names of additional selling stockholders or make other required updates to this prospectus. During the time required for filing, notice will be delivered to the selling stockholders that sales of common stock covered by this prospectus will not be permitted.

From time to time, the selling stockholders may pledge their shares of common stock pursuant to the margin provisions of their customer agreements with their brokers. Upon default by a selling stockholder, the broker may offer and sell such pledged shares from time to time. Upon a sale of the shares, the selling stockholders intend to comply with the prospectus delivery requirements under the Securities Act by delivering a prospectus to each purchaser in the transaction. We intend to file any amendments or other necessary documents in compliance with the Securities Act that may be required in the event the selling stockholders default under any customer agreement with brokers.

In order to comply with the securities laws of certain states, if applicable, the shares of common stock may be sold only through registered or licensed broker-dealers. We have agreed to pay all expenses incident to the offering and sale of the shares, other than commissions, discounts and fees of underwriters, broker-dealers or agents. We have agreed to indemnify the selling stockholders against certain losses, claims, damages, actions, liabilities, costs and expenses, including liabilities under the Securities Act.

The selling stockholders have agreed to indemnify us, our officers and directors and each person who controls (within the meaning of the Securities Act) or is controlled by us, against any losses, claims, damages, liabilities and expenses arising under the securities laws in connection with this offering with respect to written information furnished to us by the selling stockholders.

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.

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, 100 F Street, N.E., Room 1580, 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.

We are 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 and the six months ended June 30, 2005 as adjusted to:

  - give effect to acquisition of our facilities acquired and leased to Vibra, Desert Valley and Gulf States as if we owned them from the inception of each period presented;

  - give effect to our loans made to Vibra;

  - give effect to our probable acquisitions;

  - give effect to our initial public offering; and

- our pro forma, unaudited consolidated balance sheet as of June 30, 2005 as adjusted for the effect of dividends, to give effect to our initial portfolio, our probable acquisitions and our initial public 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 June 30, 2005, for purposes of the unaudited pro forma consolidated balance sheet 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

June 30, 2005

PROBABLE ACQUISITION DIVIDENDS
PRO FORMA TRANSACTIONS
DECLARED IN EFFECT OF --------
---- MAY AND JULY 13, 2005
COMPLETED GULF STATES
HISTORICAL AUGUST 2005 IPO
TRANSACTIONS HEALTH ----------
-- ------------ ------------
------------ ------------
ASSETS Real estate assets
Land.........................
$ 13,491,429 $ -- $ -- $
13,491,429 $ 1,163,214(3)
Buildings and improvements...
166,572,054 -- -- 166,572,054
14,492,378(3) Construction in
progress..... 50,529,769
50,529,769 -- Intangible lease
assets...... 7,558,712 -- --
7,558,712 629,408(3) ---------
--- ------------ ------------
------------ ------------
Gross investment in real
estate assets...........
238,151,964 -- -- 238,151,964
16,285,000 Accumulated
depreciation and
amortization...............
(3,294,873) -- -- (3,294,873)
-- ------------ ------------ -
----------- ----------- -----
------- Net investment in real
estate assets...........
234,857,091 -- -- 234,857,091
16,285,000 Cash and cash
equivalents...... 34,357,866
(10,981,119)(1) 128,486,450(2)
151,863,197 (10,285,000)(3)
Interest and rent
receivable... 1,195,299 -- --
1,195,299 -- Unbilled rent
receivable....... 7,458,980 --
-- 7,458,980 --
Loans..........................
48,498,111 -- -- 48,498,111
(6,000,000)(3) Other
assets...................
7,377,045 -- (2,371,283)(2)
5,005,762 -- ------------ ----
-------- ----------- --------
---- ------------ TOTAL
ASSETS...............
$333,744,392 $(10,981,119)
$126,115,167 $448,878,440 $ --
============ ============
============ ============
============ LIABILITIES AND
STOCKHOLDERS' EQUITY
Liabilities Long-term
debt............... $
73,204,167 $ -- $ -- $
73,204,167 $ -- Accounts
payable and accrued
expenses...................
11,596,030 (4,186,378)(1)
7,409,652 Deferred
revenue............. 6,418,038
-- -- 6,418,038 -- Lease
deposits...............
7,728,195 -- -- 7,728,195 -- -
----------- ----------- -----

------- ----------- ---------
--- Total
liabilities..........
98,946,430 (4,186,378) --
94,760,052 -- Minority
interest..............
2,137,500 -- -- 2,137,500 --
Stockholders' equity Preferred
stock,............. -- -- -- -
- -- Common
stock,................ 26,083
-- 13,363(2)(4) 39,446 --
Additional paid in capital...
233,678,165 -- 128,075,804(2)
(4) 361,753,969 -- Accumulated
deficit.......... (1,043,786)
(6,794,741)(1) (1,974,000)(4)
(9,812,527) -- ------------ --
---------- ----------- ------
------ ----------- Total
stockholders'
equity..................
232,660,462 (6,794,741)
126,115,167 351,980,888 -- ---
--------- ----------- -------
----- ----------- ----------
- TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY....
$333,744,392 $(10,981,119)
$126,115,167 $448,878,440 $ --
============ ============
============ ============
============
COMPANY PRO FORMA ------------
ASSETS Real estate assets
Land.........................
$ 14,654,643 Buildings and
improvements... 181,064,432
Construction in progress.....
50,529,769 Intangible lease
assets...... 8,188,120 -------
----- Gross investment in real
estate assets...........
254,436,964 Accumulated
depreciation and
amortization...............
(3,294,873) ------------ Net
investment in real estate
assets........... 251,142,091
Cash and cash
equivalents...... 141,578,197
Interest and rent
receivable... 1,195,299
Unbilled rent
receivable....... 7,458,980
Loans.........................
42,498,111 Other
assets...................
5,005,762 ------------ TOTAL
ASSETS...............
$448,878,440 ============
LIABILITIES AND STOCKHOLDERS'
EQUITY Liabilities Long-term
debt............... $
73,204,167 Accounts payable
and accrued
expenses...................
7,409,652 Deferred
revenue............. 6,418,038
Lease deposits..............
7,728,195 ------------ Total
liabilities..........
94,760,052 Minority
interest..............
2,137,500 Stockholders' equity
Preferred stock,.............
-- Common
stock,................ 39,446
Additional paid in capital...
361,753,969 Accumulated
deficit.......... (9,812,527)

------------ Total stockholders' equity.................. 351,980,888 ------------ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.... $448,878,440 ============

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 Six Months Ended June 30, 2005

PROBABLE COMPLETED
ACQUISITION ACQUISITION
TRANSACTIONS TRANSACTIONS --

------ PRO FORMA -----------
- DESERT GULF EFFECT OF GULF
VALLEY- STATES- VIBRA-
COMPLETED STATES COMPANY
HISTORICAL VICTORVILLE
COVINGTON REDDING
TRANSACTIONS HEALTH PRO
FORMA ----------- ----------
- --------- ---------- -----
------- ----------- -------
---- REVENUES Rent
income....................
$11,393,116 $534,430(5)
$555,667(6) $1,124,461(7)
$13,607,674 $1,022,076(8)
$14,629,750 Interest income
from loans..... 2,329,189 --
-- -- 2,329,189 -- 2,329,189
----------- -------- -------
- ---------- ----------- ---
------- ----------- Total
revenues...............
13,722,305 534,430 555,667
1,124,461 15,936,863
1,022,076 16,958,939
EXPENSES Depreciation and
amortization.................
1,816,403 115,315(5)
125,261(6) 274,550(7)
2,331,529 202,136(8)
2,533,665 Property
expenses..............
60,726 -- -- -- 60,726 --
60,726 General and
administrative.....
3,105,151 -- -- -- 3,105,151
-- 3,105,151 ----------- ---
----- -------- ---------- --
--------- --------- -------
---- Total operating
expenses..... 4,982,280
115,315 125,261 274,550
5,497,406 202,136 5,699,542
----------- -------- -------
- ---------- ----------- ---
------- -----------
Operating income.........
8,740,025 419,115 430,406
849,911 10,439,457 819,940
11,259,397 OTHER INCOME
(EXPENSE) Interest
income................
741,986 -- -- -- 741,986 --
741,986 Interest
expense...............
(1,542,266) -- -- --
(1,542,266) -- (1,542,266) -
---------- -------- --------
---------- ---------- -----
----- ----------- Net other
expense............
(800,280) -- -- -- (800,280)
-- (800,280) ----------- ---
----- -------- ---------- --
--------- --------- -------
---- NET

INCOME................. $
7,939,745 $419,115 $430,406
$ 849,911 $ 9,639,177 $
819,940 $10,459,117
=========== ========
======== ==========
=========== ==========
=========== NET INCOME PER
SHARE -- BASIC........... $
0.30 $ 0.27 NET INCOME PER
SHARE -- DILUTED......... $
0.30 $ 0.26 WEIGHTED AVERAGE
SHARES OUTSTANDING --
BASIC..... 26,096,813
39,459,836(9) WEIGHTED
AVERAGE SHARES OUTSTANDING -
- DILUTED... 26,105,844
39,468,867(9)

See accompanying notes to unaudited pro forma consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2004

COMPLETED ACQUISITION
TRANSACTIONS ---------

---------------- VIBRA
DESERT VALLEY- GULF
STATES- VIBRA-
HISTORICAL FACILITIES
VICTORVILLE COVINGTON
REDDING ----------- --
------------ --------
------- -------------
- ---------------
REVENUES Rent
income.............. $
8,611,344 $
9,774,139(10)
$3,228,104(11)
$1,443,520(12)
$2,259,422(13))
Interest income from
loans..................
2,282,115
2,754,934(10) -- -- --
----------- ----------
- ---------- ---------
- ---------- Total
revenues.........
10,893,459 12,529,073
3,228,104 1,443,520
2,259,422 EXPENSES
Depreciation and
amortization...........
1,478,470
1,660,526(10)
691,894(11)
285,484(12)
552,166(13) Property
expenses........
93,502 93,502(10) -- -
- -- General and
administrative.........
5,057,284 -- -- -- --
Costs of terminated
acquisitions...........
585,345 -- -- -- -- --
--------- ----------
---------- ----------
---------- Total
operating
expense..............
7,214,601 1,754,028
691,894 285,484
552,166 ----------- --
--------- ---------- -
--------- ----------
Operating income.....
3,678,858 10,775,045
2,536,210 1,158,036
1,707,256 OTHER INCOME
(EXPENSE) Interest
income..........
930,260 -- -- -- --
Interest
expense.........
(32,769) -- -- -- -- -
--------- ----------
---------- ----------
---------- Net other
income....... 897,491
-- -- -- -- ----------
- ----------- --------
-- ---------- --------

-- NET
INCOME........... $
4,576,349 $10,775,045
$2,536,210 $1,158,036
$1,707,256 ===========
=========== ==========
========== ==========
NET INCOME PER SHARE -
- BASIC..... $ 0.24
NET INCOME PER SHARE -
- DILUTED... $ 0.24
WEIGHTED AVERAGE
SHARES OUTSTANDING --
BASIC.. 19,310,833
WEIGHTED AVERAGE
SHARES OUTSTANDING --
DILUTED............
19,312,634
PROBABLE ACQUISITION
PRO FORMA TRANSACTIONS
EFFECT OF ------------
--- COMPLETED GULF
STATES COMPANY
TRANSACTIONS HEALTH
PRO FORMA ------------
--------------- ------
--------- REVENUES
Rent
income..............
$25,316,529
$2,044,150(14)
$27,360,679 Interest
income from
loans..................
5,037,049 -- 5,037,049
----------- ----------
----------- Total
revenues.........
30,353,578 2,044,150
32,397,728 EXPENSES
Depreciation and
amortization...........
4,668,540 404,271(14)
5,072,811 Property
expenses........
187,004 -- 187,004
General and
administrative.........
5,057,284 -- 5,057,284
Costs of terminated
acquisitions...........
585,345 -- 585,345 ---
-------- ---------- --
--------- Total
operating
expense..............
10,498,173 404,271
10,902,444 -----------
---------- ----------
Operating income.....
19,855,405 1,639,879
21,495,284 OTHER
INCOME (EXPENSE)
Interest
income..........
930,260 -- 930,260
Interest
expense.........
(32,769) -- (32,769) -
---------- ----------
----------- Net other
income....... 897,491
-- 897,491 -----------
---------- ----------
NET INCOME...........
$20,752,896 $1,639,879
$22,392,775
=========== ==========
=========== NET INCOME
PER SHARE --
BASIC..... $ 0.69 NET

INCOME PER SHARE --
DILUTED... $ 0.69
WEIGHTED AVERAGE
SHARES OUTSTANDING --
BASIC.. 32,673,856(15)
WEIGHTED AVERAGE
SHARES OUTSTANDING --
DILUTED............
32,675,657(15)

See accompanying notes to unaudited pro forma consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

ADJUSTMENTS FOR UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2005

(1) Record the $0.16 per share distribution declared and accrued in May 2005, and paid in July 2005, and the $0.17 per share distribution declared in August 2005, payable in September 2005.

Shares of common stock outstanding at June 30, 2005 and August, 2005	26,082,862	39,292,885	
Restricted shares issued to employees in April 2005	82,000	676,180	
Total shares	26,164,862	39,969,065	
Cash distribution per share	$ 0.16	$ 0.17	
Total cash distribution	$ 4,186,378	$ 6,794,741	$10,981,119

(2) Records the issuance of 13,175,023 common shares at a public offering price of $10.50 per share less underwriting commission and other expenses, calculated as follows:

Number of Shares Offered	13,175,023
Price per Share	$ 10.50
Gross Proceeds	$138,337,742
Less: Underwriting discounts, commissions and other transaction costs	(9,851,292)
Net proceeds from offering	$128,486,450
Common stock at par value	$ 13,175
Additional paid in capital	128,473,275
Less: Deferred offering costs incurred through June 30, 2005	(2,371,283)
Net proceeds after deducting offering costs	$126,115,167

(3) Probable Acquisition: Records the acquisition of two Gulf States Health facilities as though we acquired them on June 30, 2005. The Company has not closed on the acquisition of these facilities, but the Company believes that the acquisitions are probable.

	DENHAM SPRINGS	HAMMOND	COST TOTAL FOR GULF STATES HEALTH PROBABLE ACQUISITIONS
Land	$ 428,571	$ 734,643	$ 1,163,214
Building	5,339,532	9,152,846	14,492,378
Intangible lease assets	231,897	397,511	

629,408 ---------- ---------- -------
---- Total
cost............................
$6,000,000 $10,285,000 $16,285,000
========== =========== ===========

(4) Records compensation expense related to restricted stock awards for 106,000 shares made to senior management upon completion of our initial public offering and for 82,000 shares made to other employees on April 25, 2005, calculated by multiplying the number of shares awarded times the price per share of common stock in our initial public offering:

Shares of common stock awarded	188,000
Price per share of common stock in our initial public offering	$ 10.50
Total value of shares awarded	$1,974,000
Common stock at par value	$ 188
Additional paid in capital	1,973,812
Pro forma adjustment to accumulated deficit	$1,974,000

No adjustment for this is shown in the accompanying pro forma statement of operations since the impact is non-recurring as defined in Regulation S-X 210.11-02(b)(5).

ADJUSTMENTS FOR UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2005:

(5) Completed Acquisition: Records six months of rent income for the Desert Valley -- Victorville facility as though we owned it from January 1, 2005, to June 30, 2005. This facility was acquired on February 28, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the Desert Valley -- Victorville for the six months ended June 30, 2005 consists of the following:

	RENT
Annual rent income	$ 3,228,104
Rent income for six months of the first year	1,614,052
Historical rent for the period February 28 - June 30, 2005	(1,079,622)
Pro forma rent income	$ 534,430

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 six months ended June 30, 2005 as though the properties were occupied on January 1, 2005.

HISTORICAL DEPRECIATION AND ANNUAL DEPRECIATION AND AMORTIZATION FOR PRO FORMA DEPRECIATION AND AMORTIZATION FOR FEBRUARY 28 - DEPRECIATION AND COST AMORTIZATION SIX MONTHS JUNE 30, 2005 AMORTIZATION --
--------- ----------
------ ------------
--- ---------------

Land	$ 2,000,000	$ --	$ --	$ --	$ --
Buildings	24,994,553	624,864	312,432	208,288	104,144
Intangible lease assets	1,005,447	67,030	33,515	22,344	11,171
	$28,000,000	$691,894	$345,947	$230,632	$115,315

(6) Completed Acquisition: Records six months of rent income for the Gulf States -- Covington facility as though we owned it from January 1, 2005, to June 30, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the

lessee. Pro forma rent income for the facility for the six months ended June 30, 2005 consists of the following:

	RENT
Annual rent income..	$1,252,210
Rent income for six months of the first year................	$ 626,105
Historical rent from June 10 to June 30, 2005...............	(70,438)
Additional pro forma rent income...........................	$ 555,667

Depreciation of the building (straight line using a 40-year life) and amortization of the intangible lease assets (straight-line using a 15 year life) for the six months ended June 30, 2005 as though the property was occupied on January 1, 2005.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION FOR SIX MONTHS	HISTORICAL DEPRECIATION AND AMORTIZATION FOR JUNE 9-JUNE 30, 2005	ADDITIONAL PRO FORMA DEPRECIATION AND AMORTIZATION
Land..................	$ 821,429	$ --	$ --	$ --	$ --
Buildings............	10,234,101	255,853	127,927	14,220	113,707
Intangible lease assets.............	444,470	29,631	14,816	3,262	11,554
	$11,500,000	$285,484	$142,743	$17,482	$125,261

(7) Completed Acquisition: Records six months of rent income for the Vibra -- Redding facility as though we owned it from January 1, 2005, to June 30, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the facility for the six months ended June 30, 2005 consists of the following:

Annual rent income..	$2,259,422
Rent income for six months of the first year................	$1,129,711

Historical rent for the one day of June 30, 2005............	(5,250)

Additional pro forma rent income............................	$1,124,461
	==========

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the three months ended June 30, 2005 as though the property was occupied on January 1, 2005.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION FOR SIX MONTHS JUNE 30, 2005	HISTORICAL DEPRECIATION AND AMORTIZATION	PRO FORMA DEPRECIATION AND AMORTIZATION
	-----------	----------	------------	---------------	---------------
Land.................	$ --	$ --	$ --	$ --	$ --
Buildings............	19,948,022	498,701	249,351	1,386	247,965
Intangible lease assets.............	801,978	53,465	26,733	148	26,585
		--------	--------	-------	--------
		$552,166	$276,084	$ 1,534	$274,550
		========	========	=======	========

(8) Probable Acquisition: Records six months of rent income for the two Gulf States Health facilities as though we owned them from January 1, 2005, to June 30, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro

forma rent income for the two Gulf States Health facilities for the six months ended June 30, 2005 consists of the following:

	ANNUAL RENT	SIX MONTHS RENT
Gulf States -- Denham Springs	$ 753,141	$ 376,571
Gulf States -- Hammond	1,291,009	645,505
	$2,044,150	$1,022,076

Depreciation of buildings (straight line using a 40 year life) and amortization of intangibles (straight-line using a 15 year life) for the six months ended June 30, 2005 as though the properties were occupied on January 1, 2005.

	COST		ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION FOR SIX MONTHS
	DENHAM SPRINGS	HAMMOND		
Land	$ 428,571	$ 734,643	$ --	$ --
Buildings	5,339,532	9,152,846	362,310	181,155
Intangible lease assets	231,897	397,511	41,961	20,981
	$6,000,000	$10,285,000	$404,271	$202,136

(9) Pro forma weighted average shares outstanding, basic and diluted, are calculated as follows:

	BASIC	DILUTED
Historical	26,096,813	26,105,844
Effect of our initial public offering	13,175,023	13,175,023
Restricted shares awarded to management and employees	188,000	188,000
Pro forma weighted average shares	39,459,836	39,468,867

The shares issued in our initial public offering and the restricted shares awarded to management and employees are shown as though they were issued on January 1, 2005.

ADJUSTMENTS FOR UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2004:

(10) Completed Acquisition: Records year of rent income for the six Vibra initial property purchases as though we owned them from January 1, 2004, to December 31, 2004. Rent income is based on the monthly straight-line rent (as required by SFAS No. 13) for each property. Rent income from the Vibra properties is as follows:

	ANNUAL RENT
Bowling Green	$ 5,471,964
Fresno	2,675,182
Kentfield	1,094,393
Marlton	4,752,598
New Bedford	3,171,528
Denver	1,219,818
TOTAL	18,385,483
Historical rent income for July 1 - December 31, 2004	8,611,344
Pro forma rent income	$ 9,774,139

Records interest income from loans to Vibra entities as though the loans were made on January 1, 2004 and interest income was earned for the year ended December 31, 2004, at the stated rate of 10.25%.

	LOANS	ANNUAL INTEREST INCOME
Bowling Green	$11,771,389	$1,206,567
Fresno	6,561,308	672,534
Kentfield	5,422,387	555,795
Marlton	11,203,366	1,148,345
New Bedford	8,361,930	857,098
Denver	5,821,564	596,710
TOTAL	$49,141,944	5,037,049
Historical interest income for July 1 - December 31, 2004		2,282,115
Pro forma interest income		$2,754,934

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

	ANNUAL DEPRECIATION	ANNUAL AMORTIZATION	TOTAL DEPRECIATION AND AMORTIZATION
Bowling Green	$ 839,268	$104,736	$ 944,004
Fresno	409,080	51,204	460,284
Kentfield	119,124	23,808	142,932
Marlton	772,572	90,972	863,544
New Bedford	494,304	60,384	554,688
Denver	150,324	23,220	173,544
TOTAL	2,784,672	354,324	3,138,996
Historical depreciation and amortization for July 1 - December 31, 2004	1,311,757	166,713	1,478,470
Pro forma depreciation and amortization	$1,472,915	$187,611	$1,660,526

Property expenses consist primarily of payments for the ground lease at Marlton for the year ended December 31, 2004.

(11) Completed Acquisition: Records one year of rent income for the Desert Valley -- Victorville facility as though we owned it from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the Desert Valley -- Victorville for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Desert Valley -- Victorville	$3,228,104

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the year ended December 31, 2004 as though the properties were occupied on January 1, 2004.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION
Land	$ 2,000,000	$ --
Buildings	24,994,553	624,864
Intangible lease assets	1,005,447	67,030
	$28,000,000	$691,894

(12) Completed Acquisition: Records one year of rent income for the Gulf States -- Covington facility as though we owned it from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the facility for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Gulf States -- Covington	$1,443,520

Depreciation of the building (straight line using a 40 year life) and amortization of the intangible lease asset (straight-line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION
Land	$ 821,429	$ --
Buildings	10,234,101	255,853
Intangible lease assets	444,470	29,631
	$11,500,000	$285,484

(13) Completed Acquisition: Records one year of rent income for the Vibra -- Redding facility as though we owned it from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the facility for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Vibra -- Redding	$2,259,422

Depreciation of the building (straight line using a 40 year life) and amortization of the intangible lease asset (straight-line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION
Buildings	$19,948,022	$498,701
Intangible lease assets	801,978	53,465
	$20,750,000	$552,166

(14) Probable Acquisition: Records one year of rent income for the three Gulf States Health facilities as though we owned them from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreement between the Company and the lessee. Pro forma rent income for the Gulf States Health facilities for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Gulf States -- Denham Springs	$ 753,141
Gulf States -- Hammond	1,291,009
	$2,044,150

Depreciation of buildings (straight-line using a 40 year life) and amortization of intangible lease assets (straight-line using a fifteen year life) for the year ended December 31, 2004 as though the properties were occupied on January 1, 2004.

	COST		ANNUAL DEPRECIATION AND AMORTIZATION
	DENHAM SPRINGS	HAMMOND	
Land	$ 428,571	$ 734,643	$ --
Buildings	5,339,532	9,152,846	362,310
Intangible lease assets	231,897		

397,511 41,961 ---------- ----------- --
------ $6,000,000 $10,285,000 $404,271
========== =========== ========

(15) Pro forma weighted average shares outstanding, basic and diluted, are calculated as follows:

	BASIC	DILUTED
Historical	19,310,833	19,312,634
Effect of our initial public offering	13,175,023	13,175,023
Restricted shares awarded to management and employees	188,000	188,000
Pro forma weighted average shares	32,673,856	32,675,657

The shares issued in our initial public offering and the restricted shares awarded to management and employees are shown as though they were issued on January 1, 2004.

Staff Accounting Bulletin (SAB) Topic 1.B.3 requires that basic and diluted earnings per share should be calculated based on the pro forma effect of shares assumed to be issued when dividends are paid in excess of earnings. As of June 30, 2005, cumulative net income for 2004 and the six months ended June 30, 2005, totaled $12,516,094. Cumulative distributions, including the distributions declared May 20, 2005, and August 18, 2005, totaled $19,327,636, resulting in excess distributions during the period of $6,811,542. The pro forma weighted average shares in our unaudited consolidated statement of operations for the six months ended June 30, 2005, assume the issuance of 648,718 shares at an offering price of $10.50 per share, or proceeds of $6,811,542 to pay these distributions in excess of net income. See unaudited Note 13 at page F-36 for related pro forma presentation.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2005 and December 31, 2004

	JUNE 30, 2005 (UNAUDITED)	DECEMBER 31, 2004
ASSETS		
Real estate assets		
Land	$ 13,491,429	$ 10,670,000
Buildings and improvements	166,572,054	111,387,232
Construction in progress	50,529,769	24,318,098
Intangible lease assets	7,558,712	5,314,963
Gross investment in real estate assets	238,151,964	151,690,293
Accumulated depreciation	(2,927,987)	(1,311,757)
Accumulated amortization	(366,886)	(166,713)
Net investment in real estate assets	234,857,091	150,211,823
Cash and cash equivalents	34,357,866	97,543,677
Interest and rent receivable	1,195,299	419,776
Unbilled rent receivable	7,458,980	3,206,853
Loans	48,498,111	50,224,069
Other assets	7,377,045	4,899,865
TOTAL ASSETS	$333,744,392	$306,506,063
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Debt	$ 73,204,167	$ 56,000,000
Accounts payable and accrued expenses	11,596,030	10,903,025
Deferred revenue	6,418,038	3,578,229
Lease deposit	7,728,195	3,296,365
Total liabilities	98,946,430	73,777,619
Minority interests	2,137,500	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 shares at June 30, 2005 and December 31, 2004	26,083	26,083
Additional paid in capital	233,678,165	233,626,690
Accumulated deficit	(1,043,786)	(1,924,329)
Total stockholders' equity	232,660,462	231,728,444
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$333,744,392	$306,506,063

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	JUNE 30, 2005	JUNE 30, 2004	JUNE 30, 2005	JUNE 30, 2004
REVENUES				
Rent billed...........................	$ 4,692,328	$ --	$ 8,615,377	$ --
Unbilled rent.........................	1,432,298	--	2,777,739	--
Interest income from loans............	1,117,151	--	2,329,189	--
Total revenues.....................	7,241,777	--	13,722,305	--
EXPENSES				
Real estate depreciation and amortization.......................	973,996	--	1,816,403	--
General and administrative............	1,415,067	1,212,457	3,165,877	1,697,961
Costs of terminated acquisitions.......	--	336,724	--	336,724
Total operating expenses...........	2,389,063	1,549,181	4,982,280	2,034,685
Operating income (loss)..........	4,852,714	(1,549,181)	8,740,025	(2,034,685)
OTHER INCOME (EXPENSE)				
Interest income.......................	358,214	479,289	741,986	479,289
Interest expense......................	(831,117)	--	(1,542,266)	(8,222)
Net other (expense) income..........	(472,903)	479,289	(800,280)	471,067
NET INCOME (LOSS).................	$ 4,379,811	$(1,069,892)	$ 7,939,745	$(1,563,618)
NET INCOME (LOSS) PER SHARE, BASIC.........................	$ 0.17	$ (0.04)	$ 0.30	$ (0.13)
WEIGHTED AVERAGE SHARES OUTSTANDING -- BASIC..........	26,096,021	24,397,524	26,096,813	12,459,716
NET INCOME (LOSS) PER SHARE, DILUTED.......................	$ 0.17	$ (0.04)	$ 0.30	$ (0.13)
WEIGHTED AVERAGE SHARES OUTSTANDING -- DILUTED........	26,110,119	24,399,813	26,105,844	12,460,860

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

FOR THE SIX MONTHS ENDED ---------------------------- JUNE 30, 2005 JUNE 30, 2004 ------------ ------------ OPERATING ACTIVITIES Net income (loss)....................................... $ 7,939,745 $ (1,563,618) Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities Depreciation and amortization........................ 1,886,454 1,784 Amortization of deferred financing costs............. 449,762 -- Unbilled rent revenue................................ (2,777,739) -- Share based payments................................ 122,766 -- Other adjustments................................... (129,768) -- Increase in: Interest and rent receivable......................... (775,523) -- Other assets... (1,088,749) (235,463) Increase (decrease) in: Accounts payable and accrued expenses................ (3,493,372) 125,268 Deferred revenue.................................... 1,264,502 -- Lease deposits...................................... 70,493 -- ------------ ----------- Net cash provided by (used for) operating activities...... 3,468,571 (1,672,029) INVESTING ACTIVITIES Real estate acquired.................................. (56,513,944) -- Principal received on loans receivable................. 7,725,958 -- Investment in loans receivable......................... (4,934,772) -- Construction in progress............................... (26,420,931) (21,427,781) Equipment acquired.................................... (122,066) (137,006) ------------ ----------- Net cash used for investing activities................... (80,265,755) (21,564,787) FINANCING ACTIVITIES Addition to debt...................................... 19,000,000 -- Proceeds from loan payable............................. -- 200,000 Payment of loan payable................................ -- (300,000) Payments of debt...................................... (1,795,833) -- Deferred financing and offering costs.................. (1,786,178) -- Payments for deferred stock units..................... (75,000) -- Distributions paid.................................... (2,869,116) -- Proceeds from sale of common shares, net of offering costs.. -- 233,738,967 Sale of partnership units............................. 1,137,500 -- ------------ ------------ Net cash provided by financing activities................. 13,611,373 233,638,967 ------------ ------------ Increase in cash and cash equivalents for period.......... (63,185,811) 210,402,151 Cash and cash equivalents at beginning of period........ 97,543,677 100,000 ------------ ------------ CASH AND CASH EQUIVALENTS AT END OF PERIOD.................. $ 34,357,866 $210,502,151 ============ ============ Interest paid, net of capitalized interest of $1,003,779 in 2005.. $ 2,096,283 $ -- Supplemental schedule of non-cash investing activities: Unbilled rent receivables recorded as deferred revenue.... $ 1,474,387 -- Additions to real estate and loans receivable recorded as lease and loan deposits................................ 8,773,312 --

Additions to real estate and loans receivable recorded as deferred revenue.. 389,309 -- Supplemental schedule of non-cash financing activities: Additions to stockholders equity from share based payments.. $ 126,475 $ -- Distributions declared, unpaid............................ 4,186,377 --

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED)

1. ORGANIZATION

Medical Properties Trust, Inc., a Maryland corporation (the Company), was formed on August 27, 2003 under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in and owning commercial real estate. The Company's operating partnership subsidiary, MPT Operating Partnership, L.P. (the Operating Partnership), was formed in September 2003. Through another wholly owned subsidiary, Medical Properties Trust, LLC, the Company is the sole general partner of the Operating Partnership. The Company 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.

The Company's primary business strategy is to acquire and develop real estate and improvements, primarily for long term lease to providers of healthcare services such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. The Company 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.

On July 13, 2005, the Company completed the sale of 11,365,000 shares of common stock in an initial public offering (IPO) at a price of $10.50 per share. On August 5, 2005, the underwriters purchased an additional 1,810,023 shares at the same offering price, less an underwriting commission of seven percent and expenses pursuant to their over-allotment option. (See Note 7).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation: Property holding entities and other subsidiaries of which the Company owns 100% of the equity or has a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which the Company owns less than 100% of the equity interest, the Company consolidates the property if it has the direct or indirect ability to make decisions about the entities' activities based upon the terms of the respective entities' ownership agreements. For entities in which the Company owns less than 100% and

does not have the direct or indirect ability to make decisions but does exert significant influence over the entities' activities, the Company records its ownership in the entity using the equity method of accounting.

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

Unaudited Interim Consolidated Financial Statements: The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

3. REAL ESTATE AND LENDING ACTIVITIES

In February 2005, Vibra Healthcare, LLC (Vibra) repaid $7.8 million of principal and interest on its loans from the Company. The payments left a $41.4 million loan payable to the Company by Vibra. The Company has no commitments to make additional loans to Vibra.

In February 2005, the Company purchased a general acute care hospital (Victorville) for $28.0 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 15 year lease of the hospital back to the seller, with renewal options for three additional five year terms.

In June 2005, the Company completed two transactions with the owner of two long-term acute care hospitals. In one transaction, the Company purchased a long-term acute care hospital (Covington) for $11.5 million. The purchase price was paid from loan proceeds and from the proceeds of the Company's private placement. Upon closing the purchase of Covington, the Company and the seller entered into a 15 year lease of the hospital back to the seller, with renewal options for three additional five year terms. In a second transaction, in connection with our proposed acquisition of another long-term acute care hospital (Denham Springs) from the same owner, the Company made a 15 year, interest only mortgage loan of $6.0 million, $500,000 of which is being held in escrow pending the resolution of certain environmental issues regarding the facility. If these environmental issues are resolved to the Company's satisfaction, the escrowed funds will be released and the Company will proceed

to acquire Denham Springs. The loan accrues interest at a rate of 10.5% per year, subject to escalation, and provides for monthly payments of interest only.

In June 2005, the Company purchased a rehabilitation hospital (Vibra-Redding) for $20.75 million from Vibra. The purchase price was paid from loan proceeds and from the proceeds of the Company's private placement. Upon closing the purchase of Vibra-Redding, the Company and Vibra entered into a 15 year lease of the hospital back to Vibra, with renewal options for three additional five year terms. The lease is cross-defaulted with the Company's other Vibra loan and leases. The Company has withheld

$2.75 million of the purchase price contingent on conversion of the facility to a long-term acute care hospital and other facility improvements which the Company expects the lessee to make during the next 12 months. If the conversion and improvements are not made, the Company has no obligation to pay the withheld amounts.

In June 2005, the Company closed on a loan with a local operator to fund the construction and development of a community hospital (North Cypress). The total loan commitment is approximately $64.0 million. The Company has the option to purchase North Cypress at the end of construction at which time the Company will enter into a 15 year lease with the operator. During the construction phase, the Company also plans to purchase the land, currently being subleased by the Company, on which North Cypress is being built. The Company has advanced approximately $1.9 million to the operator at June 30, 2005, for construction of the facility. The Company has included this transaction in construction in progress in its consolidated balance sheet at June 30, 2005.

The Company has recorded the following assets from the acquisitions of Victorville, Covington and Vibra-Redding:

Land	$ 2,821,429
Buildings	55,184,822
Intangible lease assets	2,243,749
	$60,250,000

4. DEBT

At June 30, 2005, the Company had outstanding borrowings of approximately $73.2 million pursuant to a term loan agreement. The loan agreement requires monthly payments based on a 20 year amortization schedule and interest at the one month London Interbank Offered Rate (LIBOR) plus 300 basis points (6.56% at June 30, 2005). The loan is secured by 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. On August 4, 2005, the Company prepaid $31.9 million of principal on the term loan.

Maturities of debt at June 30, 2005, for each successive twelve month period are as follows:

2006	$ 3,750,000
2007	3,750,000
2008	65,704,167
	$73,204,167

The Company has signed a term sheet with the same lender for a $100 million revolving credit facility to replace the existing loan.

5. STOCK AWARDS

In February 2005, the Company awarded 7,500 deferred stock units valued at $10.00 per share to three new independent directors elected to the Company's board. The total value of $75,000 was recorded as additional paid-in-capital in the consolidated balance sheet and an expense in the consolidated income statement on the date of the awards. The Company also awarded 60,000 stock options to the new directors, of which one-third vested immediately, one-third vest one year from the date of grant, and one-third vest two years from the date of grant. The Company follows APB No. 25 and related Interpretations

in accounting for stock options. In accordance with APB No. 25, no compensation expense has been recorded for stock options.

In April 2005, the Company awarded to employees 82,000 shares of restricted common stock valued at $10.00 per share. Fifty-two thousand of these shares vest over a period of five years beginning one year from the date of the Company's IPO (July 7, 2005). Thirty thousand of these shares vest quarterly over a three year period beginning September 30, 2005. The Company is recording compensation expense over the vesting period.

6. EARNINGS PER SHARE

The following is a reconciliation of the weighted average shares used in net income per common share to the weighted average shares used in net income per common share -- assuming dilution for the six months ended June 2005 and 2004, respectively:

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Historical weighted average shares				
Weighted average number of shares issued and outstanding	26,082,862	24,397,524	26,082,862	12,459,716
Vested deferred stock units	13,159	--	13,951	--
Weighted average shares -- basic	26,096,021	24,397,524	26,096,813	12,459,716
Common stock warrants and options	14,098	2,289	9,031	1,144
Weighted average shares -- diluted	26,110,119	24,399,813	26,105,844	12,460,860

Staff Accounting Bulletin (SAB) Topic 1.B.3 requires that basic and diluted earnings per share must be calculated based on the pro forma effect of shares assumed to be issued in an initial public offering when dividends are paid in

excess of earnings. As of June 30, 2005, cumulative net income for 2004 and the six months ended June 30, 2005, totaled $12,516,094. Cumulative distributions, including the distributions declared May 20, 2005, and August 18, 2005, totaled $19,327,636, resulting in excess distributions during this period of $6,811,542. The pro forma weighted average shares in the table below assumes the issuance of 648,718 shares at an offering price of $10.50 per share, or proceeds of $6,811,542, to pay these distributions in excess of net income.

	BASIC	DILUTED
Pro forma weighted average shares for the six months ended June 30, 2005:		
Historical from above	26,096,813	26,105,844
Pro forma effect of assumed additional shares	648,718	648,718
Pro forma weighted average shares	26,745,531	26,754,562
Pro forma earnings per share	$ 0.30	$ 0.30

The pro forma effect of this excess distribution of $6,811,542 on the June 30, 2005 consolidated balance sheet would be to reduce cash and cash equivalents to a balance of $90,732,135 and to increase the accumulated deficit to a balance of $8,735,871.

7. INITIAL PUBLIC OFFERING AND ISSUANCE OF COMMON STOCK

On July 13, 2005, the Company completed the sale of 11,365,000 shares of common stock in its IPO at a price of $10.50 per share, less underwriters' discount and expenses. On August 5, 2005, the underwriters exercised their option to purchase an additional 1,810,023 shares at the same offering price, less underwriters' discount and expenses. Our proceeds from the IPO and exercise of the over-allotment option, before deducting offering costs of $2.4 million at June 30, 2005, are as follows:

Gross proceeds	$138,337,742
Underwriters' discount	(9,683,642)
Expenses	(167,650)

Net proceeds	$128,486,450
	============

8. COMMITMENTS AND CONTINGENCIES

The Company entered into two ground leases for its North Cypress development project. Under the ground lease covering the larger tract of land, the Company has the right to purchase the land during the construction phase. The Company currently intends to exercise its purchase rights. Under the ground lease covering the smaller tract of land, the Company can terminate the lease when certain specified improvements are made to the larger land tract. The Company currently intends to make such improvements during the construction phase of the project. The ground leases are for 99 years and require payments of approximately $502,000 during each of the first five years of the leases. The Company is subleasing the land to the tenant in an amount and for a term equal to the lease payments which the Company makes to the owners of the land. However, collection of the sublease rent is being deferred until completion of construction at which time the tenant will begin making all previously deferred sublease payments.

Upon the acquisition of the Vibra-Redding facility, the Company assumed a ground lease with a remaining term of approximately 70 years. The Company's lease of the facility to Vibra requires that Vibra make all ground lease payments to the ground lessor. The ground lease payments are approximately $21,000 per year, escalating at four percent per year for the remaining term of the ground lease.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 2004 and for the period from inception (August 27, 2003) to December 31, 2003. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement Schedule III. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the year ended December 31, 2004 and for the period from inception (August 27, 2003) to December 31, 2003 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ KPMG LLP

Birmingham, Alabama
March 16, 2005

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2004 and December 31, 2003

	DECEMBER 31, 2004	DECEMBER 31, 2003
ASSETS		
Real estate assets		
Land	$ 10,670,000	$ --
Buildings and improvements	111,387,232	--
Construction in progress	24,318,098	166,301
Intangible lease assets	5,314,963	--
Gross investment in real estate assets	151,690,293	166,301
Accumulated depreciation	(1,311,757)	--
Accumulated amortization	(166,713)	--
Net investment in real estate assets	150,211,823	166,301
Cash and cash equivalents	97,543,677	100,000
Interest receivable	419,776	--
Unbilled rent receivable	3,206,853	--
Loans receivable	50,224,069	--
Other assets	4,899,865	201,832
TOTAL ASSETS	$306,506,063	$ 468,133
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities		
Long-term debt	$ 56,000,000	$ --
Accounts payable and accrued expenses	10,903,025	1,389,779
Deferred revenue	3,578,229	--
Lease deposit	3,296,365	--
Loan payable	--	100,000
Total liabilities	73,777,619	1,489,779
Minority interest	1,000,000	--
Stockholders' equity (deficit)		
Preferred stock, $0.001 par value. Authorized 10,000,000 shares; no shares outstanding	--	--
Common stock, $0.001 par value. Authorized 100,000,000 shares; issued and outstanding -- 26,082,862 shares at December 31, 2004 and 1,630,435 shares at December 31, 2003	26,083	1,630
Additional paid in capital	233,626,690	--
Accumulated deficit	(1,924,329)	(1,023,276)
Total stockholders' equity (deficit)	231,728,444	(1,021,646)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$306,506,063	$ 468,133

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
For The Year Ended December 31, 2004 and
Period from Inception (August 27, 2003) through December 31, 2003

	YEAR ENDED DECEMBER 31, 2004	PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003
REVENUES		
Rent billed	$ 6,162,278	$ --
Unbilled rent	2,449,066	--
Interest income from loans	2,282,115	--
Total revenues	10,893,459	--
EXPENSES		
Real estate depreciation	1,311,757	--
Amortization of intangible lease assets	166,713	--
Other property expenses	93,502	--
General and administrative	5,057,284	992,418
Costs of terminated acquisitions	585,345	30,858
Total operating expenses	7,214,601	1,023,276
Operating income (loss)	3,678,858	(1,023,276)
OTHER INCOME (EXPENSE)		
Interest income	930,260	--
Interest expense	(32,769)	--
Net other income	897,491	--
NET INCOME (LOSS)	$ 4,576,349	$(1,023,276)
NET INCOME (LOSS) PER SHARE, BASIC	$ 0.24	$ (0.63)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC	19,310,833	1,630,435
NET INCOME (LOSS) PER SHARE, DILUTED	$ 0.24	$ (0.63)
WEIGHTED AVERAGE SHARES OUTSTANDING, DILUTED	19,312,634	1,630,435

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For The Year Ended December 31, 2004 and
Period from Inception (August 27, 2003) through December 31, 2003

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)
For the Year Ended December 31, 2004
and Period from Inception (August 27, 2003) through December 31, 2003

	PREFERRED		COMMON				TOTAL
	SHARES	PAR VALUE	SHARES	PAR VALUE	ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	STOCKHOLDERS' EQUITY
BALANCE AT INCEPTION (AUGUST 27, 2003)	--	$ --	--	$ --	$ --	$ --	$ --
Issuance of common stock	--	--	1,630,435	1,630	--	--	1,630
Net loss	--	--	--	--	--	(1,023,276)	(1,023,276)
BALANCE AT DECEMBER 31, 2003	--	--	1,630,435	1,630	--	(1,023,276)	(1,021,646)
Redemption of founders' shares	--	--	(1,108,527)	(1,108)	1,108	--	--
Issuance of common stock in private placement (net of offering costs)	--	--	25,560,954	25,561	233,476,082	--	233,501,643
Value of warrants issued	--	--	--	--	24,500	--	24,500
Deferred stock units issued to directors	--	--	--	--	125,000	--	125,000
Distributions declared ($.21 per common share)	--	--	--	--	--	(5,477,402)	(5,477,402)
Net income	--	--	--	--	--	4,576,349	4,576,349
BALANCE AT DECEMBER 31, 2004	--	$ --	26,082,862	$26,083	$233,626,690	$(1,924,329)	$231,728,444

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND
PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003

1. ORGANIZATION

Medical Properties Trust, Inc., a Maryland corporation (the Company), was formed on August 27, 2003 under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in and owning commercial real estate. The Company's operating partnership subsidiary, MPT Operating Partnership, L.P. (the Operating Partnership), was formed in September 2003. Through another wholly owned subsidiary, Medical Properties Trust, LLC, the Company is the sole general partner of the Operating Partnership. The Company presently owns directly all of the limited partnership interests in the Operating Partnership.

The Company succeeded to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed in December 2002. On the day of formation, the Company issued 1,630,435 shares of common stock, and the membership interests of Medical Properties Trust, LLC were transferred to the Company. Medical Properties Trust, LLC had no assets, but had incurred liabilities for costs and expenses related to acquisition due diligence, a planned offering of common stock, consulting fees and office overhead in an aggregate amount of approximately $423,000, which was assumed by the Operating Partnership and has been included in the accompanying consolidated statement of operations.

The Company's primary business strategy is to acquire and develop real estate and improvements, primarily for long term lease to providers of healthcare services such as operators of inpatient physical rehabilitation hospitals, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. The Company considers this to be a single business segment as defined in Statement of Financial Accounting Standard (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information.

On April 6, 2004, the Company completed the sale of 25.6 million shares of common stock in a private placement to qualified institutional buyers and accredited investors. The Company received $233.5 million after deducting offering costs. The proceeds are being used to purchase properties, to pay debt and accrued expenses and for working capital and general corporate purposes.

The Company has filed with the Securities and Exchange Commission (SEC) a Form S-11 registration statement for an Initial Public Offering (IPO) of common stock. The Company has not determined the number of shares nor price per share to be offered in the IPO.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation: Property holding entities and other subsidiaries of which the Company owns 100% of the equity or has a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which the Company owns less than 100% of the equity interest, the Company consolidates the property if it has the direct or indirect ability to make decisions about the entities' activities based upon the terms of the respective entities' ownership agreements. For entities in which the Company owns less than 100% and does not have the direct or indirect ability to make decisions but does exert significant influence over the entities' activities, the Company records its ownership in the entity using the equity method of accounting.

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

Cash and Cash Equivalents: Certificates of deposit and short-term investments with remaining maturities of three months or less when acquired and money-market mutual funds are considered cash equivalents.

Deferred Costs: Costs incurred prior to the completion of offerings of stock or other capital instruments that directly relate to the offering are deferred and netted against proceeds received from the offering. Costs incurred in connection with anticipated financings and refinancing of debt are capitalized as deferred financing costs in other assets and amortized over the lives of the related loans as an addition to interest expense to produce a constant effective yield on the loan (interest method). Costs that are specifically identifiable with, and incurred prior to the completion of, probable acquisitions are deferred and capitalized upon closing. The Company begins deferring costs when the Company and the seller have executed a letter of intent (LOI), commitment letter or similar document for the purchase of the property by the Company. Deferred acquisition costs are expensed when management determines that the acquisition is no longer probable. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to lessees are recognized as a reduction in interest income over the life of the loan by the interest method.

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

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

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

The Company records above-market and below-market in-place lease values, if any, for its facilities which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The Company amortizes any resulting capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The Company amortizes any resulting capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. Because the Company's strategy largely involves the origination of long term lease arrangements at market rates, management does not expect the above-market and below-market in-place lease values to be significant for many anticipated transactions.

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

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

The Company amortizes the value of in-place leases, if any, to expense over the initial term of the respective leases, which range primarily from 10 to 15 years. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event will the amortization period for intangible assets exceed the remaining depreciable life of the

building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

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

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

Real estate is carried at depreciated cost. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. In accordance with SFAS No. 144, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of assets. For assets held for sale, impairment is measured as the difference between carrying value and fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest.

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

Loans Receivable: Real estate related loans consist of working capital loans and long-term loans. Interest income on loans is recognized as earned based upon the principal amount outstanding. The working capital and long-term loans are generally secured by interests in receivables and corporate and individual guaranties.

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

Net Income (Loss) Per Share: The Company reports earnings per share pursuant to SFAS No. 128, Earnings Per Share. Basic net income (loss) per share is computed by dividing the net income (loss) to common stockholders by the weighted average number of common shares and potential common stock outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the assumed conversion of all potentially dilutive outstanding share options.

Income Taxes: For the period from January 1, 2004 through April 5, 2004, the Company has elected Sub-chapter S status for income tax purposes, at which time the Company filed its final tax returns as a Sub-chapter S company. Since April 6, 2004, the Company has conducted its business as a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986, as

amended (the Code). The Company will file its initial tax return as a REIT for the period from April 6, 2004, through December 31, 2004, at which time it must formally make an election to be taxed as a REIT. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute to shareholders at least 90% of its ordinary taxable income. As a REIT, the Company generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution to shareholders. However, the Company believes that it will be organized and operate in such a manner as to qualify for treatment as a REIT and intends to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

The Company's financial statements include the operations of a taxable REIT subsidiary, MPT Development Services, Inc. (MDS) that is not entitled to a dividends paid deduction and is subject to federal, state and local income taxes. MDS is authorized to provide property development, leasing and management services for third-party owned properties and makes loans to lessees and operators.

Stock-Based Compensation: The Company currently sponsors a stock option and restricted stock award plan that was established in 2004. The Company accounts for its stock option plan under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25) and related interpretations. Under APB No. 25, no expense is recorded for options which are exercisable at the price of the Company's stock at the date the options are granted. Deferred compensation on restricted stock relates to the issuance of restricted stock to employees and directors of the Company. Deferred compensation is amortized to compensation expense based on the passage of time and certain performance criteria.

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

Reclassifications: Certain reclassifications have been made to the 2003 consolidated financial statements to conform to the 2004 consolidated financial statement presentation. These reclassifications have no impact on shareholders' equity or net income.

New Accounting Pronouncements: The following is a summary of recently issued accounting pronouncements which have been issued but not yet adopted by the Company and which could have a material effect on the Company's financial position and results of operations.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), Share-Based Payment, which is a revision of SFAS No. 123(R), Accounting for Stock Based

Compensation. SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS No. 123(R), only certain pro-forma disclosures of fair value were required. SFAS No. 123(R) becomes effective for public companies with their first annual reporting period that begins after June 15, 2005. For non-public companies, the standard becomes effective for their first fiscal year beginning after December 15, 2005. The Company does not expect SFAS No. 123(R) to have a material effect on its financial position or the results of its operations.

3. PROPERTY ACQUISITIONS AND LOANS

On July 1, 2004, the Company purchased four rehabilitation facilities at a price of $96.8 million, which were then leased to a new operator of the facilities, Vibra Healthcare, LLC and its operating subsidiaries (collectively, Vibra). The Company also made loans of $33.3 million to Vibra. On August 18, 2004, the Company purchased two additional rehabilitation facilities for $30.6 million, which were then leased to Vibra, and made additional loans to Vibra of $13.8 million. The Company made an additional $2 million loan to Vibra on October 1, 2004. Loans totaling $42.9 million accrue interest at the rate of 10.25% per year and are to be paid over 15 years with interest only for the first three years and the principal balance amortizing over the remaining 12 year period. Loans totaling $6.2 million accrue interest at the rate of 10.25% per year. Vibra will pay fees of $1.5 million to the Company for transacting the leases and loans. The Company has determined that Vibra is a variable interest entity as defined by FIN 46-R. The Company has also determined that it is not the primary beneficiary of Vibra and, therefore, has not consolidated Vibra in the Company's consolidated financial statements. For the year ended December 31, 2004, Vibra has been the only tenant which is required to make payments under operating leases and loans from the Company.

The Company recorded intangible lease assets of $5,314,963 representing the estimated value of the Vibra leases which were entered into at the date the Company acquired the facilities. The Company recorded amortization expense of $166,713 and expects to recognize amortization expense of $354,324 in each of the next five years.

As security for the loans, each of the Vibra tenants and Vibra have granted the Company a security interest in their respective rights to receive payments, directly or indirectly, for any goods or services provided to any persons or entities; any records or data related to those rights; and all cash and non-cash proceeds resulting from those rights. As additional security, Vibra has pledged to the Company all of its interests in each of the tenants. One individual is the majority owner of Vibra, The Hollinger Group and Vibra Management, LLC. The owner of Vibra has pledged his interest in Vibra to secure the loans. In addition, The Hollinger Group and Vibra Management have guaranteed the loans. The owner of Vibra has also provided a $5 million personal guarantee.

4. LONG-TERM DEBT AND LOAN PAYABLE

In 2003, the Company entered into a loan agreement which provided for maximum borrowings of $300,000 if certain conditions were met by the Company. Borrowings under the agreement ($100,000 at December 31, 2003) accrued interest at 20% per annum and were due upon the earlier of (i) the third business day following the funding of the Company's private placement or (ii) March 29, 2004. During the first three months of 2004, the Company increased its borrowings on the loan to $300,000, which was paid

in full in April 2004. Contemporaneous with the private placement, the Company issued to the lender a warrant to purchase up to 35,000 shares of the Company's common stock at a price per share equal to 93% of the price at which the Company's shares were offered to investors in the private placement. The warrant has been recorded in the consolidated balance sheet using the intrinsic value method as an addition to Additional Paid-in Capital and as additional interest expense at a value of $.70 per warrant ($10.00 per share private placement price less $9.30 exercise price per warrant) or a total of $24,500. The Company considers any differences which would result between the intrinsic method and another fair value method to not be material to the Company's financial position, results of its operations or changes in its cash flows.

In December 2004, the Company received $56 million as part of a $75 million, three year term loan. In February 2005, the Company received the remaining $19 million of this loan. The loan requires monthly payments based on a 20 year amortization schedule and interest at the one month London Interbank Offered Rate (LIBOR) plus 300 basis points, which results in an interest rate of 5.42% at December 31, 2004. The loan is secured by the six Vibra facilities, which have a book value of $125.9 million, and requires the Company to meet financial coverage, ratio and total debt covenants typical of such loans.

In December 2004, the Company closed a $43 million loan with a bank to finance the construction of the Company's medical office building and community hospital development project in Houston, Texas. The loan carries a construction period term of eighteen months, with the option to convert the loan into a thirty month term loan thereafter with a twenty-five year amortization. The loan requires interest payments only during the initial eighteen month term, and principal and interest payments during the optional thirty month term. The loan is secured by mortgages on the development property. The loan bears interest at a rate of one month LIBOR plus 225 basis points (4.67% at December 31, 2004) during the construction period and one month LIBOR plus 250 basis points (4.92% at December 31, 2004) during the thirty month optional period. The Company has paid a commitment fee of one per-cent for the construction loan with an additional .25% per-cent fee due if the Company exercises the term loan option. Proceeds may be drawn down by periodically presenting to the lender documentation of construction and development costs incurred. The Company has not drawn down any proceeds from this loan as of December 31, 2004.

Maturities of long-term debt at December 31, 2004, are as follows:

2005	$ 2,566,663
2006	2,799,996
2007	50,633,341
	$56,000,000

5. COMMITMENTS AND CONTINGENCIES

In June 2004, the Company began construction of a hospital and medical office building with an expected total cost of $63.4 million. The Company plans to fund this project with a combination of its own and borrowed funds. At December 31, 2004, the Company has funded $24.2 million of the cost which has been financed with funds from the April 6, 2004 private placement. The remaining commitment for construction and development contracts at December 31, 2004, totals $32.1 million.

Fixed minimum payments due under operating leases with non-cancellable terms of more than one year at December 31, 2004 are as follows:

2005	$ 275,106
2006	339,570
2007	346,158
2008	352,746
2009	359,334
Thereafter	2,133,005
	$3,805,919

A former consultant to the Company has made a claim for 2003 and 2004 consulting compensation under the terms of a now terminated consulting agreement with the Company. The Company disputes this claim and has made an offer of settlement based on the terms of the consulting agreement. The Company has made provision for the amount (which the Company has determined is not material to the consolidated financial statements) that it estimates is owed to the former consultant.

6. EQUITY INCENTIVE PLAN AND OTHER STOCK AWARDS

The Company has adopted the Medical Properties Trust, Inc. 2004 Amended and Restated Equity Incentive Plan (the Equity Incentive Plan) which authorizes the issuance of options to purchase shares of common stock, restricted stock awards, restricted stock units, deferred stock units, stock appreciation rights and performance units. The Company has reserved 791,180 shares of common stock for awards under the Equity Incentive Plan. The Equity Incentive Plan contains a limit of 300,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year.

Upon their election to the board in April, 2004, each of our original independent directors was awarded options to acquire 20,000 shares of our common stock. These options have an exercise price of $10 per option, vested one-third upon grant and the remainder will vest one-half on each of the first and second anniversaries of the date of grant, and expire ten years from the date of grant. The Company has determined that the exercise price of these options is equal to the fair value of the common stock because the options were granted immediately following the private placement of its common stock in April, 2004. Accordingly, the options have no intrinsic value as that term is used in SFAS No. 123, Accounting for Stock-Based Compensation. No other options have been granted.

	SHARES	EXERCISE PRICE
Outstanding at January 1, 2004	--	--
Granted	100,000	$10.00
Exercised	--	--
Forfeited	--	--
Outstanding at December 31, 2004	100,000	$10.00
Options exercisable at December 31, 2004	33,333	$10.00
Weighted-average grant-date fair value of options granted		$ 1.21

Options exercisable at December 31, 2004, are as follows:

EXERCISE PRICE	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE	AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
$10.00	100,000	33,333	9.6

The Company follows APB No. 25 and related Interpretations in accounting for the Plan. In accordance with APB 25, no compensation expense has been recognized for stock options. Had compensation expense for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods prescribed in SFAS No. 123, the Company's net income and income per share for the year ended December 31, 2004, would have been decreased by $67,000 and would have had no per share effect, respectively.

In addition to these options to purchase common stock, each independent director was awarded 2,500 deferred stock units in October, 2004, valued by the Company at $10 per unit, which represent the right to receive 2,500 shares of common stock in October, 2007. Beginning in 2005, each independent director will receive 2,000 shares of restricted common stock annually, which will be restricted as to transfer for three years. The Company has recognized expense in the amount of $125,000 for the deferred stock units awarded to its' independent directors in 2004. The Company has also allocated 114,500 shares of restricted stock to be awarded to employees upon completion of its IPO.

The Company uses the Black-Scholes pricing model to calculate the fair values of the options awarded, which are included in the pro forma amounts above. The following assumptions were used to derive the fair values: an option term of four to six years; no estimated volatility; a weighted average risk-free rate of return of 3.63%; and a dividend yield of 1.00% for 2004.

7. LEASING OPERATIONS

For the properties purchased in July and August, 2004 (see Note 3), minimum rental payments due in future periods under operating leases which have non-cancelable terms extending beyond one year at December 31, 2004, are as follows:

2005	$ 14,343,635
2006	16,082,461
2007	16,484,523
2008	16,896,636
2009	17,319,052
Thereafter	188,238,038
	$269,364,345

The leases are with tenants engaged in medical operations in California (two facilities), Colorado, Kentucky, Massachusetts, and New Jersey. Each of the

six lease agreements are for an initial term of 15 years with options for the tenant to renew for three periods of five years each. Lease payments are calculated based on the total acquisition cost (aggregating approximately $127,000,000) and an initial lease rate of 10.25%; the rate increases to 12.23% on the first anniversary of lease commencement and upon each January 1 thereafter escalates at a rate of 2.5%. At such time that the tenants' aggregate net revenue exceeds a certain level, the leases further provide that the tenants will pay additional rent of between 1% and 2% of total net revenue. All of the leases are cross-defaulted.

In addition, the Company is funding the acquisition and development costs for a community hospital and adjacent medical office building in Houston, Texas on land that is leased to the operator/tenant. During the development and construction period, the tenant is charged rent (construction period rent) based on the lease rates (which average 10.4%) and the amount funded, which aggregated $16,225,907 at December 31, 2004. The Company has recorded $757,787 of construction period rent as unbilled rent receivable and as deferred revenue as of December 31, 2004. Upon completion of development and occupancy by the tenant, the fixed lease term (15 and 10 years for the hospital and medical office building, respectively) will commence and any accrued construction period rent will be paid, with interest calculated at the lease rate, over the term of the respective lease. Upon occupancy, the Company will begin recognizing as rent revenue, using the straight-line method, all construction period rent recorded during the construction period. The Company expects to complete the construction of the hospital and the medical office building in October 2005 and August 2005, respectively.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

	DECEMBER 31, 2004		DECEMBER 31, 2003	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Cash and cash equivalents	$97,543,677	$97,543,677	$ 100,000	$ 100,000
Interest receivable	419,776	419,776	--	--
Unbilled rent receivable	3,206,853	1,679,450	--	--
Loans	50,224,069	50,646,695	100,000	100,000
Long-term debt	56,000,000	56,000,000	--	--
Accounts payable and accrued expenses	10,903,025	10,903,025	1,389,779	1,389,779

9. INCOME TAXES

The following table reconciles the Company's net income as reported in its consolidated statement of operations prepared in accordance with generally accepted accounting principles with its taxable income under the REIT income tax regulations for the year ended December 31, 2004:

Net income as reported	$ 4,576,349
Less: Net income of the taxable REIT subsidiary	(63,905)
Net income from REIT operations	4,512,444
Unbilled rent receivable	(2,449,066)
GAAP depreciation and amortization in excess of tax depreciation	198,266
Expenses deductible in future tax periods	2,434,535
Other	289,759
Taxable income subject to REIT distribution requirements	$ 4,985,938

The Company paid distributions of $2,608,286 ($.10 per share) on October 10, 2004, and $2,869,115 ($.11 per share) on January 11, 2005. All of the October distribution and $755,546 of the January 2005, distribution will be subject to federal incomes taxes by the Company's stockholders in 2004. The remainder of the January, 2005, distribution will be subject to federal income taxes by the Company's stockholders in 2005. All of the distributions are taxable to the Company's shareholders at ordinary income federal tax rates.

10. SUBSEQUENT EVENTS

On February 9, 2005, Vibra made a $7.8 million payment of principal and interest on its transaction fee and working capital loans from the Company. The payments left a $41.4 million loan payable to the Company by Vibra. The Company has no commitments to make additional loans to Vibra.

In February, 2005, the Company purchased a community hospital for $28 million. The purchase price was paid from loan proceeds and from the proceeds of the Company's private placement. Upon closing the purchase of the hospital, the Company and the seller entered into a fifteen year lease of the hospital back to the seller, with renewal options for three additional five year terms.

11. EARNINGS PER SHARE

The following is a reconciliation of the weighted average shares used in net income (loss) per common share to the weighted average shares used in net income (loss) per common share -- assuming dilution for the year ended December 31, 2004, and for the period from Inception (August 27, 2003) through December 31, 2003, respectively:

	2004	2003
Weighted average number of shares issued and outstanding....	19,308,511	1,630,435
Vested deferred stock units................................	2,322	--
Weighted average shares -- basic...........................	19,310,833	1,630,435
Common stock warrants......................................	1,801	--
Weighted average shares -- diluted.........................	19,312,634	1,630,435

12. RELATED PARTIES

The Company's lead underwriter for its IPO and private placement is the largest stockholder, including shares owned directly and indirectly through funds it manages. In connection with services provided for its managing and underwriting of the private placement, the underwriter received approximately 261,000 shares of the Company's common stock. The Company also manages its cash and cash equivalents (approximately $96.1 million at December 31, 2004) through the underwriter.

13. PRO FORMA EARNINGS PER SHARE (UNAUDITED)

Staff Accounting Bulletin (SAB) Topic 1.B.3 requires that basic and diluted earnings per share must be calculated based on the pro forma effect of shares assumed to be issued in an initial public offering when dividends are paid in excess of earnings. As of June 30, 2005, cumulative net income for 2004 and the six months ended June 30, 2005, totaled $12,516,094. Cumulative distributions, including the distributions declared May 20, 2005, and August 18, 2005 totaled $19,327,636, resulting in excess distributions during this period of $6,811,542. The pro forma weighted average shares in the table below assumes the issuance of 648,718 shares at an offering price of $10.50 per share, or proceeds of $6,811,542 to pay these distributions in excess of net income.

	BASIC	DILUTED
Pro forma weighted average shares for the year ended December 31, 2004:		
Historical from above....................................	19,310,833	19,312,634
Pro forma effect of assumed additional shares.............	648,718	648,718
Pro forma weighted average shares.........................	19,959,551	19,961,352
Pro forma earnings per		

share................................ $
0.23 $ 0.23 ========== ==========

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2004 AND DECEMBER 31, 2003

ADDITIONS SUBSEQUENT
TO INITIAL COSTS
ACQUISITION ----------
----------------- ----

---- LOCATION TYPE OF
PROPERTY LAND
BUILDINGS IMPROVEMENTS
CARRYING COSTS - -----
--- -----------------
----- ---------- ----
-------- -----------
-------------- Bowling
Green,
KY..............
Rehabilitation
hospital $ 3,070,000 $
33,570,541 $ -- $ --
Thornton,
CO...................
Rehabilitation
hospital 2,130,000
6,013,142 -- --
Fresno,
CA.....................
Rehabilitation
hospital 1,550,000
16,363,153 -- --
Kentfield,
CA..................
Long term acute care
2,520,000 4,765,176 --
-- hospital Marlton,
NJ....................
Rehabilitation
hospital -- 30,903,051
-- -- New Bedford,
NJ................
Long term acute care
1,400,000 19,772,169 -
- -- hospital --------
--- ----------- -----
TOTAL $10,670,000
$111,387,232 $ -- $ --
===========
=========== =====

COST AT DECEMBER 31, 2004

ACCUMULATED DATE OF DATE
LOCATION LAND
BUILDINGS(1) TOTAL
DEPRECIATION CONSTRUCTION
ACQUIRED -------- -------
---- ------------ ------
------ ----------- -----
----------- -----------
--- Bowling Green,
KY................ $
3,070,000 $ 33,570,541 $
36,640,541 $ 419,634 1992
July 1, 2004 Thornton,
CO.....................
2,130,000 6,013,142
8,143,142 56,371 1962,
1975 August 17, 2004
Fresno,
CA.........................
1,550,000 16,363,153
17,913,153 204,540 1990
July 1, 2004 Kentfield,
CA.....................
2,520,000 4,765,176

7,285,176 59,562 1963
July 1, 2004 Marlton,
NJ.......................
-- 30,903,051 30,903,051
386,286 1994 July 1, 2004
New Bedford,
NJ...................
1,400,000 19,772,169
21,172,169 185,364 1962,
1975, 1992 August 17,
2004 ----------- --------
---- ----------- -------
--- TOTAL $10,670,000
$111,387,232 $122,057,232
$1,311,757 ===========
============ ============
==========
DEPRECIABLE LOCATION LIFE
(YEARS) -------- --------
---- Bowling Green,
KY................. 40
Thornton,
CO......................
40 Fresno,
CA.........................
40 Kentfield,
CA.....................
40 Marlton,
NJ.......................
40 New Bedford,
NJ................... 40
TOTAL

DECEMBER 31, 2004 DECEMBER 31, 2003
----------------- ----------------
COST Balance at beginning of
period.......... $ -- $ --
Additions during the period
Acquisitions.......................
122,057,232 -- ------------ -------
- Balance at end of
period................ $122,057,232
$ -- ============ ========

DECEMBER 31, 2004 DECEMBER 31, 2003
----------------- ----------------
- ACCUMULATED DEPRECIATION Balance
at beginning of period.......... $
-- $ -- Additions during the period
Depreciation.......................
1,311,757 -- ------------ --------
Balance at end of
period................ $ 1,311,757
$ -- ============ ========

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

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

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Balance Sheet

June 30, 2005 (Unaudited) and December 31, 2004 (Audited)

	JUNE 30, 2005 (UNAUDITED)	DECEMBER 31, 2004 (AUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,304,350	$ 2,280,772
Patient accounts receivable, net of allowance for doubtful collections of $431,900 at June 30, 2005 and $302,988 at December 31, 2004	21,858,179	17,319,154
Third party settlements receivable	--	346,141
Prepaid insurance	116,416	719,480
Deposit for workers' compensation claims	--	1,375,000
Other current assets	730,609	518,650
Total current assets	27,009,554	22,559,197
Restricted investment	100,000	--
Property and equipment, net	17,479,679	2,662,546
Goodwill	24,650,800	24,510,296
Intangible assets	5,140,000	4,260,000
Deposits	4,260,427	3,485,387
Deferred financing and lease costs	1,912,030	1,543,424
Total assets	$80,552,490	$59,020,850
LIABILITIES AND PARTNERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 56,459	$ --
Current maturities of obligations under capital leases	354,808	--
Accounts payable	4,341,706	5,142,345
Accounts payable -- related parties	201,771	262,144
Accrued liabilities	4,611,516	4,387,292
Accrued insurance claims	2,424,958	1,441,516
Total current liabilities	11,991,218	11,233,297
Deferred rent	5,077,798	2,460,308
Long-term debt	52,135,372	49,141,945
Long-term obligations under capital leases	17,808,365	--
Total liabilities	87,012,753	62,835,550
Partners' deficit	(6,460,263)	(3,814,700)
Total liabilities and partners' deficit	$80,552,490	$59,020,850

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Partners' Deficit

For the Three and Six Months Ended June 30, 2005 (Unaudited)

	THREE MONTHS ENDED JUNE 30, 2005 (UNAUDITED)	SIX MONTHS ENDED JUNE 30,2005 (UNAUDITED)
REVENUE:		
Net patient service revenue	$30,588,335	$59,916,423
EXPENSES:		
Cost of services	21,491,176	41,558,235
General and administrative	3,669,721	7,024,370
Rent expense	5,342,554	10,464,137
Interest expense	1,294,943	2,558,299
Management fee - Vibra Management, LLC	657,466	1,244,059
Depreciation and amortization	220,682	414,975
Bad debt expense	178,431	345,664
Total expenses	32,854,973	63,609,739
Loss from operations	(2,266,638)	(3,693,316)
Non-operating revenue	514,293	1,047,753
Net loss	(1,752,345)	(2,645,563)
Partners' deficit -- beginning	(4,707,918)	(3,814,700)
Partners' deficit -- ending	$(6,460,263)	$(6,460,263)

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For Six Months Ended June 30, 2005 (Unaudited)

Operating activities:	
Net loss	$(2,645,563)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	414,975
Provision for bad debts	345,664
Changes in operating assets and liabilities, net of effects from acquisition of business:	
Patient accounts receivable including third party settlements	(4,679,052)
Prepaids and other current assets	490,081
Deposits	1,072,460
Accounts payable	(861,010)
Accrued liabilities	1,207,666
Deferred rent	2,617,490
Net cash used in operating activities	(2,037,289)
Investing activities:	
Purchase of restricted investment	(100,000)
Purchases of property and equipment	(505,408)
Assets acquired in business acquisition	(284,292)
Net cash used in investing activities	(889,700)
Financing activities:	
Borrowings under revolving credit facility	50,591,077
Repayments of revolving credit facility	(40,066,178)
Borrowings under capital leases	2,181,898
Repayment of capital leases	(11,988)
Borrowings under other long-term debt	99,000
Repayment of long-term debt	(7,731,041)
Payment of deferred financing costs	(112,201)
Net cash provided by financing activities	4,950,567
Net increase in cash and cash equivalents	2,023,578
Cash and cash equivalents -- beginning	2,280,772
Cash and cash equivalents -- ending	$ 4,304,350
Supplemental cash flow information:	
Cash paid for interest	$ 2,558,299
Non-cash transactions:	
Deferred financing costs funded by revolving credit facility and MPT capital lease	$ 352,627
Business acquisition adjustment of goodwill	$ 140,504
Building and equipment acquisition funded by MPT capital lease	$14,270,000
License acquisition funded by MPT capital lease	$ 880,000
Lease deposit funded by MPT capital lease	$ 472,500
Equipment purchases funded by capital leases	$ 175,161

The accompanying notes are an integral part of these consolidated financial

statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Vibra Healthcare, LLC ("Vibra" and the "Company") was formed May 14, 2004, and commenced operations with the acquisition of its subsidiaries consisting of four independent rehabilitation hospitals ("IRF") and two long-term acute care hospitals ("LTACH") located throughout the United States on July 1, 2004 and August 17, 2004, respectively. On June 30, 2005, Vibra acquired an IRF with the intention of converting the beds to LTACH by January 1, 2006. Vibra, a Delaware limited liability company ("LLC"), has an infinite life. The members' liability is limited to the capital contribution. Vibra was previously named Highmark Healthcare LLC until a name change in December 2004. Vibra's wholly-owned subsidiaries consist of:

SUBSIDIARIES	LOCATION
92 Brick Road Operating Company LLC	Marlton, NJ
4499 Acushnet Avenue Operating Company LLC	New Bedford, MA
1300 Campbell Lane Operating Company LLC	Bowling Green, KY
8451 Pearl Street Operating Company LLC	Denver, CO
7173 North Sharon Avenue Operating Company LLC	Fresno, CA
1125 Sir Francis Drake Boulevard Operating Company LLC	Kentfield, CA
Northern California Rehabilitation Hospital, LLC	Redding, 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 eleven outpatient clinics affiliated with six of its seven hospitals.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company

and its wholly-owned subsidiaries controlled through majority membership interests in limited liability companies. All significant intercompany balances and transactions are eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost which approximates market.

PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

INVENTORIES

Inventories of pharmaceuticals and pharmaceutical supplies are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis. These inventories totaled $549,195 at June 30, 2005, and are included in other current assets in the accompanying consolidated balance sheet.

RESTRICTED INVESTMENT

The restricted investment consists of a five year certificate of deposit with a local bank pledged as collateral for a letter of credit benefiting the California Department of Health Services ("CDHS"). CDHS can draw on the letter of credit to reimburse any medicaid overpayments.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost net of accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets or the term of the lease, as appropriate. The general range of useful lives is as follows:

Building under capital lease.................	Lesser of 15 years or remaining lease term
Leasehold improvements.......................	Lesser of 15 years or remaining lease term
Furniture and equipment......................	2-7 years

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No 144), the Company reviews the realizability of long-lived assets whenever events or circumstances occur which indicate recorded costs may not be recoverable.

INTANGIBLE ASSETS

The Company adopted Statement of Financial Accounting Standards (SFAS) No.

142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer subject to periodic amortization but are instead reviewed annually or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Management has allocated the intangible assets between identifiable intangibles and goodwill. Intangible assets, other than goodwill, consist of values assigned to certificates of need ("CONs") and licenses. The useful life of each class of intangible assets is as follows:

Goodwill	Indefinite
Certificates of Need/Licenses	Indefinite

DEFERRED FINANCING AND LEASE COSTS

Costs and fees incurred in connection with the MPT acquisition note and leases and the Merrill Lynch revolving credit facility have been deferred and are being amortized over the term of the loans and leases using the straight-line method, which approximates the effective interest method. Amortization expense was $54,713 and $96,223 for the three and six months ended June 30, 2005, respectively.

INSURANCE RISK PROGRAMS

Under the Company's insurance programs, the Company is liable for a portion of its losses. The Company estimates its liability for losses based on historical trends that will be incurred in a respective accounting period and accrues that estimated liability. These programs are monitored quarterly and estimates are revised as necessary to take into account additional information. The Company has accrued $2,424,958 related to these programs at June 30, 2005. A deposit for workers' compensation claims of $1,375,000 at December 31, 2004, consisted of cash provided to Vibra's insurance carrier to fund workers' compensation claims. In February 2005, Vibra used $1,375,000 of its borrowing base on the Merrill Lynch loan to collateralize a letter of credit for the claims and the cash deposit was refunded.

DEFERRED RENT

The excess of straight line rent expense over rent paid is credited to deferred rent on a monthly basis. At June 30, 2005, rent expense exceeded rent paid by $5,077,798.

REVENUE RECOGNITION

Net patient service revenue consists primarily of charges to patients and are recognized as services are rendered. Net patient service revenue is reported net of provisions for contractual allowances from third-party payors and patients. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The differences between the estimated program reimbursement rates and the standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net patient service revenues. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

A significant portion of the Company's net patient service revenues are generated directly from the Medicare and Medicaid programs. Approximately 53% and 27% of the Company's gross patient accounts receivable at June 30, 2005, are from Medicare and Medicaid, respectively. As a provider of services to these programs, the Company is subject to extensive regulations. The inability of a

hospital to comply with regulations can result in changes in that hospital's net patient service revenues generated from these programs.

The following table represents the Company's net patient service revenues from the Medicare and Medicaid programs as a percentage of total consolidated net patient service revenues:

	THREE MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2005
Medicare	65%	65%
Medicaid	12%	13%

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash balances and patient accounts receivables. The Company deposits its cash with large banks. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's primary concentration of credit risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of its current assets, current liabilities and long-term debt approximates their fair value.

INCOME TAXES

Vibra and its subsidiaries have elected to be a LLC for federal and state income tax purposes. In lieu of corporate income taxes, the member of a LLC is taxed on their proportionate share of the Company's taxable income or loss. Therefore, no provision or liability for federal or state income taxes has been provided for in the consolidated balance sheet or consolidated statement of operations.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

2. ACQUISITIONS

YEAR ENDED DECEMBER 31, 2004

In July and August 2004, Vibra entered into agreements with Medical Properties Trust, Inc. (MPT) to acquire the operations of six specialty hospitals. MPT, a healthcare real estate investment trust based in Birmingham, Alabama, acquired the real estate for approximately $127.4 million and assigned to Vibra its rights to acquire the operations of the hospitals from Care One Realty of Hackensack, New Jersey for approximately $38.1 million net of cash

acquired and $7.5 million of liabilities assumed which was financed by MPT. The assignment of the LLC interests to Vibra transferred the operations, assets and liabilities of each LLC. The purchase price of the operations may be adjusted either upward or downward pursuant to a post-closing working capital adjustment with the seller. The purchase price of the operations has been allocated to net assets acquired, and liabilities assumed based on valuation studies subject to purchase price adjustments. The excess of the amount of purchase price over the net asset value, including identifiable intangible assets, was allocated to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospitals as a group under Vibra. The results of operations of the hospitals acquired have been included in the Company's consolidated financial

statements since the date of acquisition. The following table summarizes the acquisition date and other relevant information regarding each hospital:

LOCATION	TYPE	BEDS	ACQUISITION DATE
Marlton, NJ	IRF	46(1)	July 1, 2004
Bowling Green, KY	IRF	60	July 1, 2004
Fresno, CA	IRF	62	July 1, 2004
Kentfield, CA	LTACH	60	July 1, 2004
New Bedford, MA	LTACH	90	August 17, 2004
Thornton, CO	IRF	117(2)	August 17, 2004

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(1) Vibra subleases a floor of the Marlton building to an unaffiliated provider which operates 30 pediatric rehabilitation beds which are in addition to the 46 beds operated by Vibra.

(2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Information with respect to the businesses acquired in these transactions is as follows:

Notes issued, net of cash acquired	$ 38,093,842
Liabilities assumed	7,477,988
	45,571,830
Fair value of assets acquired:	
Accounts receivable	(13,640,825)
Property and equipment	(2,749,840)
CONs/Licenses	(4,260,000)
Other	(410,869)
Cost in excess of fair value of net assets acquired (goodwill) at December 31, 2004	$ 24,510,296

Based on an analysis of pre-acquisition accounts receivable at June 30, 2005, the Company estimated the fair value of the acquired accounts receivable required a downward adjustment of $140,504. This adjustment increased the goodwill recorded at June 30, 2005 to $24,650,800.

On June 30, 2005, under the terms of a purchase agreement, Vibra acquired the building, equipment, inventory and license of an 88 bed specialty hospital in Redding, California, for $15.43 million. The hospital currently operates with 24 IRF beds and 54 skilled nursing beds. The hospital is also licensed for 14 acute care beds that are currently not in service. Vibra is in the process of converting approximately 26 of the skilled nursing beds and all of the IRF beds to LTACH beds. Under the purchase agreement, Vibra subleased the operations and the right to occupy the Redding facility back to the seller during a transition term, until Vibra obtains certain healthcare licenses necessary to operate the hospital. In the interim, Vibra is managing the hospital on behalf of the seller during this transition term. The terms of the management agreement provide that revenues and expenses during the transition term accrue to Vibra. Management expects the transition term to last approximately 120 days. Simultaneously with the closing of the acquisition, Vibra entered into an agreement with MPT for the sale of the building associated with this hospital to MPT and leased it back from MPT under an $18 million capital lease. An additional $2.75 million can be drawn under the lease agreement upon the completion of certain building renovations and the LTACH conversion. The purchase price of the operations has been allocated to net assets acquired, and liabilities assumed based on valuation studies. The land on which the hospital is built is subject to a land lease, which Vibra assumed from the seller. Vibra is in the process of obtaining a third party appraisal of the land lease to determine if any value should be assigned to the lease in the purchase

accounting. Therefore, the allocation of the purchase price is subject to refinement. The purchase price was negotiated based on management's evaluation of future operational performance of the hospital under Vibra. The results of operations of the hospital acquired have been included in the Company's consolidated financial statements since the date of acquisition.

Information with respect to the business acquired in this transaction is as follows:

Capital lease	$18,000,000
Cash paid by Vibra for the building	185,316
Cash paid by Vibra for the inventory	98,976
	$18,284,292
Less other assets arising from transaction:	
Cash to Vibra	(2,181,898)
Lease deposit funded	(472,500)
Deferred financing costs	(195,602)
Fair value of assets acquired	$15,434,292
Fair value of assets acquired:	
Building	$14,087,816
Furniture and equipment	367,500
Licenses	880,000
Inventory	98,976
	$15,434,292

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	JUNE 30, 2005		
	DIRECT OWNERSHIP	UNDER CAPITAL LEASES	TOTAL
Building	$ --	$14,087,816	$14,087,816
Leasehold improvements	92,834	--	92,834
Furniture and equipment	3,697,813	175,161	3,872,974
	3,790,647	14,262,977	18,053,624
Less: accumulated depreciation and amortization	565,262	8,683	573,945
Total	$3,225,385	$14,254,294	$17,479,679

Depreciation expense was $165,969 and $318,752 for the three and six months ended June 30, 2005, respectively.

4. DEPOSITS

The facility lease agreements with MPT require deposits equal to three months rent. The funds are on deposit with MPT in non-interest bearing accounts. Deposits consist of the following:

	JUNE 30, 2005
MPT lease deposits	$3,768,865
Other deposits	491,562
Total	$4,260,427

5. INTANGIBLE ASSETS

The Company adopted SFAS No. 142. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not subject to periodic amortization but are instead reviewed annually as of June 30, or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units. The following table summarizes intangible assets:

	JUNE 30, 2005
Goodwill	$24,650,800
CONs/Licenses	$ 5,140,000

The CONs/Licenses have not been amortized as they have indefinite lives.

6. LONG-TERM DEBT

The components of long-term debt are shown in the following table:

	JUNE 30, 2005
MPT 10.25% hospital acquisition note	$41,415,988
Merrill Lynch $17 million revolving credit facility	10,681,924
Other	93,919
	$52,191,831
Less: current maturities	56,459
	$52,135,372

At December 31, 2004, MPT had advanced $49,141,945 to Vibra under four notes for the hospital acquisition and working capital. Three notes for working capital and transaction fees totaling $7,725,957 were interest only, with a balloon payment due on March 31, 2005. Vibra may prepay the notes at any time without penalty.

The hospital acquisition note is interest only through June 2007, and then amortized over the next 12 years with a final maturity in 2019. Substantially all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT note. In addition the majority member of Vibra, an affiliated company owned by the majority member and Vibra Management, LLC have jointly and severally guaranteed the notes payable to MPT, although the obligation of the majority member is

limited to $5 million and his membership interest in Vibra. A default in any of the MPT lease terms will also constitute a default under the notes.

The revolving credit facility has a balloon maturity on February 8, 2008. Interest is payable monthly at the rate of 30 day LIBOR plus 3% (6.33% as of June 30, 2005). The loan is secured by a first position in the Company's accounts receivable through an intercreditor agreement with MPT. Up to $17 million can be borrowed based on a formula of qualifying accounts receivable. A portion of the proceeds were used to pay off $7,725,957 in working capital and transaction fee notes to MPT which had a maturity of March 31, 2005. The Company is subject to various financial and non-financial covenants under the credit facility. A default in any of the MPT note and lease terms will also constitute a default under the credit facility. At March 31, 2005, Vibra was not in compliance with a facility rent coverage covenant. The Merrill Lynch credit facility documents were amended for no consideration in June 2005 to retroactively change the rent coverage covenant from a by facility rent coverage to a consolidated rent coverage calculation. At June 30, 2005, the Company met the amended covenant. The maximum facility was increased from $14 million to $17 million in the June 2005 amendment.

Other long-term debt consists of a bank loan for equipment, furniture and fixtures. The equipment purchased is pledged as collateral for the loan. The loan is payable in monthly installments of $5,000 plus interest at a fixed rate of 6.7%.

Maturities of long-term debt for the next five years are as follows:

JUNE 30	(IN THOUSANDS)
2006	$ 56,459
2007	37,460
2008	12,533,614
2009	2,050,664
2010	2,271,018
Thereafter	35,242,616
	$52,191,831

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 $657,466 and $1,244.059 for the three and six months ended June 30, 2005, respectively. At June 30, 2005, $201,771 was payable to Vibra Management, LLC and is included accounts payable -- related party in the accompanying consolidated balance sheet.

The spouse of the majority member of the Company provided legal consulting services to the Company on the hospital acquisition and on various operational licensing and financing matters. During the period from inception through December 31, 2004, legal consulting services from this person totaled $176,187, of which $98,137 was payable at December 31, 2004. The balance was paid during the six months ended June 30, 2005, and no additional services were provided.

8. OPERATING LEASES

Vibra entered into triple-net long-term real estate operating leases with MPT at each of the six hospitals leased from MPT in 2004. Each lease is for an initial term of 15 years and contains renewal options at Vibra's option for three additional five-year terms. The base rate at commencement is calculated at 10.25% of MPT's adjusted purchase price of the real estate ("APP"). The base rate increases to 12.23% of APP effective July 1, 2005. Beginning January 1, 2006, and each January 1, thereafter, the base rate increases by an inflator of 2.5% (i.e. base rate becomes 12.54% of APP on January 1, 2006).

Each lease also contains a percentage rent provision ("Percentage Rent"). Beginning January 1, 2005, if the aggregate monthly net patient service revenues of the six hospitals exceed an annualized net patient service revenue run rate of $110,000,000, additional rent equal to 2% of monthly net patient service revenue is triggered. The percentage rent is payable within ten days after the end of the applicable quarter. The percentage rent declines from 2% to 1% on a pro rata basis as Vibra repays the $41.416 million in notes to MPT. Percentage rents totaling $1,016,590 are included in rent expense in the accompanying consolidated statement of operations, representing the percentage rents due for the six months ended June 30, 2005. 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.

Commencing on July 1, 2005, Vibra must make quarterly deposits to a capital improvement reserve at the rate of $375 per quarter per bed, or $652,500 on an annual basis, for all hospitals leased from MPT. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

Beginning with the quarter ending September 30, 2006, the MPT leases will be subject to various financial covenants including limitations on total debt to 100% of the total capitalization of the guarantors (as defined) or 4.5 times the 12 month total EBITDAR (as defined) of the guarantors whichever is greater, coverage ratios of 125% of debt service and 150% of rent (as defined), and maintenance of average daily patient census. A default in any of the loan terms will also constitute a default under the leases. All of the MPT leases are cross defaulted.

Vibra has also entered into operating leases for six outpatient clinics which expire on various dates through 2011. The Redding hospital land is leased from a prior owner under a triple net lease that expires in November 2075. The lease has monthly payments of $1,483. The lease payments increase annually by 4% each November until lease expiration.

Minimum future lease obligations on the operating leases are as follows (in thousands):

JUNE 30	MPT RENT OBLIGATION	OUTPATIENT CLINICS	REDDING LAND LEASE	TOTAL
2006............................				

	$ 15,809,861	$ 415,104	$ 18,205	$ 16,243,170
2007.............................	16,283,492	389,774	18,933	16,692,199
2008.............................	16,690,580	296,468	19,690	17,006,738
2009.............................	17,107,844	241,272	20,478	17,369,594
2010.............................	17,535,540	241,272	21,297	17,798,109
Thereafter.......................	179,677,678	180,954	7,872,041	187,730,673
	------------	----------	----------	------------
	$263,104,995	$1,764,844	$7,970,644	$272,840,483
	============	==========	==========	============

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the majority member of Vibra, an affiliated Company owned by the majority member, and Vibra Management, LLC have jointly and severally guaranteed the

leases to MPT, although the obligation of the majority member is limited to $5 million and his membership interest in Vibra.

The Company has sublet a floor of its Marlton, NJ hospital to an independent pediatric rehabilitation provider. Three other hospitals have entered into numerous sublease arrangements. These subleases generated rental income of $433,883 and $822,268 for the three and six months ended June 30, 2005, respectively, which is included in non-operating revenue in the accompanying consolidated statement of operations. The following table summarizes amounts due under sub leases (in thousands):

JUNE 30 - -------	
2006	$1,131,762
2007	1,157,227
2008	1,183,265
2009	1,209,888
2010	1,237,111
Thereafter	3,991,679

	$9,910,932
	==========

9. OBLIGATIONS UNDER CAPITAL LEASES

On June 30, 2005, Vibra entered into a triple-net real estate lease with MPT on the Redding, California property. The lease is for an initial term of 15 years and contains renewal options at Vibra's option for three additional five year terms. The initial lease base rate is 10.5% of MPT's APP. Beginning January 1, 2006, and each January 1 thereafter, the base rate increases by the greater of 2.5% (to 10.76%) or by the increase in the consumer price index from the previous adjustment date. An additional $2.75 million can be drawn under the lease agreement upon the completion of certain building renovations and the conversion of the operations to a LTACH.

The Redding lease does not contain a purchase option or percentage rent provisions. Commencing January 1, 2006, Vibra must make quarterly deposits to a capital improvement reserve at the rate of $375 per bed per quarter, or $132,000 on an annual basis.

Beginning with the quarter ending September 30, 2006, the Redding lease is subject to a covenant limiting total debt to 100% of the total capitalization of the guarantors (as defined) or 4.5 times the 12 month total EBITDAR (as defined) of the guarantors whichever is greater. Redding is also subject to the following financial covenants relating to EBITDAR coverage:

FIXED CHARGE ENDING	LEASE PAYMENT COVERAGE REQUIRED	12 MONTH PERIOD COVERAGE REQUIRED
June 30,		

2006...	40%	50%
September 30, 2006...................................	40%	50%
December 31, 2006.....................................	40%	50%
March 31, 2007..	60%	75%
June 30, 2007...	100%	120%
September 30, 2007 and thereafter....................	125%	150%

Other capital leases consist of equipment financing. The equipment is pledged as collateral for the lease.

The following schedule summarizes the future minimum lease payments under capital leases together with the net minimum lease payments:

JUNE 30	MPT REDDING LEASE	OTHER	TOTAL
2006	$ 1,913,625	$ 63,262	$ 1,976,887
2007	1,961,466	53,318	2,014,784
2008	2,010,502	30,852	2,041,354
2009	2,060,765	29,992	2,090,757
2010	2,112,284	27,493	2,139,777
Thereafter	24,256,341	--	24,256,341
Total minimum lease payments	34,314,983	204,917	34,519,900
Less amount representing interest (imputed rate 9%)	(16,315,740)	(40,987)	(16,356,727)
Present value of net minimum lease payments	$ 17,999,243	$163,930	$ 18,163,173

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the majority member of Vibra, an affiliated Company owned by the majority member, and Vibra Management, LLC have jointly and severally guaranteed the leases to MPT, although the obligation of the majority member is limited to $5 million and his membership interest in Vibra.

10. COMMITMENTS AND CONTINGENCIES

LITIGATION

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated (including claims against the hospitals under prior ownership). In the opinion of management, the outcome of these actions will not have a material effect on consolidated financial position or results of operations of the Company.

CALIFORNIA MEDICAID

The Company has recently fulfilled change of ownership requirements imposed by Medi-Cal, the California Medicaid administrator that date back to the prior owners' acquisition of the California hospitals. Accounts receivable at June 30, 2005, include $1,619,037 due from Medi-Cal, including $657,000 prior to the acquisition. The Company is in the process of submitting bills for services

provided from July 2003 to present and expects payment within nine months.

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 and Redding, CA hospitals are 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 received a five 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.

11. 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 $58,092 and $87,962 for the three and six months ended June 30, 2005, respectively.

12. 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 SIX MONTHS ENDED JUNE 30, 2005	IRF	LTACH	OTHER	TOTAL
Net patient service revenue	$27,964,866	$31,951,557	$ --	$59,916,423
Net loss from operations	(2,881,538)	(573,389)	(238,389)	(3,693,316)
Interest expense	1,497,427	1,060,872	--	2,558,299
Depreciation and amortization	193,568	174,822	46,585	414,975
Deferred rent	3,666,428	1,411,370	--	5,077,798
Total assets	50,589,942	29,089,970	872,578	80,552,490
Purchases of property and equipment	129,427	370,980	5,001	505,408
Goodwill	16,409,877	8,240,923	--	24,650,800

FOR THE THREE MONTHS ENDED JUNE 30, 2005				
	IRF	LTACH	OTHER	TOTAL
Net patient service revenue.......	$14,141,942	$16,446,393	$ --	$30,588,335
Net loss from operations..........	(1,728,535)	(383,980)	(154,123)	(2,266,638)
Interest expense..................	752,429	542,514	--	1,294,943
Depreciation and amortization.....	98,220	92,387	30,075	220,682

13. SUBSEQUENT EVENT

On September 23, 2005, Merrill Lynch and Vibra amended their loan agreement for no consideration. The amendment excludes the Redding capital lease from the definition of leased assets in the agreement.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member
Vibra Healthcare, LLC

We have audited the accompanying consolidated balance sheet of Vibra Healthcare, LLC and subsidiaries (the "Company") as of December 31, 2004, and the related consolidated statements of operations, changes in partner's capital, and cash flows for the period from inception (May 14, 2004) through December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vibra Healthcare, LLC and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the period from inception (May 14, 2004) through December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Parente Randolph, LLC

Harrisburg, Pennsylvania
March 8, 2005, except Note 11,
as to which the date is March 31, 2005

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Balance Sheet
December 31, 2004

ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,280,772
Patient accounts receivable, net of allowance for doubtful collections of $302,988	17,319,154
Third party settlements receivable	346,141
Prepaid insurance	719,480
Deposit for workers' compensation claims	1,375,000
Other current assets	518,650
Total current assets	22,559,197
Property and equipment, net	2,662,546
Goodwill	24,510,296
Intangible assets	4,260,000
Deposits	3,485,387
Deferred financing and lease costs	1,543,424
Total assets	$59,020,850

LIABILITIES AND PARTNER'S CAPITAL	
Current liabilities:	
Accounts payable	$ 5,142,345
Accounts payable -- related parties	262,144
Accrued liabilities	4,387,292
Accrued insurance claims	1,441,516
Total current liabilities	11,233,297
Deferred rent	2,460,308
Long-term debt, net of current maturities	49,141,945
Total liabilities	62,835,550
Partner's capital	(3,814,700)
Total liabilities and partner's capital	$59,020,850

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Partner's Capital
For the Period from Inception (May 14, 2004) through December 31, 2004

REVENUE:	
Net patient service revenue	$48,266,019
EXPENSES:	
Cost of services	34,528,924
General and administrative	5,631,229
Rent expense	8,859,233
Interest expense	2,293,402
Management fee -- Vibra Management, LLC	982,668
Depreciation and amortization	302,194
Bad debt expense	776,780
Total expenses	53,374,430
Loss from operations	(5,108,411)
Non-operating revenue	1,293,711
Net loss	(3,814,700)
Partner's capital -- beginning	--
Partner's capital -- ending	($3,814,700)

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Period from Inception (May 14, 2004) through December 31, 2004

Operating activities:	
Net loss	$(3,814,700)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	302,194
Provision for bad debts	776,780
Changes in operating assets and liabilities, net of effects from acquisition of business:	
Accounts receivable including third party settlements	(4,801,250)
Prepaids and other current assets	(2,257,611)
Deposits	(133,671)
Accounts payable	1,884,531
Accounts payable -- related party	262,144
Accrued liabilities	1,608,634
Deferred rent	2,460,308
Net cash used in operating activities	(3,712,641)
Investing activities:	
Purchases of property and equipment	(167,900)
Cash acquired in business acquisition	201,280
Net cash provided by investing activities	33,380
Financing activities:	
Proceeds of notes payable	6,050,458
Payment of deferred financing costs	(90,425)
Net cash provided by financing activities	5,960,033
Net increase in cash and cash equivalents	2,280,772
Cash and cash equivalents -- beginning	--
Cash and cash equivalents -- ending	$ 2,280,772
Supplemental cash flow information:	
Cash paid for interest	$ 2,293,402
Non-cash transactions:	
Notes issued relating to acquisition	$38,093,842
Lease deposits funded by notes payable	$ 3,296,365
Deferred financing costs funded by notes payable	$ 1,500,000

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Vibra Healthcare LLC ("Vibra" and the "Company") was formed May 14, 2004, and commenced operations with the acquisition of its subsidiaries consisting of four independent rehabilitation hospitals ("IRF") and two long-term acute care hospitals ("LTACH") located throughout the United States on July 1, 2004, and August 17, 2004. Vibra, a Delaware limited liability company ("LLC"), is a single member LLC with an infinite life. The members liability is limited to the capital contribution. Vibra was previously named Highmark Healthcare LLC until a name change in December 2004. Vibra's wholly-owned subsidiaries consist of:

SUBSIDIARIES	LOCATION
92 Brick Road Operating Company LLC........................	Marlton, NJ
4499 Acushnet Avenue Operating Company LLC..................	New Bedford, MA
1300 Campbell Lane Operating Company LLC....................	Bowling Green, KY
8451 Pearl Street Operating Company LLC.....................	Denver, CO
7173 North Sharon Avenue Operating Company LLC..............	Fresno, CA
1125 Sir Francis Drake Boulevard Operating Company LLC......	Kentfield, CA

The Company provides long-term acute care hospital services and inpatient acute rehabilitative hospital care at its hospitals. Patients in the Company's LTACHs typically suffer from serious and often complex medical conditions that require a high degree of care. Patients in the Company's IRFs typically suffer from debilitating injuries including traumatic brain and spinal cord injuries, and require rehabilitation care in the form of physical, psychological, social and vocational rehabilitation services. The Company also operates ten outpatient clinics affiliated with five of its six hospitals.

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost which approximates market.

Patient Accounts Receivable: Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Inventories: Inventories of pharmaceuticals and pharmaceutical supplies are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis. These inventories totaled $363,720 at December 31, 2004, and are included in other current assets in the accompanying consolidated

balance sheet.

Property and Equipment: Property and equipment are stated at cost net of accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the lease, as appropriate. The general range of useful lives is as follows:

Leasehold improvements	15 years
Furniture and equipment	2-7 years

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No 144), the Company reviews the realizability of long-lived assets whenever events or circumstances occur which indicate recorded costs may not be recoverable.

Intangible Assets: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer subject to periodic amortization but are instead reviewed annually or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Management has allocated the intangible assets between identifiable intangibles and goodwill. Intangible assets, other than goodwill, consist of values assigned to certificates of need ("CONs") and licenses. The useful life of each class of intangible assets is as follows:

Goodwill	Indefinite
Certificates of Need/Licenses	Indefinite

Deferred Financing and Lease Costs: Costs and fees incurred in connection with the MPT loans and leases have been deferred and are being amortized over the 15 year term of the loans and leases using the straight-line method, which approximates the effective interest method. Amortization expense was $47,000 for the period from inception through December 31, 2004.

Insurance Risk Programs: Under the Company's insurance programs, the Company is liable for a portion of its losses. The Company estimates its liability for losses based on historical trends that will be incurred in a respective accounting period and accrues that estimated liability. These programs are monitored quarterly and estimates are revised as necessary to take into account additional information. At December 31, 2004, the Company has accrued $1,441,516 related to these programs. Deposits for workers' compensation claims consist of cash provided to Vibra's insurance carrier to fund workers' compensation claims. In February 2005, Vibra used $1,375,000 of its borrowing base on the Merrill Lynch loan (see Note 11) to collateralize a letter of credit for the claims and the cash deposit was refunded.

Deferred Rent: The excess of straight line rent expense over each rent paid is credited to deferred rent on a monthly basis. For the period from inception through December 31, 2004, rent expense exceeded the rent paid in cash by $2,460,308.

Revenue Recognition: Net patient service revenue consists primarily of charges to patients and are recognized as services are rendered. Net patient service revenue is reported net of provisions for contractual allowances from third-party payors and patients. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The differences between the estimated program reimbursement rates and the standard billing rates are

accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net patient service revenues. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

A significant portion of the Company's net patient service revenues are generated directly from the Medicare and Medicaid programs. Net patient service revenues generated directly from the Medicare and Medicaid programs represented approximately 63% and 13%, respectively, of the Company's consolidated net patient service revenues for the period from inception through December 31, 2004. Approximately 46% and 21% of the Company's gross patient accounts receivable at December 31, 2004, are from Medicare and Medicaid, respectively. As a provider of services to these programs, the Company is subject to extensive regulations. The inability of a hospital to comply with regulations can result in changes in that hospital's net patient service revenues generated from these programs.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash balances and patient accounts receivables. The Company deposits its cash with large banks. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's primary concentration of credit risk.

Fair Value of Financial Instruments: The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of its current assets, current liabilities and long-term debt approximates their fair value.

Income Taxes: Vibra and its subsidiaries have elected to be a LLC for federal and state income tax purposes. In lieu of corporate income taxes, the member of a LLC is taxed on their proportionate share of the Company's taxable income or loss. Therefore, no provision or liability for federal or state income taxes has been provided for in the consolidated balance sheet or consolidated statement of operations.

2. ACQUISITIONS

In July and August 2004, Vibra entered into agreements with Medical Properties Trust, Inc. (MPT) to acquire the operations of six specialty hospitals. MPT, a healthcare real estate investment trust based in Birmingham, Alabama, acquired the real estate for approximately $127.4 million and assigned to Vibra its rights to acquire the operations of the hospitals from Care One Realty of Hackensack, New Jersey for approximately $38.1 million net of cash acquired and $7.5 million of liabilities assumed which was financed by MPT. The assignment of the LLC interests to Vibra transferred the operations, assets and liabilities of each LLC. The purchase price of the operations may be adjusted either upward or downward pursuant to a post-closing working capital adjustment with the seller. The purchase price of the operations has been allocated to net assets acquired, and liabilities assumed based on valuation studies subject to purchase price adjustments. The excess of the amount of purchase price over the net asset value, including identifiable intangible assets, was allocated to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospitals as a group under Vibra. The results of operations of the hospitals acquired have been included in the Company's consolidated financial

statements since the date of acquisition. The following table summarizes the acquisition date and other relevant information regarding each hospital:

LOCATION	TYPE	BEDS	ACQUISITION DATE
Marlton, NJ	IRF	46(1)	July 1, 2004
Bowling Green, KY	IRF	60	July 1, 2004
Fresno, CA	IRF	62	July 1, 2004
Kentfield, CA	LTACH	60	July 1, 2004
New Bedford, MA	LTACH	90	August 17, 2004
Thornton, CO	IRF	117(2)	August 17, 2004

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(1) Vibra subleases a floor of the Marlton building to an unaffiliated provider which operates 30 pediatric rehabilitation beds which are in addition to the 46 beds operated by Vibra.

(2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Information with respect to the businesses acquired in purchase transactions is as follows:

Notes issued, net of cash acquired	$ 38,093,842
Liabilities assumed	7,477,988
	45,571,830
Fair value of assets acquired:	
Accounts receivable	(13,640,825)
Property and equipment	(2,749,840)
CONs/Licenses	(4,260,000)
Other	(410,869)
Cost in excess of fair value of net assets acquired (goodwill)	$ 24,510,296

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2004, consists of the following:

Leasehold improvements	$ 48,055
Furniture and equipment	2,869,685
	2,917,740
Less: accumulated depreciation and amortization	255,194
Total	$2,662,546

Depreciation expense was $255,194 for the period from inception through December 31, 2004.

4. DEPOSITS

The facility lease agreements with MPT require deposits equal to three months rent. The funds are on deposit with MPT in non-interest bearing accounts. Deposits at December 31, 2004, consist of the following:

MPT lease deposits	$3,296,365
Other deposits	189,022
Total	$3,485,387

5. INTANGIBLE ASSETS

The Company adopted SFAS No. 142. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not subject to periodic amortization but are instead reviewed annually as of April 30, or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Goodwill in the amount of $24,510,296 and CONs/Licenses of $4,260,000 have been recorded in connection with the acquisition of the six hospitals, and have not been amortized as both have indefinite lives.

6. NOTES PAYABLE

As of December 31, 2004, MPT had advanced $49,141,945 to Vibra under four notes for the hospital acquisition and working capital. The notes bear interest at 10.25%. Three notes totaling $7,725,958 are interest only, with a balloon payment due on March 31, 2005. The remaining note for $41,415,988 is payable interest only for the first 36 months and then amortized over the next 12 years with a final maturity in 2019. Vibra may prepay the notes at any time without penalty. Maturities for the next five years are:

(IN THOUSANDS) December 31,	
2005	$ --
2006	--
2007	902
2008	9,675
2009	2,158
Thereafter	36,407
	$49,142

Substantially all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the loans. In addition the sole member of Vibra, an affiliated company owned by the sole member and Vibra Management, LLC have jointly and severally guaranteed the notes payable to MPT, although the obligation of the sole member is limited to $5 million and his membership interest in Vibra. A default in any of the MPT lease terms will also constitute a default under the notes.

As discussed in Note 11, Vibra used a portion of the proceeds of a long-term revolving credit facility from Merrill Lynch Capital to repay the MPT notes due March 31, 2005. As a result of this refinancing,

the notes due MPT have been classified as long-term at December 31, 2004 in the accompanying consolidated balance sheet.

7. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with Vibra Management, LLC (a company affiliated through common ownership) to provide management services to each hospital. The services include information system support, legal counsel, accounting/tax, human resources, program development, quality management and marketing oversight. The agreements call for a management fee equal to 2% of net patient service revenue, and are for an initial term of five years with automatic one-year renewals. Management fee expense amounted to $982,668 for the period from inception through December 31, 2004. At December 31, 2004, $164,007 was payable to Vibra Management, LLC and is included accounts payable -- related party in the accompanying consolidated balance sheet.

The spouse of the sole member of the Company provided legal consulting services to the Company on the hospital acquisition and on various operational licensing and financing matters. During the period from inception through December 31, 2004, legal consulting services from this person totaled $176,187, of which $98,137 was payable at December 31, 2004.

8. COMMITMENTS AND CONTINGENCIES

LEASES

Vibra entered into triple-net long-term real estate operating leases with MPT at each hospital. Each lease is for an initial term of 15 years and contains renewal options at Vibra's option for three additional five-year terms. Vibra has the option to purchase the leased property at the end of the lease term, including any extension periods, for the greater of the fair market value of the leased property, or the purchase price increased by 2.5% per annum from the commencement date.

The base rate at commencement is calculated at 10.25% of MPT's adjusted purchase price of the real estate ("APP"). The base rate increases to 12.23% of APP effective July 1, 2005. Beginning January 1, 2006, and each January 1, thereafter, the base rate increases by an inflator of 2.5% (i.e. base rate becomes 12.54% of APP on January 1, 2006).

Each lease also contains a percentage rent provision ("Percentage Rent"). Beginning January 1, 2005, if the aggregate monthly net patient service revenues of the six hospitals exceed an annualized net patient service revenue run rate of $110,000,000, additional rent equal to 2% of monthly net patient service revenue is triggered. The percentage rent is payable within ten days after the end of the applicable quarter. The percentage rent declines from 2% to 1% on a pro rata basis as Vibra repays the $49.142 million in notes to MPT.

Commencing on July 1, 2005, Vibra must make quarterly deposits to a capital improvement reserve at the rate of $375 per quarter per bed or $652,500 on an annual basis for all hospitals leased from MPT. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

The MPT leases are subject to various financial covenants including limitations on total debt to 100% of the total capitalization of the guarantors (as defined) or 4.5 times the 12 month total EBITDAR of the guarantors, whichever is greater, coverage ratios of 125% of debt service and 150% of rent (as defined), and maintenance of average daily patient census. As of December 31, 2004, Vibra was not in compliance with the debt service and rent coverage covenants. The MPT lease agreements were subsequently amended to delay the initial measurement date with respect to these financial covenants (Note 11). A default in

any of the loan terms will also constitute a default under the leases. All of the MPT leases are cross defaulted.

Vibra has entered into operating leases for six outpatient clinics which expire on various dates through 2008.

Minimum future lease obligations on the leases are as follows (in thousands):

December 31,	MPT RENT OBLIGATION	OUTPATIENT CLINICS	TOTAL
2005	$ 14,344	$205	$ 14,549
2006	16,082	122	16,204
2007	16,485	84	16,569
2008	16,897	55	16,952
2009	17,319	--	17,319
Thereafter	188,465	--	188,465
	$269,592	$466	$270,058

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the sole member of Vibra, an affiliated Company owned by the sole member, and Vibra Management LLC have joint and severally guaranteed the leases to MPT, although the obligation of the sole member is limited to $5 million and his membership interest in Vibra.

The Company has sublet a floor of its Marlton, NJ, hospital to an independent pediatric rehabilitation provider. Three other hospitals have entered into numerous sublease arrangements. These subleases generated rental income of $884,913 for the period from inception through December 31, 2004 and is included in non-operating revenue in the accompanying consolidated statement of operations. The following table summarizes amounts due under sub leases (in thousands):

December 31, 2005	$ 1,119
2006	1,144
2007	1,170
2008	1,197
2009	1,223
Thereafter	4,614
	$10,467

LITIGATION

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated (including claims against the hospitals under prior ownership). In the opinion of management, the outcome of these actions will not have a material effect on the financial position or results of operations of the Company.

CALIFORNIA MEDICAID

The Company is in the process of fulfilling change of ownership requirements imposed by Medi-Cal, the California Medicaid administrator that date back to the prior owners' acquisition of the California

hospitals. Amounts receivable at December 31, 2004, include $1,015,959 due from Medi-Cal, including $657,000 prior to the acquisition. Management is continuing to negotiate with Medi-Cal. The amount that will ultimately be received cannot be determined at this time.

CALIFORNIA SEISMIC UPGRADE

For earthquake protection California requires hospitals to receive an approved Structural Performance Category 2 (SPC-2) by January 1, 2008, to maintain its license. Hospitals may request a five year implementation extension. The Fresno, CA, hospital is expected to meet the SPC-2 standard by January 1, 2008, with capital outlays that are not material to the consolidated financial statements. The Kentfield, CA, hospital has applied for a three year extension to meet the requirement. Management is in preliminary consultations with consulting architects and engineers to develop a plan for Kentfield to meet the requirements. The capital outlay required to meet the standards at Kentfield cannot be determined at this time.

9. RETIREMENT SAVINGS PLAN

In November 2004, the Company began sponsorship of a defined contribution retirement savings plan for substantially all of its employees. Employees may elect to defer up to 15% of their salary. The Company matches 25% of the first 3% of compensation employees contribute to the plan. The employees vest in the employer contributions over a five-year period beginning on the employee's hire date. The expense incurred by the Company related to this plan was $21,310 for the period from inception through December 31, 2004.

10. SEGMENT INFORMATION

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

The Company's segments consist of (i) IRFs and (ii) LTACHs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the segments based on loss from operations.

The following table summarizes selected financial data for the Company's reportable segments:

	FOR THE PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004			
	IRF	LTACH	OTHER	TOTAL
Net patient service revenue	$24,741,573	$23,524,446	$ --	$48,266,019
Net operating loss	(3,649,867)	(1,395,339)	(63,205)	(5,108,411)
Interest expense	1,493,279	800,123	--	2,293,402
Depreciation and amortization	185,746	116,448	--	302,194
Deferred rent	1,833,216	627,092	--	2,460,308
Total assets	32,175,207	26,702,535	143,108	59,020,850
Purchases of property and equipment	75,582	92,318	--	167,900
Goodwill	16,664,491	7,845,805	--	24,510,296

11. SUBSEQUENT EVENT

On February 9, 2005, Vibra closed on a revolving credit facility (the "Revolver") with Merrill Lynch Capital secured by a first position in the Company's accounts receivable through an intercreditor agreement with MPT. Up to $14 million can be borrowed based on a formula of qualifying accounts receivable. The terms of the Revolver are interest only for three years at 30 day LIBOR plus 3% with a balloon maturity on February 8, 2008. The proceeds were used to repay $7,725,958 of notes payable to MPT and for general corporate purposes.

On March 31, 2005, MPT and Vibra amended the hospital leases for no consideration. The amendments included delaying the initial measurement date with respect to limitations on total debt and coverage ratios until the quarter ending September 30, 2006, aggregating the six hospitals financial results in calculating the financial covenants, establishing an escrow for property taxes and insurance, and certain other terms.

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US OR THE UNDERWRITERS. THE STATEMENTS IN THIS PROSPECTUS ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER DATE IS SPECIFIED, AND NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE HEREOF. THIS PROSPECTUS IS NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY THESE SHARES OF COMMON STOCK IN ANY CIRCUMSTANCES UNDER WHICH THE OFFER OR SOLICITATION IS UNLAWFUL.

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25,411,039 Shares

(MEDICAL PROPERTIES TRUST LOGO)
Common Stock

PROSPECTUS

September , 2005

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- --

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 sale and distribution of the common stock being registered. All amounts are estimates.

	AMOUNT TO BE PAID
SEC registration fee	$ 29,729
Transfer agent and registrar fees	100,000
Legal fees and expenses	500,000
Accounting fees and expenses	165,000
Printing and mailing fees	115,000
Miscellaneous	10,000
Total	919,729

ITEM 32. SALES TO SPECIAL PARTIES.

Not applicable.

ITEM 33. RECENT SALES OF UNREGISTERED SECURITIES.

On April 6, 2004 and April 7, 2004, we sold in a private placement 21,857,329 shares of common stock to Friedman, Billings, Ramsey & Co., Inc., as initial purchaser, pursuant to the exemptions from registration provided in Section 4(2) of the Securities Act of 1933, as amended , or the Securities Act, and Rule 506 of Regulation D thereunder. Friedman, Billings, Ramsey & Co., Inc. promptly resold 20,244,426 of these shares to qualified institutional buyers in accordance the resale exemption provided in Rule 144A under the Securities Act and to non-U.S. persons in accordance with the exemption provided in Regulation S under the Securities Act. Friedman, Billings, Ramsey & Co., Inc. paid us a purchase price of $9.30 per share for the shares it purchased and resold the shares that it resold for a price of $10.00 per share.

Also on April 7, 2004, the Company sold in a concurrent private placement 3,442,671 shares of common stock directly to institutional and individual accredited investors pursuant to the exemptions from registration provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. These shares were sold for $10.00 per share; however, Friedman, Billings, Ramsey & Co., Inc., which acted as placement agent, received a placement agent fee of $0.70 per share. In addition, we issued 260,954 shares of our common stock on April 7, 2004, to Friedman, Billings, Ramsey & Co., Inc. in a private placement under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder as payment for financial advisory services.

Each of the private placements that we made in reliance on the exemptions from registration provided under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder, as described in the two proceeding paragraphs, did not involve any public offering of the common stock. In addition, each purchaser of privately placed shares provided us with written representations that it was an accredited investor within the meaning of Rule 501(e) of Regulation D, that it was a sophisticated investor and that it had the knowledge and experience necessary to evaluate the risks and merits of the investment in our common stock. In addition, each purchaser of our common stock in the private placements and resales that occurred on April 6 and April 7, 2004 was solicited on a private and confidential basis in a manner not involving any general solicitation or advertising in compliance with Regulation D.

Pursuant to our 2004 Equity Incentive Plan, we have granted options to purchase a total of 160,000 shares of common stock, and awarded 20,000 deferred stock units, to our current or former independent directors. In addition, on April 25, 2005, we awarded 82,000 shares of restricted common stock to certain of our employees. In granting these options to purchase common stock and deferred stock units and in making these restricted stock awards, we relied upon exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 701 under the Securities Act.

In August and September 2003, Mr. Aldag, Mr. McLean, Mr. McKenzie and Mr. Hamner, or our founders, were collectively issued 1,630,435 shares of our common stock in exchange for nominal cash consideration. Upon completion of our private placement in April 2004, 1,108,527 shares of common stock held by our senior management were redeemed for nominal value and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement. We relied upon Section 4(2) of the Securities Act in issuing these shares of common stock to our founders.

ITEM 34. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

- the act or omission of the director or officer was material to the cause of action adjudicated in the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

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

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

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

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

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

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

ITEM 35. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED.

We will not receive any proceeds from the sale of the securities covered by this registration statement.

ITEM 36. FINANCIAL STATEMENTS AND EXHIBITS.

(a) See Page F-1 for an index of the financial statements included in this registration statement.

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

EXHIBIT NUMBER	EXHIBIT TITLE
3.1*	Registrant's Second Articles of Amendment and Restatement
3.2**	Registrant's Amended and Restated Bylaws
4.1*	Form of Common Stock Certificate
4.2*	Registration Rights Agreement among Registrant, Friedman, Billings, Ramsey & Co., Inc. and certain holders of the Registrant's common stock, dated April 7, 2004
5.1	Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to the legality of the shares being registered
8.1	Opinion

of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to certain tax matters 10.1* First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. 10.2* Amended and Restated 2004 Equity Incentive Plan 10.3* Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated September 10, 2003 10.4* First Amendment to Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated March 8, 2004 10.5* Employment Agreement between the Registrant and Emmett E. McLean, dated September 10, 2003 10.6* Employment Agreement between the Registrant and R. Steven Hamner, dated September 10, 2003 10.7* Amended and Restated Employment Agreement between the Registrant and William G. McKenzie, dated September 10, 2003 10.8* Lease Agreement between MPT

West Houston MOB, L.P. and Stealth L.P., dated June 17, 2004 10.9* Lease Agreement between MPT West Houston Hospital, L.P. and Stealth L.P., dated June 17, 2004 10.10* Third Amended and Restated Lease Agreement between 1300 Campbell Lane, LLC and 1300 Campbell Lane Operating Company, LLC, dated December 20, 2004 10.11* First Amendment to Third Amended and Restated Lease Agreement between 1300 Campbell Lane, LLC and 1300 Campbell Lane Operating Company, LLC, dated December 31, 2004 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

EXHIBIT
NUMBER
EXHIBIT TITLE
- ------- ---

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 Operating Partnership, L.P., MPT of Victorville, LLC, Prime A Investments, L.L.C., Desert Valley Health System, Inc., Desert Valley Hospital, Inc. and Desert Valley Medical Group, Inc., dated February 28,

2005 10.28* Lease Agreement between MPT of Victorville, LLC and Desert Valley Hospital, Inc., dated February 28, 2005 10.29* Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and DSI Facility Development, LLC, dated March 3, 2005 10.30* Employment Agreement between the Registrant and Michael G. Stewart, dated April 28, 2005 10.31* Letter of Commitment between MPT Operating Partnership, L.P. and Monroe Hospital Operating Hospital, dated February 28, 2005 10.32* Letter of Commitment between MPT Operating Partnership, L.P., Covington Healthcare Properties, LLC and Denham Springs Healthcare Properties, LLC, dated March 14, 2005 10.33* Letter of Commitment between MPT Operating Partnership, L.P. and North Cypress

Medical Center Operating Partnership, Ltd., dated March 16, 2005 10.34* Letter of Commitment between MPT Operating Partnership, L.P., Hammond Healthcare Properties, LLC and Hammond Rehabilitation Hospital, LLC, dated April 1, 2005 10.35* Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 3, 2005

EXHIBIT NUMBER
EXHIBIT TITLE -
------- -------
------ 10.36*
Amendment to
Letter of
Commitment
between MPT
Operating
Partnership,
L.P. and
Diversified
Specialty
Institutes,
Inc., dated
March 31, 2005
10.37* Letter
of Commitment
between MPT
Operating
Partnership,
L.P., MPT of
Victorville,
LLC and Desert
Valley
Hospital, Inc.,
dated February
28, 2005 10.38*
Amendment to
Purchase and
Sale Agreement
among MPT
Operating
Partnership,
L.P., MPT of
Bucks County
Hospital, L.P.,
Bucks County
Oncoplastic
Institute, LLC,
DSI Facility
Development,
LLC, Jerome S.
Tannenbaum,
M.D., M.
Stephen
Harrison and G.
Patrick
Maxwell, M.D.,
dated April 29,
2005 10.39*
Sublease
Agreement
between MPT of
North Cypress,
L.P. and North
Cypress Medical
Center
Operating
Company, Ltd.,
dated as of
June 1, 2005
10.40* Net
Ground Lease
between North
Cypress
Property
Holdings, Ltd.
and MPT of
North Cypress,
L.P., dated as
of June 1, 2005
10.41* Purchase
and Sale
Agreement
between MPT of
North Cypress,

L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.42* Contract for Purchase and Sale of Real Property between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.43* Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.44* Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.45* Amendment to the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. 10.46* Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC, dated June 1, 2005 10.47* Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long Term Acute Care

of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005 10.48* Lease Agreement between MPT of Covington, LLC and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005 10.49* Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005 10.50* Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005 10.51* Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005 10.52* Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Guardian Postacute Services, Inc., dated November 14, 1997 10.53* Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993 10.54* Amendment No. 1 to Ground Lease Agreement

between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001 10.55* Form of Indemnification Agreement between the Registrant and executive officers and directors 10.56 Lease Agreement between Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005. 10.57 Development Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005.

EXHIBIT NUMBER	EXHIBIT TITLE
10.58	Funding Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 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 January 6, 2005
24.2***	Power of Attorney, included on signature page of the Registrant's Amendment No. 1 to the Registrant's Form S-11 filed with the Commission on July 26, 2005

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

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

** Incorporated by reference to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2005, filed with the Commission on August 22, 2005.

*** Previously filed.

ITEM 37. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to trustees, 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 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 trustee, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, 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 Act and will be governed by the final adjudication of such issue.

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 September 30, 2005.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. STEVEN HAMNER

R. Steven Hamner
Executive Vice President,
Chief Financial Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates listed.

SIGNATURE
TITLE
DATE ---
------ -
---- ---
-

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,
September
30, 2005 -

President
and Chief
Executive
Edward K.
Aldag, Jr.
Officer *
Director
September
30, 2005 -

Virginia
A. Clarke
* Director
September
30, 2005 -

Bryan L.
Goolsby
/s/ R.
STEVEN

HAMNER
Executive
Vice
President,
September
30, 2005 -

Chief
Financial
Officer
and R.
Steven
Hamner
Director *
Director
September
30, 2005 -

G. Steven
Dawson *
Director
September
30, 2005 -

Robert E.
Holmes,
Ph.D. *
Vice
Chairman
of the
Board
September
30, 2005 -

William G.
McKenzie *
Director
September
30, 2005 -

L. Glenn
Orr, Jr.
*By: /s/
R. STEVEN
HAMNER
September
30, 2005 -

R. Steven
Hamner
Attorney-
in-Fact

EXHIBIT NUMBER	EXHIBIT TITLE
3.1*	Registrant's Second Articles of Amendment and Restatement
3.2**	Registrant's Amended and Restated Bylaws
4.1*	Form of Common Stock Certificate
4.2*	Registration Rights Agreement among Registrant, Friedman, Billings, Ramsey & Co., Inc. and certain holders of the Registrant's common stock, dated April 7, 2004
5.1	Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to the legality of the shares being registered
8.1	Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to certain tax matters
10.1*	First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.
10.2*	Amended and Restated 2004 Equity Incentive

Plan 10.3* Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated September 10, 2003 10.4* First Amendment to Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated March 8, 2004 10.5* Employment Agreement between the Registrant and Emmett E. McLean, dated September 10, 2003 10.6* Employment Agreement between the Registrant and R. Steven Hamner, dated September 10, 2003 10.7* Amended and Restated Employment Agreement between the Registrant and William G. McKenzie, dated September 10, 2003 10.8* Lease Agreement between MPT West Houston MOB, L.P. and Stealth L.P., dated June 17, 2004 10.9* Lease Agreement between MPT West Houston Hospital, L.P. and Stealth L.P., dated June 17, 2004 10.10* Third Amended and Restated Lease Agreement

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

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between the Registrant and Michael G. Stewart, dated April 28, 2005 10.31* Letter of Commitment between MPT Operating Partnership, L.P. and Monroe Hospital Operating Hospital, dated February 28, 2005 10.32* Letter of Commitment between MPT Operating Partnership, L.P., Covington Healthcare Properties, LLC and Denham Springs Healthcare Properties, LLC, dated March 14, 2005 10.33* Letter of Commitment between MPT Operating Partnership, L.P. and North Cypress Medical Center Operating Partnership, Ltd., dated March 16, 2005 10.34* Letter of Commitment between MPT Operating Partnership, L.P., Hammond Healthcare Properties, LLC and Hammond Rehabilitation Hospital, LLC, dated April 1, 2005 10.35* Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 3, 2005 10.36* Amendment to Letter of Commitment between MPT Operating

Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 31, 2005 10.37* Letter of Commitment between MPT Operating Partnership, L.P., MPT of Victorville, LLC and Desert Valley Hospital, Inc., dated February 28, 2005 10.38* Amendment to Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, DSI Facility Development, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D., dated April 29, 2005 10.39* Sublease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.40* Net Ground Lease between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.41* Purchase and Sale Agreement between MPT of North Cypress, L.P. and North

Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.42* Contract for Purchase and Sale of Real Property between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005

EXHIBIT NUMBER EXHIBIT TITLE - ------- ------- ------ 10.43* Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.44* Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.45* Amendment to the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. 10.46* Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC, dated June 1, 2005 10.47* Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long Term Acute Care of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005 10.48* Lease Agreement between MPT of Covington, LLC

and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005 10.49* Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005 10.50* Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005 10.51* Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005 10.52* Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Guardian Postacute Services, Inc., dated November 14, 1997 10.53* Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993 10.54* Amendment No. 1 to Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001 10.55* Form of

Indemnification Agreement between the Registrant and executive officers and directors 10.56 Lease Agreement between Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005. 10.57 Development Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005. 10.58 Funding Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 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)

EXHIBIT NUMBER	EXHIBIT TITLE
24.1***	Power of Attorney, included on signature page of the Registrant's Form S-11 filed with the Commission on January 6, 2005
24.2***	Power of Attorney included on signature page of the Registrant's Amendment No. 1 to the Registration Statement on Form S-11 filed with the Commission on July 26, 2005.

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

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

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

*** Previously filed.

EXHIBIT 5.1

September 30, 2005

Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

Re: Legality of Securities to be Registered under Registration Statement on Form S-11 (File No. 333-121883)

Ladies and Gentlemen:

This opinion is furnished in our capacity as Maryland counsel to Medical Properties Trust, Inc., a Maryland corporation (the "Company"), in connection with certain matters of Maryland law arising out of the registration of up to 25,411,039 shares (the "Shares") of the Company's common stock, $.001 par value per share (the "Common Stock"), under the Securities Act of 1933, as amended (the "1933 Act"). The Shares are covered by the above-referenced Registration Statement and all amendments thereto, filed by the Company with the Securities and Exchange Commission (the "Commission").

In connection with our representation of the Company, and as a basis for the opinion set forth below, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement (Registration No. 333-121883), including all amendments thereto, with the prospectus included therein, in the form in which it was transmitted to the Commission under the 1933 Act (the "Resale Registration Statement");

2. The charter of the Company (the "Charter"), certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, certified as of the date hereof by an officer of the Company;

4. Resolutions adopted by the Board of Directors of the Company (the "Resolutions") relating to the registration, sale and issuance of the Shares, certified as of the date hereof by an officer of the Company;

5. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

6. A certificate executed by an officer of the Company, upon which we have relied as to factual, not legal, representations, dated as of the date hereof; and

7. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. None of the Shares will be issued, sold or transferred in violation of the restrictions on ownership and transfer contained in Article VI of the Charter.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that the Shares have been duly authorized and are validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with any federal or state securities laws, including the securities laws of the State of Maryland. The opinion expressed herein is specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you solely for submission to the Commission as an exhibit to the Registration Statement.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein in the section entitled "Legal Matters" in the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

/s/ Baker, Donelson, Bearman, Caldwell &
Berkowitz, a Professional Corporation

Exhibit 8.1

September 30, 2005

Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

Re: Medical Properties Trust, Inc.
Qualification as a Real Estate Investment Trust

Dear Ladies and Gentlemen:

This opinion is furnished in our capacity as counsel to Medical Properties Trust, Inc., a Maryland corporation (the "Company"), in connection with the preparation of the Registration Statement on Form S-11 filed by the Company with the Securities and Exchange Commission (the "SEC") on January 6, 2005 (File No. 333-121883) as amended through the date hereof (the "Resale Registration Statement"). You have requested our opinion regarding certain United States federal income tax matters.

The Company, through MPT Operating Partnership, L.P., a Delaware limited partnership, (the "Operating Partnership") and its subsidiary limited liability companies and partnerships (collectively the "Subsidiaries"), owns interests in twelve healthcare facilities, nine of which are in operation and three of which are under development. The Operating Partnership owns MPT Development Services, Inc., a Delaware corporation and the Company and MPT Development Services, Inc. have elected for MPT Development Services, Inc. to be a taxable REIT subsidiary (a "TRS").

In giving this opinion, we have examined the following documents:

1. The charter of the Company (the "Charter"), certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");

2. The Bylaws of the Company, certified as of the date hereof by an Officer of the Company;

3. The Resale Registration Statement;

4. The First Amended and Restated Agreement of Limited Partnership of the Operating Partnership dated February 29, 2004 (the "Operating Partnership Agreement") and all amendments thereto;

5. The organizational documents of the Subsidiaries;

6. The TRS election for MPT Development Services, Inc.;

7. The Loan Agreement dated August 17, 2004 by and among MPT Development Services, Inc., the Operating Partnership, and Highmark Healthcare, LLC (now known as Vibra Healthcare, LLC) and certain of its operating subsidiaries (the "Loan Agreement");

8. The Security Agreement dated July 1, 2004 among Highmark Healthcare, LLC and certain of its operating subsidiaries and MPT Development Services, Inc., as amended by the First Amendment to Security Agreement dated August 17, 2004 (the "Security Agreement");

9. The Loan Guaranty dated July 1, 2004 among Senior Real Estate Holdings, LLC dba The Hollinger Group, Highmark Management, LLC, and Brad E. Hollinger, as Guarantors, and MPT Development Services, Inc., the Operating Partnership and their affiliates, as amended and restated by the Amended and Restated Loan Guaranty dated August 17, 2004 (the "Loan Guaranty");

10. The Pledge Agreement dated July 1, 2004 among Highmark Healthcare, LLC and Brad E. Hollinger, as Pledgors and the Operating Partnership and MPT Development Services, Inc., as amended by the First Amendment to the Pledge Agreement dated August 17, 2004 (the "Pledge Agreement");

11. The Subordination Agreement dated July 1, 2004 among Highmark Healthcare, LLC, Highmark Management, LLC and certain of their affiliates and the Operating Partnership, and MPT Development Services, Inc., as amended and restated by the Amended and Restated Subordination Agreement dated August 17, 2004 (the "Subordination Agreement");

12. The Promissory Notes dated July 1, 2004 of Highmark Healthcare, LLC, as Maker, and MPT Development Services, Inc., as Lender, as amended by the Amendment to Promissory Note dated August 17, 2004;

13. The Promissory Note dated August 17, 2004 of Highmark Healthcare, LLC, as Maker, and the Operating Partnership, as Lender;

14. The Promissory Note dated July 1, 2004 of Highmark Healthcare, LLC and certain of its affiliates, as Makers, and MPT Development Services, Inc., as Lender, as amended by the Amendment to Promissory Note dated August 17, 2004, the Second Amendment to Promissory Note dated October 1, 2004, the Third Amendment to Promissory Note dated December 31, 2004 and the Fourth Amendment to Promissory Note dated January 31, 2005;

15. The Promissory Note dated July 1, 2004 of MPT Development Services, Inc., as Maker, and the Operating Partnership, as Lender in the principal amount of $6,197,642.00; and

16. The Promissory Note dated July 1, 2004 of MPT Development Services, Inc., as Maker, and the Operating Partnership, as Lender in the principal amount of $41,415,986.00.

17. The Intercreditor Agreement dated February 9, 2005 by and among Vibra Healthcare, LLC and certain of its affiliates, Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., MPT Development Services, Inc. and the Operating Partnership and certain of its affiliates.

In connection with the opinions rendered below, we have assumed, with your consent, that:

1. each of the documents referred to above has been duly authorized, executed, and delivered; is authentic, if an original, or is accurate, if a copy; and has not been amended;

2. except for the Company, for which no assumption is made, each partner of the Operating Partnership (a "Partner") that is a corporation or other entity has a valid legal existence; and

3. each Partner has full power, authority, and legal right to enter into and to perform the terms of the Operating Partnership Agreement and the transactions contemplated thereby.

In connection with the opinions rendered below, we also have relied upon the correctness of the factual representations and covenants contained in that certain certificate dated September 30, 2005 and executed by R. Steven Hamner as Executive Vice President and Chief Financial Officer of the Company (the "Officer's Certificate"). To the extent such representations and covenants speak to the intended ownership or operations of the Company, we assume that the Company will in fact be owned and operated in accordance with such stated intent. After reasonable inquiry, we are not aware of any facts inconsistent with the representations set forth in the Officer's Certificate. Furthermore, where such factual representations involve terms defined in the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations thereunder (the "Regulations"), published rulings of the Internal Revenue Service (the "Service"), or other relevant authority, we have explained such terms to the Company's representatives and are satisfied that the Company's representatives understand such terms and are capable of making such representations.

Based on the documents and assumptions set forth above and the factual representations set forth in the Officer's Certificate, we are of the opinion that:

(a) the Company is and has been organized in conformity with the requirements for qualification to be taxed as a REIT under the Code commencing with its initial taxable year ended December 31, 2004, and the Company's current and proposed method of operations as described in the Resale Registration Statement and as represented to us by it satisfies currently, and will enable it to continue to satisfy in the future, the requirements for such qualification and taxation as a REIT under the Code;

(b) the loans made by MPT Development Services, Inc. pursuant to the Loan Agreement (i) are properly characterized as debt of the borrowers rather than equity securities of the borrowers under principles of federal income tax law, and (ii) if those loans were treated as having been made by the Operating Partnership instead of MPT Development Services, Inc. under applicable federal income tax principles, such loans would constitute "straight-debt securities" of the borrowers, as defined in Sections 856(m)(1)(a) and 856(m)(2) of the Code; and

(c) the descriptions of the law and the legal conclusions contained in the Resale Registration Statement under the caption "United States Federal Income Tax Considerations" are correct in all material respects, and the discussion thereunder fairly summarizes the federal income tax considerations that are likely to be material to a holder of the common stock of the Company.

We will not review on a continuing basis the Company's compliance with the documents or assumptions set forth above, or the representations set forth in the Officer's Certificate. Accordingly, no assurance can be given that the actual results of the Company's operations for any given taxable year will satisfy the requirements for qualification and taxation as a REIT.

The foregoing opinions are based on current provisions of the Code and the Regulations, published administrative interpretations thereof, and published court decisions. The Service has not issued Regulations or administrative interpretations with respect to various provisions of the Code relating to REIT qualification. No assurance can be given that the law will not change in a way that will prevent the Company from qualifying as a REIT.

The foregoing opinions are limited to the United States federal income tax matters addressed herein, and no other opinions are rendered with respect to other federal tax matters or to any issues arising under the tax laws of any other country, or any state or locality. We undertake no obligation to update the opinions expressed herein after the date of this letter. This opinion letter is solely for the information and use of the addressee and the purchasers of the common stock of the Company pursuant to the Resale Registration Statement (except as provided in the next paragraph), and it speaks only as of the date hereof. Except as provided in the next paragraph, this opinion letter may not be distributed, relied upon for any purpose by any other person, quoted in whole or in part or otherwise reproduced in any document, or filed with any governmental agency without our prior express written consent.

We hereby consent to the filing of this opinion as an exhibit to the Resale Registration Statement. We also consent to the references to Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. under the captions "United States Federal Income Tax Considerations" and "Legal Matters" in the Resale Registration Statement. In giving this consent, we do not admit that we are in the category of the persons whose consent is required by Section 7 of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder by the SEC.

Very truly yours,

/s/ Baker, Donelson, Bearman, Caldwell & Berkowitz, PC

Exhibit 10.56

LEASE AGREEMENT

MPT OF BUCKS COUNTY, L.P.,
A Delaware limited partnership

Lessor

AND

BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC,
a Delaware limited liability company

Lessee

Property: Twenty-four (24)-Bed Hospital Facility and
incorporated Medical Office Building
Bensalem, Bucks County, Pennsylvania

September 16, 2005

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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is dated as of the 16th day of September, 2005, and is between MPT OF BUCKS COUNTY, L.P., a Delaware limited partnership ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 511 Union Street, Suite 1800, Nashville, Tennessee 37219.

WITNESSETH:

WHEREAS, Lessor owns that certain real property located in Bensalem, Bucks County, Pennsylvania, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference (the "Land");

WHEREAS, Lessor plans to develop a hospital facility and a medical office building on the Land;

WHEREAS, Lessor wishes to lease the Land and Leased Improvements (as hereinafter defined) to the Lessee and the Lessee desires to lease the Land and Leased Improvements from the Lessor; and

WHEREAS, the parties 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 Land;

(b) the Facility (including the Connector) to be constructed on the Land as provided in the Development Agreement (as herein defined), all Fixtures (as hereinafter defined) and other improvements of every kind including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently or hereafter situated upon the Land and related to the Facility, and Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and

(d) all permanently affixed 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 following the Completion Date (as hereinafter defined). Notwithstanding anything contained herein to the contrary, in the event the certificate of occupancy is not issued within ninety (90) days from the date of the Completion of the construction of the Facility or if Lessee fails to obtain its Medicare billing number within one hundred eighty (180) days from the date of Completion of the construction of the Facility, Lessor shall have the option to terminate this Lease upon fifteen (15) days prior written notice to the Lessee.

So long as no Default or Event of Default then exists, Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for two (2) additional periods of five (5) years each, and one (1) additional period that expires on August 15, 2035 (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least six (6) months prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, a Default shall occur and the same is not cured within the applicable cure period, at Lessor's option, 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 and all rights of the Lessee to purchase as provided herein shall be deemed to have lapsed and be of no further force or effect.

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:

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.

Applicable Law: As defined in Section 41.16.

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 after the Completion Date on any parcel or portion of the Land during the Term, including 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 such Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures included in such Capital Addition, 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 such 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.

Cash Deposit: As defined in Section 41.7.

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

Collateral: Lessee's accounts receivable and 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 and 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.

Commencement Date: The date hereof.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) dated October 21, 2004, as amended by letter dated December 23, 2004, and as further amended, modified and supplemented by the Purchase Agreement.

Completion: The terms "completion," "complete construction," "completion of construction" and similar phrases means such time as Lessor receives from the architect that the construction of the Leased Improvements has been substantially completed in accordance with the plans and specifications therefor, which certificate shall be in form and substance satisfactory to Lessor and shall include the written approval of Lessor's, construction inspector noted thereon.

Completion Date: As defined in Section 3.3(e) of the Development Agreement.

Condemnation, Condemnor: As defined in Section 15.1.

Connector: Those two (2) hallways containing in the aggregate approximately 750 square feet, which connect to the hospital to be constructed on the Land on either side of the medical office building to be constructed on the Land.

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

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

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

(c) the sum of the following (without duplication of deductions in respect of items already deducted in arriving at surplus and retained earnings): (i) unamortized debt discount and expense and (ii) any write-up in book value of assets resulting from a revaluation thereof pursuant to GAAP subsequent to the most recent Statements of Cash Flow prior to the date thereof.

Construction Period: That period of time from the date hereof and ending on the Completion Date.

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

Consumer Price Index: The Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). If the Consumer Price Index is discontinued or revised during the term 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.

Default: Any event, act or condition that with the giving of notice or the passage of time or both would constitute an Event of Default.

Developer: DSI Facility Development, LLC, a Delaware limited liability company.

Development Agreement: That certain Development Agreement of even date herewith among Developer, Lessor and Lessee, as the same may be amended, modified, supplemented and/or restated from time to time.

EBITDAR: Net earnings calculated in accordance with GAAP, less actual management fees paid by Lessee, plus management fees calculated at five percent (5%) of Lessee's net revenue, plus interest, taxes, depreciation, amortization and rent (including any equipment lease or rent expense).

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1 and Section 16.2.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Extraordinary Repairs: All repairs to the Facility (including, without limitation, all parking decks and parking lots), whether interior or exterior, structural or non-structural, which are not consistent in nature, scope and magnitude with, and that would not reasonably be expected to result from, the normal use, operation and wear of the Facility, as Lessee and/or Lessor may determine to be necessary or appropriate from time to time during the Term.

Facility: The licensed twenty-four (24)-bed hospital facility and incorporated medical office building and all improvements constructed in connection therewith to be constructed and operated on the Land.

Facility Instrument: A note (whether secured or unsecured), loan agreement, credit agreement, guaranty, security agreement, mortgage, deed of trust or other security agreement pursuant to which a Facility Lender has provided financing to Lessor, or pursuant to which Lessor or an Affiliate of Lessor has provided financing to Lessee, in connection with the Leased Property or any part thereof, and any and all renewals, replacements, modifications, supplements, consolidations, spreaders and extensions thereof.

Facility Lender: A holder (which may include any Affiliate of Lessor) of any Facility Instrument.

Fair Market Value: The amount that a willing buyer would pay a willing seller, neither being under a particular compulsion to buy or sell, each fully aware of all applicable facts, assuming a reasonable marketing period, taking into account general economic conditions as of the date fair market value is being determined and taking into account all other conditions in effect on such date that may reasonably be considered in determining fair market value, and otherwise determined in accordance with prevailing standards of appraisal practice at the time of determination. Fair Market Value (a) shall be determined in accordance with the appraisal procedures set forth in Article XXXIII or in such other manner as shall be mutually acceptable to Lessor and Lessee, and (b) shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and shall not take into account any purchase options contained herein.

Fair Market Added Value: The Fair Market Value of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Charges: The sum of the Lease Payments and required principal and interest payments with respect to the Total Debt.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

Funding Agreement: That certain Funding Agreement of even date herewith among Lessor, Lessee and Developer, as the same may be amended, modified, supplemented and/or restated from time to time.

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.

Ground Contract: That certain Agreement of Sale dated April 14, 2005, between Glenview Land Holdings, L.P., as Seller, and Lessee, which was assigned by Lessee to Lessor by that certain Assignment and Assumption Agreement of even date herewith.

Guarantors: Shall mean those parties identified on Exhibit A of that certain Lease Guaranty of even date herewith.

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 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), 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 (42 U.S.C. 1320a-7a(a)(5)), 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 Real Estate Taxes, all capital stock and franchise taxes of Lessor, all sales and use taxes, all single business, gross receipts, transaction privilege, rent or similar taxes and assessments, all assessments, charges and costs imposed under the Permitted Exceptions (including, without limitation, all penalties, fines, damages, costs and expenses for any violation of or a default under any of 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.) contemporaneously herewith for the Leased Property pursuant to the Ground Contract, which the parties acknowledge is Five Million Three Hundred Ninety-Five Thousand Four Hundred Ninety-Seven and 21/100 Dollars ($5,395,497.21).

Inspection Fee: As defined in Article XXV.

Insurance Premiums: As defined in Section 4.4.

Insurance Requirements: All terms of any insurance policy required by this Lease.

Land: As defined in the Recitals.

Lease: As defined in the Preamble.

Lease Assignment: That certain Assignment of Rents and Leases to be effective on the Commencement Date executed and delivered by Lessee to Lessor, pursuant to which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements (subject to Tenant's rights as expressly set forth in the Lease Assignment), if any, as security for the obligations of Lessee under this Lease (as this Lease may be amended, modified and/or restated from time to time) and all other obligations of Lessee to Lessor, or any Affiliate of Lessee to Lessor or to any Affiliate of Lessor.

Lease Guaranty: As defined in Section 41.4 hereof.

Lease Payments: The Construction Period Rent and Base Rent as required under this Lease.

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: Bucks County Oncoplastic Institute, LLC, a Delaware limited liability company, and its successors and permitted assigns, which, if required by Lessor, shall at all times during the term of this Lease be a Single Purpose Entity created and to remain in good standing as required hereunder for the sole purpose of leasing and operating the Facility.

Lessee's Personal Property: All of Lessee's machinery, medical equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property (including all such items affixed to the Leased Property), and consumable inventory and supplies, currently owned and acquired after the execution of this Lease, used or useful in the operation of the Facility, including without limitation, all operating licenses, but excluding Lessee's accounts receivable, subject to a lien in favor of Lessee's Primary Lender as expressly allowed hereunder, and any items included within the definition of Fixtures.

Lessor: MPT of Bucks County, L.P., a Delaware limited partnership, and its successors and assigns.

Letter of Credit: As defined in Section 41.7 hereof.

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.

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.

Officer's Certificate: A certificate of Lessee signed by the officer(s) or representative(s) authorized to so sign by the governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: All other leases entered into between Lessor or any Affiliate of Lessor, on the one hand, and Lessee, or any of its Affiliates, on the other hand.

Overdue Rate: On any date, a rate per annum equal to four percent (4%).

Percentage Rent: As defined in Section 3.2(d).

Permitted Exceptions: As defined in Article I.

Person: An individual, a corporation, a limited liability company, a general or limited partnership, an unincorporated association, a joint venture, a Governmental Entity or another entity or group.

Primary Intended Use: As defined in Article VII.

Primary Lender. A lender providing financing for Lessee to purchase items of Collateral or in connection with the refinancing of any items of Collateral.

Primary Lien of Lessee's Primary Lender: Any first priority lien granted by Lessee in any of the Collateral which may be given in connection with Lessee's Primary Lender providing equipment and working capital financing for Lessee, as such term "Primary Lender" is more particularly defined in the Security Agreement.

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.

Principals: Collectively, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D.

Promissory Note: That certain Promissory Note of even date herewith made by Lessee in favor of MPT Development Services (as may be hereafter amended, modified and/or restated from time to time).

Purchase Agreement: The Purchase and Sale Agreement dated as of March 3, 2005, as amended by that certain letter amendment dated April 29, 2005, and as further amended by that certain letter amendment dated June 21, 2005, by and among MPT Operating Partnership, L.P., MPT Bucks County, Lessee, Jerome S. Tannenbaum, M.D., M. Stephen Harrison, G. Patrick Maxwell, M.D. and Developer.

Real Estate Taxes: All real estate taxes, assessments and special assessments and dues which shall be levied, or imposed upon the Leased Property during the Term.

Removal Notice: As defined in Section 16.2.

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1 hereof), the Construction Period Rent, the Percentage Rent and the Additional Charges.

Reserve: As defined in Section 9.2.

Revenues: Collectively, all revenues generated by reason of the operation of the Facility, whether or not directly received or to be received by the Lessee, including, without limitation, all patient and/or resident revenues received or receivable for the use of, or otherwise by reason of, all rooms, beds, units and other facilities provided, meals served, services performed, space or facilities subleased or goods sold on or from the Facility; provided, however, that Revenues shall not include non-operating revenues such as interest income or gain from the sale of assets not sold in the ordinary course of business; and provided, further, that there shall be excluded or deducted (as the case may be) from such revenues; (i) contractual allowances for billings not paid by or received from the governmental authorities or third party payors, (ii) allowances according to GAAP for uncollectible accounts, (iii) all proper patient or resident billing credits and adjustments according to GAAP related to health care accounting, (iv) deposits refundable to patients/residents of the Facility and (v) provider discounts for hospital or other medical facility utilization contracts.

Security Agreement: That certain Security Agreement to be effective on the Commencement Date executed and delivered by Lessee to Lessor, pursuant to the terms of which Lessee has granted to Lessor a first lien and security interest in all of Lessee's rights under this Lease (as this Lease may be amended, modified and/or restated from time to time), to all of Lessee's Personal Property (excluding Lessee's 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 Leased Property and conducting the operation of the Business, (ii) conducts business only in its own name or in fictitious or d/b/a names previously disclosed to Lessor, (iii) does not engage in any business other than the Business or the operation of that certain stand-alone imaging center previously disclosed to Lessor, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest in the Leased Property 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.

Tangible Net Worth: The members' equity of the Lessee determined in accordance with GAAP, minus the value of all intangible assets used in such calculation.

Tannenbaum: Jerome S. Tannenbaum, M.D.

Tenant: The lessees/sublessees or tenants/subtenants under the Tenant Leases, if any.

Tenant Improvements: The interior partitions, finishes and other tenant improvement work in and for each suite of space in the Building leased to a Tenant as required under the Tenant Leases.

Tenant Leases: All leases, subleases and other rental agreements (written or verbal, now or hereafter in effect), if any, pursuant to which Lessee grants or has granted a possessory interest in and to any space in or any part of the Leased Property, including the Existing Subleases, and all Credit Enhancements, if any, held in connection therewith.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Total Debt: All indebtedness which, in accordance with GAAP, will be included in determining total liabilities of Lessee, as shown on the liability side of a balance sheet, including any such indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, excluding any nonrecourse indebtedness and excluding any current liabilities.

Total Development Costs: The (i) Initial Purchase Price, plus any additional purchase price amounts paid for the Leased Property by Lessor or its Affiliates pursuant to the Purchase Agreement, plus all reasonable 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 site visits, and fees paid to advisors and brokers, except to the extent such items are paid by Lessee, (ii) costs of Capital Additions financed by

Lessor (and Lessor's Affiliates) as provided in Section 10.3 of this Lease, (iii) all amounts advanced or paid pursuant to the Development Agreement and the Funding Agreement, (iii) Construction Period Rent, as provided in Section 3.1(a); (iv) interest on advances made by Lessor prior to the date hereof in the amount of Ninety-Seven Thousand, One Hundred Sixty and 12/100 Dollars ($97,160.12) which shall be deemed incurred as of the date hereof; (v) any amounts paid by Lessor in connection with the posting of a development bond required by the township of Bensalem, Pennsylvania (it being understood that Total Development Costs and the Base Rent shall be adjusted accordingly for any amounts returned to Lessor with respect to such bond) and (vi) all fees and expenses paid or advanced by Lessor and its Affiliates in connection with the construction and development of the Leased Property, except to the extent such items are paid by Lessee. Notwithstanding the foregoing, Total Development Costs shall not include any Additional Charges.

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 CONSTRUCTION PERIOD RENT; BASE RENT; PERCENTAGE RENT. During the Term, Lessee shall pay to Lessor, 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, Construction Period Rent, Base Rent and Percentage Rent, as follows:

(a) CONSTRUCTION PERIOD RENT: During the Construction Period, the rent payable by Lessee to Lessor shall accrue but be deferred as provided herein. The amount of such accrual shall be calculated each month during the Construction Period as follows: beginning October 1, 2005, and on the first (1st) day of each month during the Construction Period thereafter, Lessee shall be obligated to pay, on a deferred basis as provided herein, an amount equal to the product of (i) ten and 75/100 percent (10.75%) (subject to adjustment as provided in Section 3.1(c) below) multiplied by (ii) the amount of Total Development Costs which have been incurred as of the last day of the immediately preceding month, divided by (iii) twelve (12), it being understood and agreed that, beginning November 1, 2005, and on the first (1st) day of each month thereafter during the Construction Period, any amounts of previously deferred Construction Period rent are to be included within Total Development Costs for purposes of the calculation of Construction Period rent under this Section 3.1(a) (such construction period rent calculated as herein provided being referred to herein as the "Construction Period Rent"). The Construction Period Rent will be deferred and added to Total Development Costs but will not be paid until the Completion Date at which time the Construction Period Rent amount will be amortized and paid over the Fixed Term beginning with the Completion Date, in equal monthly installments as part of the payments of Base Rent. Lessee shall be entitled to prepay all or any portion of Construction Period Rent, without penalty. As the amortized Construction Period Rent is paid, the Total Development Costs and Base Rent will be adjusted and reduced accordingly.

(b) BASE RENT: Subject to adjustments as expressly set forth herein (including as provided in Section 3.1(c) below), Lessee shall pay Lessor base rent (the "Base Rent") following the Construction Period in an amount equal to ten and 75/100 percent (10.75%) per annum (subject to adjustment as provided in Section 3.1(c) below) of the Total Development Costs, which Base Rent shall be payable in advance in equal, consecutive monthly installments. Base Rent shall be payable on the first (1st) day of each calendar month of the Term, commencing on the first (1st) day of the month immediately following the Completion Date (prorated as to any partial month).

(c) ADJUSTMENT OF BASE RENT: Commencing on January 1, 2007, 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 and one-half percent (2.5%) per annum of the prior year's Base Rent, or (B) the percentage by which the CPI in effect on the Adjustment Date shall have increased over the CPI 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. In the event the Total Development Costs are adjusted and increased by the Total Development Costs Adjustment, then all calculations of Base Rent shall be adjusted accordingly.

(d) PERCENTAGE RENT: Commencing with the first calendar month next succeeding the Completion Date and thereafter throughout the Term, in addition to the Base Rent, Lessee shall pay to Lessor, percentage rent in an amount equal to one and 75/100 percent (1.75%) (the "Percentage Rent") of Revenues for the preceding month. Percentage Rent shall be payable at the same time as Base Rent is payable hereunder.

(e) SCHEDULE OF TOTAL DEVELOPMENT COSTS AND RENT ADJUSTMENTS: At the end of the Construction Period, the Lessor shall, in its reasonable discretion, calculate the Total Development Costs, Construction Period Rent and Base Rent to be paid hereunder (the "Schedule"), and provide a copy of such Schedule to the Lessee, which Schedule will become a part of this Lease and incorporated herein by reference, and shall be substituted, amended and adjusted by Lessor from time to time in its reasonable discretion as the Total Development Costs, rent payments and rent adjustments are calculated during the Term as provided herein, and, when delivered to the Lessee, such substituted, amended and adjusted Schedule shall become a part of this Lease and incorporated herein by reference.

3.2 ADDITIONAL CHARGES. In addition to the Construction Period Rent, Base Rent and the Percentage Rent, and except as expressly otherwise provided herein (a) Lessee will also pay and discharge as and when due and payable all costs of owning and operating the Facility, all Impositions, all Real Estate Taxes, Insurance Premiums, maintenance and capital improvements, all violations and defaults under any of the Permitted Exceptions, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and reimburse Lessor and/or its Affiliates for all such amounts paid by Lessor and promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent. If any installment of Base Rent, Construction Period Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within seven (7) 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. At any time during the Term, Lessor may require Lessee to pay into escrow or make deposits to Lessor (or to a Facility Lender if requested by Lessor) relating to any part of the Impositions, Real Estate Taxes and/or Insurance Premiums and Lessee shall pay to Lessor (or directly to a Facility Lender if requested by Lessor), upon written request from Lessor, such amounts as and when required by Lessor (or the Facility Lender). All sums paid into escrow or deposits shall not bear interest, may be commingled with Lessor's (or Facility Lender's) books and accounts, and may be applied by the Lessor (or the Facility Lender) to all sums owed by Lessee to Lessor (or to sums owed to Facility Lender).

3.3 ABSOLUTE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, Construction Period Rent, Percentage 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.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing or assessing authorities, unless, in the case of the escrows and deposits required to be paid to Lessor or Facility Lender as provided in Section 3.2 herein, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII); and, subject to the requirement to pay escrows and deposits as required in Section 3.2 herein) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Default or Event of Default shall have occurred hereunder and be continuing at the time Lessor receives such refund. Any such funds retained by Lessor due to a 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. After consultation with Lessor, Lessee may, at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates, unless Lessee purchases the Leased Property pursuant to the purchase options expressly provided herein, shall be adjusted and prorated between Lessor and Lessee as of the date on which this Lease terminates. Lessee shall be responsible for a pro rata share of any such Impositions attributable to the period before the date on which this Lease terminates, 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, sewer, water and other utilities used in connection with the Leased Property

during the Term, including, without limitation, unless paid as part of the Total Development Costs, all connection, impact and tap fees necessary for the development and operation of the Facility.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term; provided, however, if required by Lessor pursuant to Section 3.2 of this Lease, such premiums shall be paid as required under Section 3.2 herein. At Lessor's option, Lessor may obtain such coverages and, in such event, shall be entitlted to obtain reimbursement from Lessee for the costs of such coverages.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute 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 Land is the property of Lessor, that upon the construction of the Leased Improvements the Lessor will own all of the Leased Property, and that Lessee has only the right to the possession and use of the Leased Property and the right to purchase the Leased Property, subject to the terms, provisions and conditions set forth in this Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Upon the occurrence and during the continuation of any Default hereunder, Lessee shall not, without the prior written consent of Lessor, 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. All of Lessee's Personal Property not removed by Lessee within fifteen (15) Business Days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or

otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property and repair all damage to the Leased Property caused by the removal of Lessee's Personal Property, 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 satisfactory for its purpose hereunder and under the Development Agreement. Lessee is leasing the Leased Property "as is" in its present condition and as shall be improved pursuant to the Development Agreement. Lessee warrants and represents that it has obtained, or will obtain, or will cause to be obtained, within the time periods required in the Development Agreement and the Funding Agreement, all approvals, variances, permits, licenses and certificates required by all Governmental Entities for the construction and development of the Facility. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE.

7.2 USE OF THE LEASED PROPERTY.

(a) If not obtained on or prior to the Completion Date, Lessee covenants that it will use its best efforts to obtain as soon as practicable following the Completion Date, and shall 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 a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as an acute care hospital facility and incorporated medical office building.

(b) Beginning on the Completion Date and during the entire Term, after the completion of the construction of the Leased Improvements, Lessee shall use or cause to be used the Leased Property and the improvements thereon as an acute care hospital facility and incorporated medical office building and for such other legal ancillary uses as may be necessary in connection with or incidental to such use, subject to all covenants, restrictions and easements (including those set forth in the Permitted Exceptions) relating to the Facility (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use, nor change the number of 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; provided, however, that Lessee may decrease the number of beds by ten percent (10%) or less without Lessor's consent and may increase the number of beds without Lessor's consent provided such increase consists of additional licensed acute care beds. 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 Term, Lessor shall have the right and option to erect a sign or signs on the Leased Property stating that the Leased Property is owned by the Lessor (and, if applicable, that Lessor or its Affiliates is the funding source for the construction and development of the Facility). Such signs shall be in sizes, and shall be erected in a location approved by Lessee, which approval shall not be unreasonably withheld, conditioned or delayed. Lessor agrees that Lessee shall have the right during the Term to erect a sign or signs on the Leased Property stating that the Leased Property is operated by the Lessee.

7.3 LESSOR TO GRANT EASEMENTS. Provided no Default or Event of Default then exists, Lessor will, at the request of Lessee and at Lessee's cost and expense, but subject to the reasonable approval of Lessor (a) grant easements and other rights in the nature of easements, (b) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property, (c) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (d) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (e) execute amendments to any covenants and restrictions affecting the Leased Property and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications and transfers, 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 the value of the Leased Property. Any such grants, releases, dedications, transfers, petitions or amendments executed by Lessor as provided in this Section 7.3 shall be recorded or filed by Lessee or Lessor, at Lessee's sole cost and expense, in the proper recording/filing office where the Land is located.

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 applicable to Lessee and its 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. 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 and 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 8.1.

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 commercially reasonable 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, used and/or handled in the normal course of business regarding the Primary Intended Use (which Hazardous Materials shall be handled and disposed of in compliance with all Hazardous Materials Laws), no Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Leased Property. No activity shall be undertaken on the Leased Property which would cause (i) the Leased Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Leased Property within the ambit of RCRA or any Hazardous Materials Laws, (ii) a release or threatened release of Hazardous Materials from the Leased Property within the meaning of, or otherwise bring the Leased Property within the ambit of, CERCLA or SARA or any Hazardous Materials Laws or (iii) the discharge of Hazardous Materials into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Materials which would require a permit under any Hazardous Materials 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 Materials Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Materials 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 Materials Laws, or requiring compliance with any Hazardous Materials Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Leased Property by reason of any Hazardous Materials 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 any Hazardous Materials Laws by Lessee, its agents, representatives, employees, contractors, subtenants and/or sublessees. 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, 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 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 and 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 and its successors and assigns at any time and from time to time by reason or arising out of any breach by Lessee of the provisions set forth in this Section 8.4 or any violation of any Healthcare Laws.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee represents, warrants and covenants to Lessor that as of the date hereof: (i) Lessee is a limited liability company duly organized and validly existing under the laws of the State of Delaware, has duly qualified to do business in the State of Pennsylvania, and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of Lessee, enforceable in accordance with their terms, (ii) neither the entering into of this Lease or the other documents referred to herein nor the performance by Lessee of its obligations hereunder or under the other documents referred to herein will violate any provision of law or any agreement, indenture, note or other instrument binding upon Lessee, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of Lessee, threatened against or affecting Lessee or any of its Affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of Lessee or the ability of Lessee to perform its obligations under this Lease or the other documents referred to herein, (v) Lessee and each of its Affiliates is in compliance with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities, and (vi) Lessee has obtained and delivered copies thereof to Lessor on the Commencement Date all certificates of need, Medicare billing numbers, other licenses and agreements required for the operation of the Facility and all medical equipment used in connection with the Facility, or will use its best efforts to obtain the same as soon as practicable and shall deliver evidence of such documentation to Lessor within ten (10) Business Days after obtaining same.

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 (i) any material and adverse amendment or modification of its Organizational Documents (as defined below) (including any amendment or modification 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 organization or its name. Lessee has, simultaneously with the execution of this Lease, delivered to Lessor a true and complete copy of the articles of organization and certificate of formation and limited liability company operating agreement creating Lessee, and all other documents creating and governing the Lessee (collectively, the "Organizational Documents"). Lessee warrants and represents that the Organizational Documents (i) were duly executed and delivered, (ii) are in full force and effect, and binding upon and enforceable in accordance with their terms, (iii) constitute the entire understanding among the partners and members or equity owners of Lessee, and (iv) no breach exists under the

Organizational Documents and no act has occurred and no condition exists which, with the giving of notice or the passage of time would constitute such 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 would be reasonably expected to 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 may 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 Fifty Thousand and 00/100 Dollars ($50,000.00) and obtain consent from Lessor prior to making such repairs, improvements, additions, modifications and remodeling; provided, however, that if in the reasonable judgment of Lessee emergency repairs are needed, Lessee may make such repairs and shall notify Lessor that such repairs have been made as soon as practicable.

(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 or capital in nature, 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, materialmen 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, constructed, repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

9.2 RESERVES FOR EXTRAORDINARY REPAIRS. Commencing on the date of Completion of the construction of the Facility, and on each January 1 thereafter, Lessee shall make annual deposits to a reserve account for Extraordinary Repairs (the "Reserve") in an interest bearing account jointly held by Lessor and Lessee at a financial institution of Lessor's choosing. The first annual deposit shall be equal to the sum of Two Thousand Five Hundred and 00/100 Dollars ($2,500.00) per bed per annum (the number of beds to be determined by the actual number of beds certified to be available for use in the Facility). Beginning on the first January 1 after the Completion Date, 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 number of beds shall not be reduced without the prior written consent of Lessor. The Reserve account shall require the signature of an officer of Lessee and an officer of Lessor to make withdrawals. On each January 1 thereafter during the entire Term, such payment into the Reserve shall be increased by two and one-half percent (2.5%) per annum. The amounts in the Reserve shall be used to pay for Extraordinary Repairs on the Facility or, in the event Lessee fails to make any required non-Extraordinary Repairs hereunder, Lessor may use funds in the Reserve for that purpose as well, without the necessity of obtaining the signature of an officer of Lessee. Lessee shall replenish amounts drawn from the Reserve at the rate of one-twelfth (1/12th) of the total amount withdrawn per month, until completely replenished. 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 in the Reserve 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 adequate amounts in the Reserve account to pay for such items on a going forward basis. So long as no Default or Event of Default has then occurred under any of the terms hereof, any amounts remaining in the Reserve, after the payment of and the reimbursement for the Extraordinary Repairs on the Facility shall be returned to Lessee at the expiration of this Lease. Lessee consents to Lessor's pledge of the Reserve to any Facility Lender.

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 and provided a third party has delivered a notice, demand or complaint regarding any such matter, 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 9.3 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) After the completion of the construction of the Leased Improvements under the Development Agreement, and provided no Default or Event of Default, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property in connection with such Capital Addition. 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) There shall be no adjustment in the Base Rent by reason of any such Capital Addition.

(b) Upon the expiration or earlier termination of this Lease, except by reason of a Default or an Event of 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, determined as of the date of expiration or termination of this Lease, 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.

(c) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to the mortgage(s) or other security documents, if any, securing the repayment of money borrowed by Lessor to acquire the Land or to pay for Capital Additions, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created including, without limitation, Facility Instruments, (iv) the term of the loan shall not extend beyond the term of this Lease, (v) such lender executes all subordination and other documents and certificates required by the Facility Lenders, and (vi) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

(b) If Lessor agrees to finance the proposed Capital Addition on terms and conditions that are acceptable to Lessee in Lessee's discretion, 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 Total Development Costs 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 warranty 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 Section 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in Section 10.3(b)(v) above, satisfactory in form and substance to 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) With respect to Capital Additions financed by Lessee, Lessor and Lessee agree that Lessee shall have the right to designate the general contractor, developer, architect, construction company, engineer and other parties which will participate in the development of the Capital Addition, subject to Lessor's approval not to be unreasonably withheld, conditioned or delayed. In such event, Lessee shall control the preparation and negotiation of the definitive agreements with such parties and Lessee will give Lessor an opportunity to review and approve such definitive agreements prior to their execution, such approval not to be unreasonably withheld, conditioned or delayed. With respect to Capital Additions financed by Lessor, Lessor and Lessee shall jointly designate the general contractor, developer, architect, construction company, engineer and other parties which will participate in the development of the Capital Addition and, in such event, the parties shall jointly control the preparation and negotiation of the definitive agreements with such parties.

(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 financed by Lessee or repairs made by Lessee pursuant to this Lease shall be or become the property of Lessee. All materials which are scrapped or removed in connection with the making of either Capital Additions financed by Lessor pursuant to Section 10.3 or repairs made by Lessor pursuant to this Lease shall be or become the property of Lessee and Lessee may remove same at its sole cost and expense.

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 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 the Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

So long as no Default or an Event of Defaults then exits, Lessee, at Lessee's expense, may contest, after consultation with Lessor at least ten (10) Business Days prior to such 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 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 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 (except that the coverages in Sections 13.1(a), and 13.1(c) and those relating to professional liability referenced in Sections 13.1(g) and 13.1(h) below shall be required from and after the Completion Date), 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. At Lessor's option, Lessor may obtain such coverages and, in such event, shall be entitled to obtain reimbursement from Lessee for the costs of such coverages. This insurance shall be written by insurance companies (i) acceptable to the Lessor, (ii) that are rated at least an "A-VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. The aggregate amount of coverage by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) permit Lessor to pay premiums at Lessor's discretion, and (iii) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In addition, the policies shall name as an additional insured all Facility Lenders, if any, by way of a standard form of mortgagee's loss payable endorsement. Any loss adjustment shall require the written consent of Lessor and each affected Facility Lender. Evidence of insurance and/or Impositions shall be deposited with Lessor and, if requested, with any Facility Lender. If any provision of any Facility Instrument requires deposits of insurance to be made with such Facility Lender, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Lender or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Lender. 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) Intentionally Deleted

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

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

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars ($1,000,000.00) per occurrence, bodily injury for injury or death of any one person or property damage for damage to or loss of property of others, subject to a Three Million and 00/100 Dollars ($3,000,000.00) annual aggregate 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 or per occurrence for property damage.

(g) Umbrella liability insurance in the minimum amount of Five Million and 00/100 Dollars ($5,000,000.00) for each occurrence, subject to an aggregate liability amount of Five Million and 00/100 Dollars ($5,000,000.00), with a Ten Thousand and 00/100 Dollars ($10,000.00) self-insured retention for exposure not covered in underlying primary policies. The umbrella liability policy shall name in its underlying schedule the policies of professional liability (the coverages of which shall be subject to subparagraph (h) below), commercial general liability, garage keepers liability, automobile/vehicle liability and employer's liability under the Worker's Compensation Policy.

(h) Subject to the feasibility of obtaining such coverages, with respect to costs and availability, from carriers in the State of Pennsylvania, Lessee shall use its best efforts to procure Professional liability insurance for Lessee and any physician employed by Lessee or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than Five Million and 00/100 Dollars ($5,000,000.00) per individual claim and Ten Million and 00/100 Dollars ($10,000,000.00) annual aggregate; it being understood and agreed that until such coverages become feasible, if ever, Lessee

shall be required to maintain such coverages in limits of One Million and 00/100 Dollars ($1,000,000.00) per individual claim and Four Million and 00/100 Dollars ($4,000,000.00) 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 Section 13.1, 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 at all times 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 Lessor. Lessee shall obtain insurance policies which 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, unless it is impossible for Lessee to obtain such clause or endorsement from the insurance company approved by Lessor as provided in Section 13.1 hereof.

13.4 FORM OF INSURANCE. All of the policies of insurance referred to in this Section 13.4 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 no later than 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 13.4 shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor sixty (60) days' prior written notice (at Lessor's notice address as specified in this Lease (the "Lessor's Notice Address")) before the policy or policies in question shall be altered, allowed to expire or canceled. The parties hereto agree that all insurance policies, endorsements and certificates which provide that the insurer will "endeavor to" give notice before same may be altered, allowed to expire or canceled will not be acceptable to Lessor. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by the Lessee hereunder shall provide (i) that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits

or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, L.P., Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and (ii) that in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, L.P., Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242.

13.5 INCREASE IN LIMITS. In the event that Lessor shall at any time deem the limits of the personal injury, property damage or general public liability insurance then carried to be insufficient, the parties shall endeavor to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Section 13.5. 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 Instruments.

13.6 BLANKET POLICY. Notwithstanding anything to the contrary contained in this Section 13.6, 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 Lenders, are included therein as additional insureds and the loss is payable under said insurance in the same manner as losses are required to be payable under this Lease. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 is thereby rendered Unsuitable for its Use, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) so long as no Default or Event of Default then exists, and so long as no such Default or Event of Default exists at the time of the closing of such purchase, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction, or (iii) so long as the damage or destruction was not caused by the negligence of Lessee, its agents, servants, employees or contractors, terminate this Lease 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) Except as provided in Section 14.7, if during the Term the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after good faith diligent efforts to do so, in order to be able to perform all required repair and restoration work and to operate the Facility for its Primary Intended Use in substantially the same manner as immediately prior to such damage or destruction, so long as no Default or Event of Default then exists and so long as no such Default or Event of Default exists at the time of the closing of such purchase, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such damage or destruction, to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction. In the event Lessee purchases the Leased Property pursuant to this Section 14.2(b), the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility Lender if required) to be held in trust together with any other insurance proceeds for application to the cost of repair and restoration.

(d) In the event Lessee elects to purchase the Leased Property as provided in this Section 14.1, and no Default or Event of Default exists at the time of the closing of such purchase, this Lease shall terminate upon payment of the purchase price and transfer of title to the Leased Property to Lessee, and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor or the Facility Lender on or prior to the closing of Lessee's purchase of the Leased Property.

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 required pursuant to the terms of this Lease, then whether or not such damage or destruction renders the Facility Unsuitable for its Use, Lessee shall, at Lessee's sole cost and expense, restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

14.4 LESSEE'S PERSONAL PROPERTY. Intentionally Omitted.

14.5 RESTORATION OF LESSEE'S PROPERTY. If Lessee is required or elects to restore the Facility as provided in Section 14.2 or Section 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 Section 14.2 or Section 14.3 to the contrary, if damage to or destruction of the Facility occurs during the last twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee exercises an available option to extend the Term for one Extended Term within thirty (30) days following receipt of such termination notice.

14.8 TERMINATION OF RIGHT TO PURCHASE AND SUBSTITUTION. Any termination of this Lease pursuant to this Article XIV shall cause any right to purchase granted to Lessee under any other provisions of this Lease to be terminated and to be without further force and effect.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

14.10 PURCHASE OPTION SUBORDINATE TO FACILITY INSTRUMENT. Notwithstanding any provision set forth in this Article XIV to the contrary, Lessee's purchase rights as set forth in this Article XIV are and shall be subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by Lessor or any Facility Lender, the Lessee shall execute and deliver to Lessor or such Facility Lender a written agreement in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's purchase rights under this Article XIV upon delivery of five (5) days' written notice to Lessee. In the event Lessee has not executed and delivered to such Facility Lender and any applicable rating agency, if any, the written agreement requested within such five (5) day period, then in such event, Lessee's purchase rights under this Article XIV shall be deemed forfeited and of no further force or effect.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuitable for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuitable for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) so long as no Default or Event of Default then exists and so long as no such Default or Event of Default exists at the time of the closing of such purchase, to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessee exercises the option to purchase the Leased Property pursuant to this Section 15.4, the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within thirty (30) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

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 Default or Event of Default then exists and so long as no such Default or Event of Default exists at the time of the closing of such purchase, 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 Lender, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility Lenders, its portion of the Award shall be used for such restoration and it shall hold such portion of the Award in trust, for application to the cost of the restoration.

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.

15.8 PURCHASE OPTION SUBORDINATE TO FACILITY INSTRUMENT. Notwithstanding any provision set forth in this Article XV to the contrary, Lessee's purchase rights as set forth in this Article XV, are and shall be subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by Lessor or any Facility Lender, the Lessee shall execute and deliver to Lessor or such Facility Lender a written agreement, in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's purchase rights under this Article XV upon delivery of five (5) days' written notice to Lessee. In the event Lessee has not executed and delivered to Lessor or such Facility Lender and any applicable rating agency, if any, the written agreement requested within such five (5) day period, then in such event, Lessee's purchase rights under this Article XV shall be deemed forfeited and of no further force or effect.

ARTICLE XVI

DEFAULT

16.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events (individually, an "Event of Default") shall constitute Events of Default hereunder:

(a) a default or event of default by Lessee 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 within seven (7) days from the date 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 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 provided, however, that such extended cure period may be extended upon Lessee's request for additional sixty (60) day periods if Lessee provides evidence that is diligently pursuing the curing of such failure, or

(d) if Lessee shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(v) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, or

(e) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(f) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or the real or personal property of Lessee shall be sold or levied upon by any sheriff, marshall or constable, or

(g) if Lessee abandons or vacates the Leased Property (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, or

(h) if the Lessee 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, a receiver of Lessee or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(i) if Lessee 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 into, or a sale of substantially all of Lessee'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, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee immediately prior to

such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(j) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of written notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(k) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(l) a default or event of default shall occur under the Funding Agreement, Development Agreement, Promissory Note, Lease Guaranty, 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 or any Affiliate of Lessee, on the other hand, which is not cured within the cure period as provided therein, or

(m) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases.

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. 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 (unless otherwise required by Applicable Law); 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 an Event of Default, Lessor shall have the right to enter upon the Leased Property by force, if necessary, without being liable for prosecution or any claim for damages therefor, and do whatever Lessee is obligated to do under the terms of this Lease; and Lessee agrees to reimburse Lessor on demand for any expenses which Lessor may incur in thus effecting compliance with Lessee's obligations under this Lease, and Lessee further agrees that Lessor shall not be liable for any damages resulting to the Lessee from such action.

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able to relet the Leased Property (provided that Lessor shall be obligated to diligently attempt to relet the Leased Property, whether or not required pursuant to Applicable Law), Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the fair market rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such Event of Default.

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), and (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. 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 or its nominee or designee of all Licenses, provider numbers and other agreements.

D. Without entry onto the Leased Property, or any other action, Lessor may declare due and payable, the Rent for the remaining Term of this Lease, including all Additional Charges related or necessary to operate the Leased Property and the Facility for the Primary Intended Use, including without limitation, the five percent (5%) chargeable by Act of Assembly to the Lessor, together with any Rents, charges, expenses or costs already in arrears. If this Lease or any part hereof is assigned, or if the Leased Property, or any part thereof is relet, Lessee hereby irrevocably constitutes and appoints Lessor as Lessee's agent to collect the rents due by such assignee or sub-lessee and apply the same to the Rent due hereunder without in any way affecting Lessee's obligation to pay any unpaid balance of Rent due hereunder.

E. Without entry onto the Leased Property or any other action by Lessor, this Lease and the Term hereby created shall terminate and become absolutely void without any right on the part of the Lessee to save the forfeiture by payment of any sum due or by other performance of any condition, term or covenant broken; whereupon, Lessor shall be entitled to recover damages for such breach in an amount equal to the amount of Rent reserved for the balance of the Term of this Lease, less the fair rental value of the Leased Property, for the residue of said Term.

F. Lessor, or anyone acting on Lessor's behalf, may without notice or demand to Lessee, enter the Leased Property, by force, if necessary, without liability to action for prosecution or damages for such entry or for the manner thereof, to distrain, levy, take possession of and sell all goods and chattels at auction, and pay all sums owing to Lessor out of the proceeds, including without limitation, the Rents and Additional Charges related or necessary to operate the Leased Property and the Facility for the Primary Intended Use, as well as a sum equal to five percent (5%) of the amount of the levy as commissions to the constable or other person making the levy. Lessee hereby releases and discharges the Lessor and its agents from all claims, actions, suits, damages and penalties for or by reason of any entry, distraint, levy, appraisement or sale. Lessee expressly waives in favor of Lessor the benefit of all laws now made or which may hereafter be made limiting goods or chattels upon which, or the time within which, distress is to be made after removal of such goods and chattels, and further relieves the Lessor of the obligations of proving or identifying such goods and chattels, it being the purpose and intent of this provision that all goods and chattels of Lessee, whether upon the Leased Property or not, shall be liable to distress for Rent under this Lease. Lessee further waives in favor of Lessor, all rights under the Act of Assembly of April 6, 1951, P.L. 69, and all supplements and amendments thereto that have been or may hereafter be passed, and authorizes the sale of any goods and chattels distrained for Rent at any time after five (5) days from said distraint without any appraisement or condemnation thereof.

G. Upon an Event of Default, Lessee hereby empowers any Prothonotary, Clerk of Court or attorney of any Court of Record to appear for Lessee in any and all actions which may be brought for Rent and/or the charges, payments, costs and expenses reserved as rent, or agreed to be paid by the Lessee and/or to sign for Lessee an agreement for entering in any competent court an amicable action or actions for the recovery of rent or other charges, payments, costs and expenses, and in said suits or in said amicable action or actions to confess judgment against Lessee for all or any part of the rent specified in this Lease and then unpaid including, at Lessor's option, the rent for the entire unexpired balance of the Term of this Lease, and/or other charges, payments, costs and expenses reserved as rent or agreed to be paid by the Lessee, and for interest and costs together with any attorneys' commissions of five percent (5%). Such authority shall not be exhausted by one exercise thereof, but judgment may be confessed as aforesaid from time to time as often as any of said rent and/or other charges, payments, costs and expenses, reserved as rent shall fall due or be in arrears, and such powers may be exercised as well after the expiration of the Fixed Term and/or during any Extension Term of this Lease.

H. Upon an Event of Default, either during the Fixed Term or any Extension Term, it shall be lawful for any attorney as attorney for Lessee to file an agreement for entering in any competent court an amicable action and judgment in ejectment against Lessee and all persons claiming under Lessee for the recovery by Lessor of the possession of the Leased Property, for which this Lease shall be his sufficient warrant, whereupon, if Lessor so desires, a writ of Execution or of Possession may issue forthwith, without any prior writ or proceedings whatsoever, and provided that if for any reason after such action shall have been commenced the same shall be determined and the possession of the Leased Property remain in or be restored to Lessee, Lessor shall have the right upon any subsequent Event of Default, or upon the termination of this Lease as hereinbefore set forth, to bring one or more amicable action or actions as hereinbefore set forth to recover possession of the Leased Property.

I. In any amicable action of ejectment and/or for rent in arrears, Lessor shall first cause to be filed in such action an affidavit made by Lessor or someone acting for Lessor setting forth the facts necessary to authorize the entry of judgment, of which facts such affidavit shall be conclusive evidence and if a true copy of this Lease (and of the truth of the copy such affidavit shall be sufficient evidence) be filed in such action, it shall not be necessary to file the original as a warrant of attorney, any rule of Court, custom or practice to the contrary notwithstanding.

J. Lessee waives the right to issue a Writ of Replevin under the Pennsylvania Rules of Civil Procedure, No. 1071 &c. and Laws of the Commonwealth of Pennsylvania, or under any other law previously enacted and now in force, or which may be hereafter enacted, for the recovery of any articles, household goods, furniture, etc., seized under a distress for rent or levy upon an execution for rent, damages or otherwise. All waivers hereinbefore mentioned are hereby extended to apply to any such action.

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) Based on the trailing twelve (12) month results tested at the end of each calendar quarter during the periods set forth below (except that with respect to Year 2, the tests will be based upon the year to date results of Year 2 only), if EBITDAR shall be less than the amount calculated during the applicable testing period as provided below:

	Testing Periods:	Calculation:
Year 1:	1-12 months, beginning with the first calendar quarter after the Completion Date	Deferred
Year 2:	13-24 months after the first calendar quarter after the Completion Date	1.50 times Lease Payments
Year 3:	25-36 months after the first calendar quarter after the Completion Date	1.75 times Lease Payments
Year 4: (and thereafter)	37-180 months after the first calendar quarter after the Completion Date	2.00 times Lease Payments

(ii) Based on the trailing twelve (12) month results tested at the end of each calendar quarter during the periods set forth below (except that with respect to Year 2, the tests will be based upon the year to date results of Year 2 only), if EBITDAR shall be less than the amount calculated during the applicable testing period as provided below:

	Testing Periods:	Calculation:
Year 1:	1-12 months, beginning with the first calendar quarter after the Completion Date	Deferred
Year 2:	13-24 months after the first calendar quarter after the Completion Date	1.00 times Fixed Charges
Year 3:	25-36 months after the first calendar quarter after the Completion Date	1.25 times Fixed Charges
Year 4: (and thereafter)	37-180 months after the first calendar quarter after the Completion Date	1.50 times Fixed Charges

Upon the occurrence of any of the items set forth in Section 16.1 or in 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).

(b) The occurrence of any one or more of the following shall constitute a default and breach of this Section 16.2(b) and the Lessor shall have the rights and remedies provided for herein:

(i) Based on the trailing twelve (12) month results tested at the end of each calendar quarter during the periods set forth below (except that with respect to Year 2, the tests will be based upon the year to date results of Year 2 only), if EBITDAR shall be less than the amount calculated during the applicable testing period as provided below:

	Testing Periods:	Calculation:
Year 1:	1-12 months, beginning with the first calendar quarter after the Completion Date	Deferred
Year 2:	13-24 months after the first calendar quarter after the Completion Date	1.20 times Lease Payments
Year 3:	25-36 months after the first calendar quarter after the Completion Date	1.35 times Lease Payments
Year 4: (and thereafter)	37-180 months after the first calendar quarter after the Completion Date	1.50 times Lease Payments

(ii) Based on the trailing twelve (12) month results tested at the end of each calendar quarter during the periods set forth below (except that with respect to Year 2, the tests will be based upon the year to date results of Year 2 only), if EBITDAR shall be less than the amount calculated during the applicable testing period as provided below:

	Testing Periods:	Calculation:
Year 1-2:	1-24 months, beginning with the first calendar quarter after the Completion Date	Deferred
Year 3:	25-36 months after the first calendar quarter after the Completion Date	1.20 times Fixed charges
Year 4: (and thereafter)	37-180 months after the first calendar quarter after the Completion Date	1.35 times Fixed Charges

Upon the occurrence of any of the items set forth in Section 16.1 or in 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 provided for herein as well as any other customary remedies available at law or in equity.

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 or an Event of 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 or an Event of Default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 WAIVER. If this Lease is terminated pursuant to Section 16.1 or 16.2, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.5 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.6 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.7 LESSOR'S CONTRACTUAL SECURITY INTEREST. Subject to 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 and to secure all other obligations, indebtedness and liabilities of Lessee to Lessor, now existing or hereafter incurred, and all Obligations (as defined in the Security Agreement), Lessee has executed and delivered to Lessor the Security Agreement.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by

Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXIV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer (so long as Lessee immediately applies for, seeks in good faith and, diligently pursues to obtain, such consents and approvals) and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents prior to the closing date, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent 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

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 Article XXI entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXII

INDEMNIFICATION

NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE OR SELF INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE OR SELF INSURANCE, LESSEE WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LESSOR FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES AND EXPERT WITNESS FEES), TO THE EXTENT PERMITTED BY LAW, IMPOSED UPON OR INCURRED BY OR ASSERTED AGAINST LESSOR BY REASON OF: (A) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF PERSONAL PROPERTY OCCURRING ON OR ABOUT THE LEASED PROPERTY OR ADJOINING SIDEWALKS, INCLUDING WITHOUT LIMITATION ANY CLAIMS OF MALPRACTICE, (B) ANY USE, MISUSE, NO USE, CONDITION, MAINTENANCE OR REPAIR BY LESSEE OF THE LEASED PROPERTY, (C) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF LESSEE TO PAY PURSUANT TO APPLICABLE PROVISIONS OF THIS LEASE), (D) ANY FAILURE ON THE PART OF LESSEE TO PERFORM OR COMPLY WITH ANY OF THE TERMS OF THIS LEASE, AND (E) THE NON-PERFORMANCE OF ANY OF THE TERMS AND PROVISIONS OF ANY AND ALL EXISTING AND FUTURE SUBLEASES OF THE LEASED PROPERTY TO BE PERFORMED BY THE LANDLORD (LESSEE) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY LESSEE UNDER THIS ARTICLE XXII SHALL BE PAID WITHIN TEN (10) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LESSOR IS DETERMINED BY LITIGATION OR OTHERWISE AND, IF NOT TIMELY PAID, SHALL BEAR A LATE CHARGE (TO THE EXTENT PERMITTED BY LAW) AT THE OVERDUE RATE FROM THE DATE OF SUCH DETERMINATION TO THE DATE OF PAYMENT. LESSEE, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LESSOR OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS LESSEE AND LESSOR SEE FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LESSOR AGAINST ITS OWN NEGLIGENCE OR OMISSIONS OR WILLFUL MISCONDUCT. LESSEE'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION AND THE EXPIRATION OF THIS LEASE.

ARTICLE XXIII

ASSIGNMENT, SUBLETTING; AND SUBLEASE SUBORDINATION

23.1 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 XXIII, (b) in the case of an assignment, the assignee shall assume in writing and

agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the 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 XXIII. 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.

23.2 SUBLEASE LIMITATIONS. (a) In addition to the sublease limitations as set forth in Section 23.1 above, Lessee shall not enter into any Tenant Lease the terms of which Lessee actually knows (acting in good faith) would or could result in (i) Rent payable under this Lease not qualifying as "rents from real property" as defined in Section 856(d) of the Code, or any similar or successor provision thereto; provided, however, that notwithstanding anything herein to the contrary, (a) Lessee shall not be responsible for any act or omission of Lessor, and (b) any action taken by Lessee in compliance with the express terms of this Lease shall not be deemed to create an Event of Default under this Section 23.2(a).

(b) 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 (other than the Existing Sublease executed by Dr. Beth Dupree and any future sublease to be entered into with Dr. Rob Skalicky or Dr. Robert Riley which, provided such individual executes a sublease substantially similar to Dr. Dupree's, shall not be subject to any of the succeeding requirements to the extent Dr. Dupree's Existing Sublease was not subject to such requirements) 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 matters to which this Lease is or shall be subject or subordinate, (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) in the event this Lease is terminated and Lessor succeeds to the interest of Lessee under the sublease, sublessee shall comply with all provisions of this Lease that address the payment of taxes, insurance, utilities, and all costs of maintenance and repair of the premises subleased under the sublease, including, without limitation, extraordinary repairs, capital improvements and other repairs, it being understood that Lessor leases its facilities on an absolute net basis with subtenants or sublessees responsible for all such payments and costs of such maintenance and repair, (d) 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, (e) in the event the sublessee or subtenant receives a written notice from Lessor or Lessor's assignees, if any, stating that a Default or an Event of Default has occurred 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 XXIII, (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, and (i) sublessee will execute and deliver the subordination agreement as required in Section 23.3 hereof.

23.3 SUBLEASE SUBORDINATION AND NON-DISTURBANCE. Within twenty (20) days after request by Lessor, Lessee shall use commercially reasonable efforts to cause the subtenants or sublessees to execute and deliver to Lessor a subordination agreement relating to the sublease, which subordination agreement shall be in such form and content as is acceptable to Lessor. At the request from time to time by one or more Facility Lender, within twenty (20) days from the date of request, Lessee shall use commercially reasonable efforts to cause the subtenants or sublessees of the Leased Property to execute and deliver within such twenty (20) day period, to such Facility Lender a written agreement in a form reasonably acceptable to such Facility Lender whereby such subtenants and sublessees subordinate the sublease and all of their rights and estate thereunder to each such mortgage or deed of trust that encumbers the Leased Property or any part thereof and agree with each such Facility Lender that such subtenants and sublessees will attorn to and recognize such Facility Lender or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such mortgage or deed of trust, as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of the sublease.

ARTICLE XXIV

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, no Default or Event of Default then exists, or, if a Default or Event of Default exists, 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 and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with GAAP for the year then ended, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee and the operations performed in 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 Medicaid certification and/or managed care contract of the Facility is being downgraded to a substandard category, revoked, or suspended, or that action is pending or being considered to downgrade to a substandard category, revoke, or suspend such Facility's license or certification, and

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

(c) Upon Lessor's request, Lessee will furnish to Lessor a certificate in form acceptable to Lessor certifying that no Event of Default, or similar term, as defined herein or in any of the Tenant Leases and 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 hereunder.

(d) Within two (2) business days of receipt, Lessee shall furnish to Lessor copies of all notices and demands from any third party payor, including, without limitation, Medicare and 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 and any of its Affiliates, or the Facility, conducted by the United States Attorney, State Attorney General, the Office of the Inspector General of the Department of Health and Human Services, or any other Governmental Entity.

(f) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices of adverse events or deficiencies as defined by regulations or standards of the Joint Commission on the Accreditation of Healthcare Organizations ("JCAHO"), or the equivalent of the accrediting body relied upon by the Lessee in the operation of the Facility or any part thereof.

(g) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all written notices that the Lessee is not in compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

(h) Provided that no such requirement of additional information shall place an undue hardship on Lessee, Lessor reserves the right to require such other financial information from Lessee at such other times as it shall deem reasonably necessary. All financial statements and information must be in such form and detail as Lessor shall from time to time, but not unreasonably, request.

Subject to the rights of Lessor as provided in Section 41.11 of this Lease, Lessor and Lessee agree that all financial information disclosed pursuant to this Article XXV shall be kept in strictest confidence and shall not be disclosed to any person or entity.

ARTICLE XXV

INSPECTION AND FEES

Lessee shall permit Lessor, MPT Development Services and their respective authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality

requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. On January 1, 2006, Lessee shall pay to MPT Development Services an amount equal to Seven Thousand Five Hundred and 00/100 Dollars ($7,500.00) (the "Inspection Fee") to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2007, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the Inspection Fee to be paid by Lessee shall be increased by an amount equal to two and one-half percent (2.5%) per annum.

In addition to the Inspection Fee, on the Commencement Date, Lessee shall also pay to Lessor (or, at Lessor's election, its designated Affiliate) a fee in the amount of Seventy-Five Thousand and No/100 Dollars ($75,000.00) to cover the inspection of the Facility during the Construction Period.

ARTICLE XXVI

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVIII

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, prior to the expiration of the Term hereof, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXIX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXX

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXI

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other 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 XXXI.

ARTICLE XXXII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: Bucks County Oncoplastic Institute, LLC
c/o Diversified Specialty Institutes, Inc.
511 Union Street
Suite 1800
Nashville, Tennessee 37219
Attention: Dr. Jerome Tannenbaum
Phone: (615) 777-8200
Fax: (615) 259-0693

with a copy to: Latham & Watkins, LLP
555 11th Street
Suite 1000
Washington, D.C. 20004
Attn: Eric L. Bernthal
Phone: (202) 637-2200
Fax: (202) 637-2201

(b) if to Lessor: MPT of Bucks County Hospital, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attn.: Michael G. Stewart, Esq.
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Phone: (205) 328-0480
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if 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 XXXIII

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value of the Leased Property, the Fair Market Value Purchase Price or the Fair Market Added Value for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease or any purchase options contained herein and shall assume the Lease is in place for a term of fifteen (15) years, and shall not take into account any purchase options contained herein. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first (1st) appraiser, proceed to determine the Fair Market Value of the Leased Property, the Fair Market Value Purchase Price or the 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 of the Leased Property, the Fair Market Value Purchase Price or the 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 of the Leased Property, the Fair Market Value Purchase Price or the 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 of the Leased Property, the Fair Market Value Purchase Price or the 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 of the Leased Property, the Fair Market Value Purchase Price or the Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXIV

PURCHASE RIGHTS

34.1 LESSEE'S OPTION TO PURCHASE. So long as no Default or Event of Default then exists, and so long as no such Default or Event of Default exists at the time of the closing of the purchase, at the expiration of the Fixed Term and at the expiration of each Extension Term of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor at least sixty (60) days prior to the expiration of the Fixed Term or the Extension Term, as applicable, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) the Total Development Costs (including any Capital Additions funded by the Lessor, but excluding any Capital Additions funded by the Lessee), as increased by an amount equal to the greater of (A) two and one-half percent (2.5%) per annum from the date hereof, or (B) the rate of increase in the CPI on each Adjustment Date. Notwithstanding anything contained herein to the contrary, in no event shall the purchase price be less than the Fair Market Value of the Leased Property. Unless expressly otherwise provided in this Section 34.1, in the event the Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, (ii) 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. Notwithstanding any provision herein to the contrary, this Lease, and specifically Lessee's rights as set forth in this Section 34.1, are and shall be subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by any Facility Lender, the Lessee shall execute and deliver to such Facility Lender a written agreement, in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's rights under this Section 34.1 upon delivery of five (5) days' written notice to Lessee. In the event Lessee has not executed and delivered to such Facility Lender and any applicable rating agency, if any, the written agreement requested within such five (5) day period, then in such event, Lessee's rights under this Section 34.1 shall be deemed forfeited and of no further force or effect.

34.2 LESSOR'S OPTION TO PURCHASE LESSEE'S PERSONAL PROPERTY. Lessor shall have the option to purchase all (but not less than all) of Lessee's tangible Personal Property, if any, at the expiration or termination of this Lease due to the occurrence of an Event of Default, 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 tangible Personal Property is subject. Lessor shall exercise the foregoing option by giving Lessee notice within thirty (30) days following the date of such termination and the closing of such purchase and sale shall occur within fifteen (15) days following delivery of such exercise notice..

34.3 SURVIVAL. Lessee's purchase rights under this Article XXXIV or elsewhere in this Lease shall survive the sale or conveyance of the Facility and shall run with this Lease in favor of Lessee's successors and permitted assigns, subject to the terms hereof.

ARTICLE XXXV

[INTENTIONALLY OMITTED]

ARTICLE XXXVI

[INTENTIONALLY OMITTED]

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after twenty (20) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more Facility Lender, within ten (10) days from the date of request, Lessee shall execute and deliver within such ten (10) day period, to such Facility Lender, a written agreement in form and content reasonably acceptable to Lessee and such Facility Lender whereby Lessee subordinates this Lease and all of its rights and estate hereunder to each Facility Instrument that encumbers the Leased Property or any part thereof and agrees with each such Facility Lender that Lessee will attorn to and

recognize such Facility Lender or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such Facility Instrument as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such Facility Lender simultaneously executes and delivers to Lessee a written agreement consenting to this Lease and agreeing that, notwithstanding any such other mortgage, deed of trust, right, title or interest, or any default, expiration, termination, foreclosure, sale, entry or other act or omission under, pursuant to or affecting any of the foregoing, Lessee shall not be disturbed in peaceful enjoyment of the Leased Property nor shall this Lease be terminated or canceled at any time, except in the event of a Default or Event of Default under the terms of this Lease.

ARTICLE XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility (collectively, the "Licenses"), and shall qualify and comply with all applicable laws as they may from time to time exist, including those applicable to certification and participation as a provider under Medicare and Medicaid legislation and regulations.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to 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), during the Term hereof. Following the termination of this Lease as a result of the occurrence of an Event of Default, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location; provided, however, that in the event of a termination of this Lease other than as a result of the occurrence of an Event of Default, the Licenses shall remain with Lessee. 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 due to an Event of Default, to the extent permitted by law. Upon any termination of this Lease for an Event of Default 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 Medicaid and other federal healthcare programs issued in Lessor's name or in the name of Lessor's designee.

Upon termination of this Lease due to the occurrence of an Event of Default 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 Article XXXIX 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 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 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 Pennsylvania ("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 (it being understood and agreed that Lessee shall have the periods contemplated herein to obtain its Medicare billing number and provider agreement): (i) Lessee shall be, and shall continue to be validly licensed, Medicare and Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of Pennsylvania, 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 Medicaid certified 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 services and sound reimbursement principles under the Medicare and Medicaid programs and as required under state and federal law; (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; (vi) neither Lessee or any Affiliate of Lessee will exercise any provision of any third party agreement which would result in compensation to a physician which would not comply with Healthcare Laws; and (vii) Lessee and Lessee's Affiliates acknowledge that Lessor has not consented to the compliance with Healthcare Laws of any method of redeeming or canceling options granted Beth Dupree, M.D. ("Dr. Dupree") by Section 4.1 of the April 26, 2004 Medical Director Services Agreement between Lessee and Dr. Dupree, M.D. if, due to a change in Healthcare Laws after the date hereof, her ownership is prohibited in Lessee or any Affiliate.

ARTICLE XLI

MISCELLANEOUS

41.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

41.2 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, (b) requests by Lessor for approval or consent under this Lease or any 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 said thirty (30) day period.

41.3 ENTIRE AGREEMENT; MODIFICATIONS. This Lease embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior to contemporaneous agreements, understandings, representations and statements (oral or written) are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

41.4 LEASE GUARANTY. The parties acknowledge that the Guarantors have executed that certain Lease Guaranty of even date herewith in the form of EXHIBIT D attached hereto and made a part hereof by reference and incorporation.

41.5 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement; provided, however, such purchaser shall be subject to the same restrictions imposed upon Lessor hereunder. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee.

41.6 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 healthcare business, 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.

41.7 CASH DEPOSIT; LETTER OF CREDIT. Simultaneously herewith, Lessee has deposited with Lessor, to be held in an interest bearing account at a financial institution of Lessor's choosing, the sum of Three Million Nine Hundred Seventy-Seven Thousand Five Hundred Dollars ($3,977,500.00) to secure performance of Lessee's obligations hereunder (the "Cash Deposit"). On or before the date of Final Funding (as defined in the Funding Agreement), Lessee shall obtain and deliver to Lessor an unconditional and irrevocable letter of credit from a bank acceptable to Lessor (the "Letter of Credit") naming Lessor beneficiary thereunder, in an amount equal to the sum of Three Million Nine Hundred Seventy-Seven Thousand Five Hundred Dollars ($3,977,500.00). Once the Letter of Credit has been obtained, the Cash Deposit shall be retained by Lessor and applied to the repayment of the Promissory Note.

41.8 CASH INJECTION. Intentionally Omitted.

41.9 TANGIBLE NET WORTH. Subject to the provisions of this Section 41.9, as of the Commencement Date, Lessee shall achieve a Tangible Net Worth of Five Million and No/100 Dollars ($5,000,000.00), which Lessee may satisfy by any of the following: (i) Lessee receiving a total equity contribution of no less than Five Million and No/100 Dollars ($5,000,000.00), (ii) Lessee obtaining a line of credit of Five Million and No/100 Dollars ($5,000,000.00), which line of credit shall be in form and substance satisfactory to Lessor in its sole discretion, or (iii) Lessee achieving such Tangible Net Worth level through a combination of equity contribution, approved line of credit or operating earnings; provided, however, that until terminated or a default occurs thereunder, the existence of the Lease Guaranty shall satisfy the requirements of this Section 41.9. At the termination of the Lease Guaranty, Lessee shall provide evidence to Lessor, in the form of an unaudited balance sheet of Lessee, certified as true and correct by the chief financial officer of Lessee, reflecting that the foregoing Tangible Net Worth requirement has been satisfied. At no time during the Term shall Lessee make any distributions to its equity owners unless following such distribution the Tangible Net Worth of Lessee is at least Five Million and No/100 Dollars ($5,000,000.00).

41.10 ADDITIONAL LETTER OF CREDIT. Simultaneously with the execution of this Lease, Lessee shall execute and deliver to Lessor the Assignment of Rents and Leases granting Lessor, among other things, a security interest in any letter of credit or other form of credit enhancement from a sublessee, subtenant, operating company, management company, or any other individual or entity relating to the Facility (collectively the "Additional Letter of Credit"). Lessee shall, within ten (10) days from demand execute, and cause any applicable sublessee, subtenant, operating company, management company, or any other individual or entity to execute and deliver, all documents (including, without limitation, all bank/lender required documents) necessary for Lessor to perfect its security interest in the Additional Letter of Credit.

41.11 CHANGE IN OWNERSHIP/CONTROL. So long as this Lease remains in effect, the aggregate ownership of the current members of Lessee shall not be reduced below fifty-one percent (51%), except if such ownership is

reduced through a sale of equity to either BH1 or its affiliates or Centre Partners or its affiliates; provided, however, that if Lessee receives a bona fide offer to purchase equity in Lessee and Lessee desires to engage in a transaction which would cause Lessee to fail the provisions of this Section 41.10, then Lessee shall provide Lessor with notice as to all of the material terms of such bona fide offer and shall seek Lessor's consent to such transaction and, in the event Lessor fails to give such consent, Lessee shall have the option, by giving written notice to Lessor within thirty (30) days following such failure to give consent, to purchase the Leased Property for a purchase price equal to the greater of (i) a purchase price calculated in the same manner as provided in Section 34.1 of this Lease or (ii) an amount equal to the sum of (A) the Total Development Costs (including any Capital Additions funded by the Lessor, but excluding any Capital Additions funded by the Lessee) and (B) an amount sufficient to yield to Lessor an internal rate of return that is equal to thirteen percent (13%) per year, taking into account all payments of Rent (other than Additional Charges) received by Lessor to the closing date of such purchase. 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.

41.12 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, in connection with a public offering or the private placement of securities of Lessor or MPT, or their efforts to obtain financing for the Leased Property, Lessor and MPT may disclose that Lessor has entered into this Lease with the Lessee respecting the Facility and the Leased Property and may provide and disclose other information regarding this Lease, the Lessee, the Leased Property, the Facility, the Commitment Letter, and such other additional information which Lessor and MPT may reasonably deem necessary, to its proposed investors in such public offering or private offering of securities or any prospective lenders with respect to such financing. Lessee shall cooperate with Lessor and MPT by providing financial and other information reasonably requested by Lessor and MPT in connection with such offering of securities or financing. 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.

41.13 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.

41.14 SUBDIVISION, COVENANTS, RESTRICTIONS AND RECIPROCAL EASEMENTS. Lessor shall have the right, but not the obligation, to subdivide the Land and to place of record all covenants, restrictions and reciprocal easements (collectively the "Declarations") which Lessor deems necessary for the ownership, use and operation of the Facility, such Declarations to be in form and content acceptable to Lessor, in its sole discretion; provided, however, such Declarations shall not adversely affect Lessee's occupancy, use or enjoyment of the Leased Property as contemplated hereby or any other rights of Lessee hereunder.

41.15 FORCE MAJEURE. Except for Rent and other monetary obligations payable pursuant to the terms of this Lease, in the event Lessor or Lessee shall be delayed, hindered in or prevented from the performance of any act required under this Lease by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, unavailability of any utility service, restrictive governmental laws or regulations, riots, insurrections, the failure to act, or default of another party, war, or other reason beyond Lessor's or Lessee's control (individually "Force Majeure"), then performance of such act shall be excused for the period of the delay, and the period of the

performance of any such act shall be extended for a period equivalent to the period of such delay. Within ten (10) business days following the occurrence of Force Majeure, the party claiming a delay due to such event shall give written notice to the other setting forth a reasonable estimate of such delay, provided that failure to deliver the foregoing notice shall not prevent the force majeure event from excusing performance as set forth in the preceding sentence.

41.16 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 Agreement 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 an Event of Default or Default hereunder, (iv) require the Management Company to execute and deliver to Lessor within ten (10) days from Lessor's request an estoppel certificate, assignment and/or subordination agreement as required by Lessor and/or Lessor's lender providing financing to Lessor, in such form and content as is acceptable to Lessor and/or its lender, and (v) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. At the request of the Lessor from time to time, Lessee shall execute and obtain from all parties subject to such Management Agreements executed written confirmation of such assignment or subordination, which shall be delivered to Lessor within ten (10) days from Lessor's request.

41.17 GOVERNING LAW. THIS LEASE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES (THE "APPLICABLE LAW").

41.18 JURISDICTION AND VENUE. LESSOR AND LESSEE CONSENT TO PERSONAL JURISDICTION IN THE STATE OF DELAWARE. LESSOR AND LESSEE AGREE THAT ANY ACTION OR PROCEEDING ARISING FROM OR RELATED TO THIS LEASE SHALL BE BROUGHT AND TRIED EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF THE STATE OF DELAWARE. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. LESSEE EXPRESSLY ACKNOWLEDGES THAT DELAWARE IS A FAIR, JUST AND REASONABLE FORUM AND LESSEE AGREES NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY LESSOR IN SAID COURTS. FURTHER, LESSOR AND LESSEE IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY CERTIFIED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO ARTICLE XXXII HEREOF 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.

41.19 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

ARTICLE XLII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease in which reference to this Lease and all options contained herein shall be made. The short form memorandum shall be in form suitable for recording and reasonably satisfactory to Lessor and Lessee; provided, however, such short form memorandum shall at a minimum contain such matters required by the laws of the state in which the Leased Property is located.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

MPT OF BUCKS COUNTY, L.P.
BY: MPT OF BUCKS COUNTY, LLC
ITS: GENERAL PARTNER

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

LESSEE:

BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC

By: /s/ Jerome S. Tannenbaum, M.D.

Jerome S. Tannenbaum, M.D.
Its: Chief Manager

STATE OF ALABAMA

JEFFERSON COUNTY

On this, the _______ day of September, 2005, before me, a Notary Public for the State of Alabama, the undersigned officer, personally appeared EDWARD K. ALDAG, JR., known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and who acknowledged himself to be the President and Chief Executive Officer of MPT Operating Partnership, L.P., a Delaware limited partnership, which limited partnership is the sole member of MPT OF BUCKS COUNTY, LLC, a Delaware limited liability company, which limited liability company is the general partner of MPT OF BUCKS COUNTY, L.P., a Delaware limited partnership, and further acknowledged that he, as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

____
Notary Public

Print Name: ____________________________

[AFFIX SEAL]

My Commission Expires: _________________

STATE/COMMONWEALTH OF _______________

COUNTY OF ___________________________

On this, the ________ day of September, 2005, before me, a Notary Public for the Commonwealth of Pennsylvania, the undersigned officer, personally appeared JEROME S. TANNENBAUM, M.D., known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and who acknowledged himself to be the Chief Manager of BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC, a Delaware limited liability company, and further acknowledged that he, as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

____
Notary Public

Print Name: ____________________________

[AFFIX SEAL]

My Commission Expires: _________________

Exhibit A
PROPERTY DESCRIPTION

All that certain tract of land situated on the Westerly side of Tillman Drive, Bensalem Township, Bucks County, Pennsylvania, as shown on that ALTA/ACSM Land Title Survey prepared by Taylor Wiseman & Taylor, Chalfont, PA, dated May 12, 2005, most recently revised September 15, 2005, as follows:

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 line of Tillman Drive, 60 feet wide.

1) Thence along the ITT property South 16 degrees 03 minutes 24 seconds West 80.60 feet to a concrete monument found;

2) Thence still along the ITT property South 09 degrees 39 minutes 43 seconds West 403.74 feet to a point;

3) Thence still along the ITT property South 80 degrees 20 minutes 17 seconds East 171.88 feet to a point;

4) Thence still along the ITT property South 44 degrees 27 minutes 04 seconds East 80.00 feet 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 minutes 56 seconds West 345.00 feet to a point;

6) Thence still along the boundary of Glenview Corporate Center South 30 degrees 16 minutes 44 seconds West 676.04 feet 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 minutes 16 seconds West 26.81 feet to a point;

8) Thence still along parcel 2-35-1 North 04 degrees 53 minutes 26 seconds East 99.20 feet to a point;

9) Thence still along parcel 2-35-1 North 28 degrees 05 minutes 21 seconds East 36.24 feet to a point;

10) Thence still along parcel 2-35-1 North 01 degree 18 minutes 13 seconds West 19.91 feet to a point;

11) Thence still along parcel 2-35-1 North 23 degrees 51 minutes 58 seconds East 501.50 feet to a point;

12) Thence still along parcel 2-35-1 North 80 degrees 05 minutes 18 seconds West 217.44 feet to a point;

13) Thence still along parcel 2-35-1 North 01 degree 18 minutes 13 seconds West 182.67 feet to a point;

14) Thence still along parcel 2-35-1 North 12 degrees 22 minutes 52 seconds West 136.82 feet to a point;

15) Thence still along parcel 2-35-1 North 62 degrees 45 minutes 33 seconds West 47.59 feet to a point;

16) Thence still along parcel 2-35-1 North 05 degrees 32 minutes 12 seconds West 140.76 feet to a point;

17) Thence still along parcel 2-35-1 North 13 degrees 45 minutes 44 seconds West 377.69 feet to a point;

18) Thence still along parcel 2-35-1 North 32 degrees 14 minutes 28 seconds East 550.47 feet to a point;

19) Thence still along parcel 2-35-1 South 73 degrees 10 minutes 35 seconds East 250.00 feet to a point on the Westerly side of Tillman Drive;

20) Thence still along the Westerly side of Tillman Drive South 16 degrees 47 minutes 24 seconds Wset 182.15 feet to a point of curvature;

21) Thence still along Tillman Drive and a curve to the left having a radius of 235.00 feet the arc distance of 372.15 feet to the point of beginning.

Exhibit B
PERMITTED EXCEPTIONS

1. Rights granted to Bell Telephone Company as in Land Record Books 172, Page 2269, 89, Page 868, 89, Page 872, and 262, Page 1975.

2. Rights to Philadelphia Electric Company as in Land Record Books 101, Page 746, 1165, Page 37, and 1803, Page 383.

3. Declaration of Protective Covenants as in Land Record Book 192, Page 1875, as shown on Survey (defined below).

4. Rights granted to Philadelphia Electric Company and Bell Telephone Company as in Deed Book 775, Page 482.

5. Sewer Easement as in Deed Book 1288, Page 174.

6. Conditions disclosed by Plans recorded in Plan Books 259, Page 56A, and 299, Page 81, as shown on Survey (defined below).

7. Dedication of Documents of Completion to allow connection to the Sewer and Water Facilities as in Land Record Book 1588, Page 244 (Easement "B" affects subject parcel and is shown on the Survey defined below.)

8. Conditions disclosed by Record Plan of Bucks County Hospital/MOB to be recorded.

9. Conditions disclosed on that ALTA/ACSM Land Title Survey prepared by Taylor Wiseman & Taylor, Chalfont, PA, dated May 12, 2005, most recently revised September 15, 2005, as follows ("Survey"):

   a. Detention basin berm shown;

   b. 30" RCP and 36" RCP shown; and

   c. Poquessing Creek (waters of he United States) runs adjacent to a portion of the land.

10. Rights or claims by parties in possession under the terms of any unrecorded lease or agreement(s) of sale, including, without limitation, that certain Lease between Bucks County Oncoplastic Institute, LLC and Beth DuPree, M.D. and Associates, P.C., effective as of September 1, 2005.

11. Easements, or claims of easements, not shown by the public record.

Exhibit C

EXISTING SUBLEASES

Lease between Bucks County Oncoplastic Institute, LLC and Beth DuPree, M.D. and Associates, P.C., effective as of September 1, 2005.

Exhibit D

LEASE GUARANTY

See attached

Exhibit 10.57

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into as of the 16th day of September, 2005 (the "Effective Date"), by and among DSI FACILITY DEVELOPMENT, LLC, a Delaware limited liability company ("Developer"), with offices at 511 Union Street, Suite 1800, Nashville, Tennessee 37219, BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC, a Delaware limited liability company ("BCOI"), with offices at 511 Union Street, Suite 1800, Nashville, Tennessee 37219, and MPT OF BUCKS COUNTY, L.P., a Delaware limited partnership ("Owner"), having an address at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, Attention: Edward K. Aldag, Jr.

WITNESSETH:

WHEREAS, Diversified Specialty Institutes, Inc., a Delaware corporation ("DSI"), entered into that certain Agreement of Sale dated April 14, 2005 (the "Ground Contract"), as amended, with Glenview Corporate Center Limited Partnership, L.P., a Delaware limited partnership ("Glenview"), whereby Glenview agreed to sell to DSI, and DSI agreed to purchase from Glenview, that certain real estate located in Bucks County, Pennsylvania, which real estate is more particularly described on EXHIBIT "A" attached hereto and made a part hereof by reference and incorporation (the "Property");

WHEREAS, BCOI, MPT Operating Partnership, L.P., a Delaware limited partnership ("MPT"), Jerome S. Tannenbaum, M.D., M. Stephen Harrison, G. Patrick Maxwell, M.D. and Developer entered into that certain Purchase and Sale Agreement dated as of March 3, 2005 (the "Purchase Agreement"), as amended relating, in part, to the purchase and development of the Property and the construction of the Project (as defined below);

WHEREAS, pursuant to the Purchase Agreement, DSI assigned all of its right, title and interest under the Ground Contract to MPT, and MPT has acquired the Property;

WHEREAS, MPT and BCOI entered into that Lease Agreement of even date herewith (the "Lease") whereby MPT leased the Property to BCOI;

WHEREAS, pursuant to that certain Funding Agreement of even date herewith among BCOI, Developer and Owner (the "Funding Agreement"), Owner has agreed to fund the development and construction of the Improvements in accordance with the terms, provisions and conditions of the Funding Agreement and of this Agreement;

WHEREAS, Developer is an experienced developer of hospitals and medical office buildings and, because of such expertise, BCOI has selected Developer to perform the services set forth in this Agreement relating to the development and construction of the Improvements;

WHEREAS, BCOI desires that Developer assist BCOI in the development and construction of the Improvements and provide the services with respect to the Project (defined below), and Developer has

agreed to assist BCOI in the development and construction of the Project and to perform such services in accordance with the terms, conditions and agreements set forth herein; and

WHEREAS, capitalized terms used herein, but not defined herein, shall have the meanings given to them in the respective Leases or in the Funding Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 1
THE PROJECT

The improvements to be constructed on the Property will include (i) a one (1)-floor acute-care hospital facility (the "Hospital") consisting of approximately 57,000 square feet of gross area and a 750 square foot connector to the MOB (as defined below), (ii) a two (2)-floor medical office building (the "MOB") consisting of approximately 64,000 square feet of gross area (the MOB, together with the Hospital, the "Facility"), and (iii) all related parking areas, driveways, roadways, walkways, bridges, connectors, utility improvements, site work, landscaping, common areas, signage, and any other improvements, amenities and facilities to be constructed on the Property to be used in connection with the operation of the Hospital and the MOB (such improvements collectively referred to herein as the "Improvements"). The Property and the Improvements to be constructed on each are collectively referred to as the "Project". The Project shall be developed and constructed in accordance with certain plans and specifications approved in writing by BCOI and Owner, prepared by an architect and engineer approved by BCOI and Owner, and approved and adopted by the proper governmental authority.

A preliminary site plan for the Project is shown on the drawing marked EXHIBIT "B" attached to and made a part of this Agreement.

ARTICLE 2
THE ENGAGEMENT

Subject to the satisfaction of certain terms, provisions and conditions set forth herein, BCOI hereby engages and appoints Developer as an independent contractor and as exclusive development manager and agent (unless Developer defaults under this Agreement, the Funding Agreement or under any of the Contracts) for payment to Third Parties under the Contracts (each as defined below) in connection with the construction of the Project. Developer hereby agrees to perform the services referred to herein and Developer accepts and agrees to perform such services pursuant to such engagement. Owner hereby consents to such engagement. The rights and duties hereby granted to and assumed by Developer are those of an independent contractor only. Nothing contained herein shall be so construed as to create a relationship between Developer and BCOI or between Developer and Owner of employment, partnership, joint venture, or any other joint undertaking.

ARTICLE 3
DEVELOPER'S OBLIGATIONS

3.1 General Duties of Developer, BCOI and Owner.

(a) Developer shall diligently, in good faith and with due care, consult with BCOI during the term of this Agreement in performing its obligations in accordance with the terms and conditions of this Agreement. Developer shall also diligently, in good faith and with due care, respond promptly to any request made by BCOI or Owner or their respective employees, agents and representatives regarding the development and construction of the Project and cooperate with BCOI in connection with its requirement and with BCOI and its employees, agents and representatives in the development and construction of the Project.

(b) BCOI and Owner shall diligently, in good faith and with due care, respond promptly to any request by Developer for consents and approvals as required hereunder regarding the development and construction of the Project and cooperate with Developer in the performance of Developer's duties under this Agreement.

(c) Developer shall perform its obligations under this Agreement in accordance and in compliance with all applicable laws, rules, regulations, statutes and ordinances of all governmental authorities. In the event Developer's obligations as set forth in this Agreement are inconsistent with such applicable laws, rules, regulations and ordinances, Developer shall be permitted to take any action that is required thereby (or to refrain from taking any action that is prohibited thereby) despite that such action is prohibited (or the action from which Developer refrains is required) under this Agreement. Developer shall provide written notice to BCOI and Owner of such inconsistency at least twenty (20) days prior to taking any action or failing to take any action required or prohibited under this Agreement.

3.2 Management of Development. Developer shall manage and oversee all design, development and construction aspects of the Project in accordance with the Development Schedule (the "Development Schedule"), a preliminary copy of which is set forth on EXHIBIT "C", and the Development Budget (the "Development Budget") set forth on EXHIBIT "D" attached hereto. Owner and BCOI hereby acknowledge and agree that each has reviewed and does hereby approve of the Development Schedule and the Development Budget attached hereto; provided, however, that the parties acknowledge that the Development Schedule attached hereto is a preliminary Development Schedule and within ten (10) days of the date hereof, the parties shall agree to a final Development Schedule and such Development Schedule shall supersede the preliminary Development Schedule attached hereto. In connection therewith, Developer is hereby authorized and directed to perform, and Developer hereby agrees to perform, without limitation, the following services (the "Services"):

(a) Developer shall supervise and assist BCOI in the preparation or procurement of:

(i) the Plans and Specifications (as defined below);

(ii) the Development Schedule for the Project setting forth a detailed analysis and schedule for the development and construction of the Project;

(iii) the Development Budget for the Project setting forth a detailed budget for the Project; and

(iv) a survey of the location and boundaries of the Property on which the Project will be constructed, which shall, at a minimum, clearly depict all wetland areas and contain a legal description of the Property, and contain such other

information and detail as required by BCOI or Owner and the title insurance company insuring BCOI's leasehold interests in the Property.

(b) Developer shall use its best efforts to obtain as soon as practicable, to the extent not obtained by BCOI, all approvals, governmental approvals and permits necessary or appropriate for the development and construction of the Project, including, without limitation, approvals required pursuant to any declarations, covenants, conditions and restrictions relating to the Property, zoning approvals, zoning variances, subdivision approvals, grading and utility permits, building permits, tap permits or "connections" for water and sanitary sewer service for the Project (the expense for which shall be included in the Development Budget) (all such approvals and permits shall be on terms and conditions approved by BCOI and Owner). Developer shall furnish Owner with evidence of such approvals within ten (10) days of receipt of same.

(c) Developer shall assist BCOI in negotiating contracts (the "Contracts") with architects, landscape architects, engineers, planners, designers, general contractors, subcontractors, technology suppliers and consultants, and other suppliers and vendors (collectively the "Third Parties") utilized in the development and construction of the Project. All of the Contracts, other than those listed and described on EXHIBIT "E" hereto which Owner acknowledges and agrees that it has approved, shall be subject to review, revision and approval of Owner. Notwithstanding anything contained herein to the contrary, (i) subject to Owner's prior written approval, BCOI shall have the right to designate the general contractor ("Contractor") (provided, however, that Owner hereby approves of Clayco Construction Company), architect ("Architect"), construction company ("Construction Company"), engineer ("Engineer") and other Third Parties which will participate in the development and construction of the Project, (ii) BCOI, subject to Owner's prior written approval, shall control the preparation and negotiation of the definitive agreements with such parties, and (iii) Owner shall have the right to review and approve all Contracts (other than those listed on EXHIBIT "E") prior to their execution. Developer acknowledges and understands that the Contracts shall not be completed, fully negotiated or signed until BCOI and Owner have reviewed and approved in writing such Contracts (other than those listed on EXHIBIT "E"). In connection therewith, Developer shall also obtain from all Third Parties such payment and performance bonds and all other bonds required by BCOI, Owner and Facility Lender and by any governmental authority applicable to the construction and development of the Project, naming BCOI, Owner and the Facility Lender (as defined in Section 11.2 below) as named obligees or additional insureds. In the event BCOI is not a party to any of the Contracts with Third Parties, either BCOI, Owner or Facility Lender shall have the right to require the Developer, within ten (10) days after written request from either BCOI, Owner or Facility Lender, to obtain a written assignment, consent to assignment estoppel and subordination agreement signed by the parties to such Contracts in form and content acceptable to BCOI, Owner and Facility Lender.

(d) Developer shall advise and assist BCOI in obtaining contracts with the appropriate government authorities and utility companies for the construction of any utility services necessary for the implementation of the Project and the use of the Facility. Neither BCOI nor the Developer shall enter into any such contract prior to receipt of Owner's written approval of such contracts which approval may be granted or withheld in Owner's sole discretion.

(e) Developer shall, within ten (10) days from the Effective Date, cause the Architect to complete the preparation of the final working drawings, plans and specifications for the Project, excluding or including, at the discretion of BCOI and Owner, interior partitions, finishes and other tenant

improvement work, but including all related utility, parking, driveway, landscape and other site improvements to be located on the Property, and to submit four (4) copies of such working drawings, plans and specifications to BCOI and to Owner. If BCOI or Owner has any objections or comments with respect to any such drawings, plans and specifications which are submitted to it, BCOI or Owner shall notify Developer and Architect in writing within twenty (20) days after BCOI's or Owner's receipt of such working drawings, plans and specifications. If BCOI makes any comments or objections or requests any changes or corrections regarding any such working drawings, plans and specifications, Developer shall promptly coordinate with Architect and cause the requested comments, objections, changes and corrections to be addressed and made. Developer shall promptly resubmit to BCOI and to Owner modified working drawings, plans and specifications, which shall be subject to the same review and approval procedures set forth above. All working drawings and specifications which are approved by BCOI and Owner are herein referred to as the "Plans and Specifications". Approval of the Plans and Specifications by BCOI and Owner shall constitute only an approval of the aesthetic features of the building described in the drawings, and acknowledgment that the floor plan and the spatial relationship of the various parts of the Plans and Specifications are satisfactory, and shall not be construed as an approval of the character or quality of the architectural, structural or engineering design of the Improvements or any of their components, or an acknowledgment that the design complies with applicable building codes. No such approval shall constitute a waiver of any warranties or guaranties set forth in this Agreement or release Developer or Architect from liability for any errors or omissions. None of the Plans and Specifications may be changed or otherwise modified without the prior written consent of BCOI and Owner. All costs, fees and expenses of the preparation of the Plans and Specifications by the Architect and any other consultants shall be included in the Development Budget.

(f) Developer shall obtain and file all notices of commencement of construction and completion of construction as may be required by the laws of the State of Pennsylvania and all rules, regulations and ordinances of any governmental authority having jurisdiction over the Project.

3.3 Construction Phase Services. During the construction phase of the Project, the obligations and services to be performed by the Developer shall include, without limitation, the following (the "Construction Phase Services"):

(a) Coordination with all Third Parties with respect to the development, budgeting, design, engineering, construction and landscaping of the Project in accordance with the Development Schedule and the Development Budget.

(b) Supervise the performance of the Third Parties and their compliance with their respective obligations under the Contracts in connection with the construction of the Project.

(c) Monitor the construction of the Project to determine whether the development of the Project is proceeding in accordance with the Development Budget and the Development Schedule. If the Project is not proceeding in accordance with the Development Budget and the Development Schedule, Developer shall immediately report such noncompliance in writing to BCOI and to Owner and Developer's written report shall specifically state why the Project is not so proceeding and all issues, problems and concerns in connection therewith.

(d) Coordinate compliance with all applicable requirements of the Facility Lender for the Project and the Facility Lender's loan documentation.

(e) Commence construction of the Project no later than the tenth (10th) business day after the issuance of a land disturbance or building permit from Bensalem, Pennsylvania; provided, however, such construction must be commenced no later than the twentieth (20th) day after the Effective Date, and, subject to the force majeure provisions of Section 3.3(f) and Section 15.1 below, diligently pursue the development, construction and completion of the Project in accordance with this Agreement, the Development Schedule and the Development Budget by no later than July 31, 2006 (the "Projected Completion Date"). The Project shall be deemed substantially completed on the date on which all of the following have occurred (the "Completion Date"): (i) satisfactory completion (as determined by BCOI and Owner) of all construction work under the general construction contract with the Contractor, (ii) the Owner has received a certificate from the Architect that the construction of the Project has been substantially completed in accordance with the Plans and Specifications, which certificate shall be in form and substance satisfactory to Owner and shall include the written approval of the Construction Inspector noted thereon, (iii) Owner has received evidence that appropriate governmental authorities have unconditionally approved and certified the Completed Improvements in their entirety for permanent occupancy as an acute-care hospital and incorporated medical office building; and (iv) a license to operate as a health care facility in the State of Pennsylvania has been issued by the proper governmental authorities.

(f) Developer and BCOI acknowledge that governmental agencies sometimes require changes in construction materials, methods, or design after certain construction work is in place. If any governmental agency makes such a requirement with respect to the Project, the additional costs with respect thereto shall be deemed costs of the Project and any delays resulting therefrom shall be deemed force majeure events provided that the following conditions have been satisfied: (i) the Improvements constructed to the date of the required change in construction materials, methods or design have been designed and constructed in accordance with the Plans and Specifications, and appropriate building permits have been issued with respect thereto prior to construction, and (ii) the Plans and Specifications have been submitted to the Pennsylvania Health Department for review and comment prior to the installation of the Improvements. The foregoing shall not be construed as a modification of any provision of the Leases or any right of the Facility Lender.

(g) From the commencement of construction until completion of the Project, Developer shall cause the Third Parties to maintain general liability and other types of insurance (including, without limitation, errors and omissions coverages) satisfactory in form, content and amount to BCOI, Owner, MPT and the Facility Lender and insuring against all hazards normally insured against in the construction industry for similar projects. Developer shall cause BCOI, Owner, MPT and the Facility Lender to be added as mortgagees (as appropriate) and additional insureds on all liability coverages. Developer shall obtain and deliver to such insured parties before the commencement of the construction of the Project original policies of insurance, or a certified copy thereof (which is certified in writing by a duly authorized agent for the insurance company as a "true, correct, complete and certified" copy of the policy) for the required insurance. Each insurer must agree, by endorsement on the policy or policies issued by it, or by independent instrument, that it will give to BCOI, Owner, MPT and the Facility Lender thirty (30) days' written notice before the policy or policies in question shall be altered, terminated, allowed to expire or canceled. All policies of insurance required hereunder to be obtained shall provide that (i) such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until BCOI, Owner, MPT and Facility Lender have received not less than thirty (30) days' prior written notice, (ii) the language "endeavor to" will be deleted from all

notice provisions and (iii) Developer and BCOI shall deposit the amount of any resulting deficiency in accordance with the requirements of the Facility Lender.

(h) Following issuance of the Architect's certificate of Final Completion, BCOI and Owner may inspect the Project and prepare punch lists (each a "Punch List") setting forth all incomplete, defective or other items of construction not in conformity with the Plans and Specifications and if such Punch Lists are delivered to Developer, Developer shall cause all such items to be completed or corrected within ninety (90) days of receipt of such Punch List. If ninety (90) days is an insufficient period of time in which to complete or correct any Punch List item, Developer may request one or more thirty (30) day extensions of said 90-day period, which extensions Owner shall grant so long as Developer is working and continues to work in good faith and diligently pursues the completion and correction thereof. In the event Developer fails to cause such items to be completed within the ninety (90) day period, or the extended period of time, as applicable, BCOI or Owner may complete or correct any or all of such items and Developer shall reimburse BCOI or Owner, as applicable, for the cost thereof plus interest thereon at an annual rate of ten and three-quarters percent (10.75%) within thirty (30) days after receipt from BCOI of written demand for such payment, and in the event Developer fails to reimburse BCOI or Owner, as applicable, for such cost and interest within such thirty (30) day period, BCOI or Owner may pursue whatever remedies they may have against Developer at law or in equity. Notwithstanding anything contained herein to the contrary, Owner and BCOI shall have the right to withhold from the Developer Fees and the Developer Bonus (as defined in Article 5 hereof) payable to Developer hereunder an amount equal to the excess, if any, of one hundred twenty-five percent (125%) of the total costs necessary to complete the Punch List items over the retainage under the Contract with the Construction Company, until such Punch List items are completed to BCOI's and Owner's satisfaction.

3.4 Authority of Developer.

(a) Authority of Developer. Except as specifically approved in writing by BCOI or Owner, as applicable, or as expressly set forth herein, Developer shall not have authority to bind BCOI or Owner in any matters regarding the Project.

(b) Limitation on Authority. Developer's actual authority hereunder is limited by this Agreement. Developer shall not undertake or permit any development of or construction on the Property, engage the services of any contractor, architect, engineer, consultant or other third party, engage a vendor or supplier, expend any funds or incur any debt in connection with the development and construction of the Project or the performance of any other obligation under this Agreement or in connection with the Project, unless either (i) the action shall have been expressly authorized in this Agreement and can be completed within the limits of the Development Budget and the time periods set by the Development Schedule, or (ii) the action is approved by BCOI and Owner in writing prior to Developer taking such action. All change orders must be approved by BCOI and Owner in writing prior to making such changes in the Project. All change orders shall be in form and content reasonably acceptable to BCOI and Owner.

(c) Emergencies. It is the desire and intent of the parties hereto, as evidenced by the terms and provisions of this Agreement, that Developer shall take only such actions as may be necessary or appropriate in connection with the performance of its duties under this Agreement; provided, however, in the event there are occurrences from time to time that require immediate action by Developer and, in the reasonable opinion of Developer, it would be detrimental to the continued development of the Project to delay such action until any required approval by BCOI and/or Owner can be obtained, then,

notwithstanding anything in this Agreement to the contrary, Developer shall be, and hereby is authorized for and on behalf of BCOI (after making a good faith effort to obtain prior approval or consent from BCOI and Owner) to take such action as may be reasonably necessary under the circumstances; it being specifically understood and agreed, however, that the authority granted to Developer in this Section 3.4(c) shall apply only to occurrences reasonably determined by Developer to be emergencies and that Developer shall notify BCOI and Owner as soon as practicable after such actions are taken.

(d) Owner and Owner's Facility Lender Delay. Notwithstanding any other provision of this Agreement, Owner and/or Owner's Facility Lender shall grant or deny approval of any proposed document, expense, act, or other matter with respect to which their respective approvals are required hereunder by the later of (i) the time period specified herein for such approval; or (ii) ten (10) business days after the document, expense, act or other matter is submitted or otherwise proposed to Owner for approval. In the event Owner and Owner's Facility Lender fails to grant or deny approval required hereunder with respect to any such document, expense, act or other matter, such party shall be conclusively deemed to have approved the proposed document, expense, act or other matter (whether or not such approval is required to be in writing hereunder). BCOI and Developer may rely on such deemed approval without incurring any liability, and without causing any default or event of default hereunder.

(e) BCOI's Delay. Notwithstanding any other provision of this Agreement, BCOI shall grant or deny approval of any proposed document, expense, act, or other matter with respect to which its approval is required hereunder by the later of (i) the time period specified herein for such approval; or (ii) ten (10) business days after the document, expense, act or other matter is submitted or otherwise proposed to BCOI for approval. In the event BCOI fails to grant or deny approval required hereunder with respect to any such document, expense, act or other matter, BCOI shall be conclusively deemed to have approved the proposed document, expense, act or other matter (whether or not such approval is required to be in writing hereunder). Owner, Owner's Facility Lender and Developer may rely on such deemed approval without incurring any liability, and without causing any default or event of default hereunder.

3.5 Liens. Developer will not create or permit to be created or to remain any mechanic's and materialmen's liens, encumbrance or charge on the Property, the Project or any part thereof which arises by reason of any labor, services or materials furnished or claimed to have been furnished to Developer, the Project or by reason of the development, design or construction of the Project.

ARTICLE 4
DEVELOPMENT BUDGET

The parties hereto acknowledge and agree that the total budget for the Project, including acquisition and development of the Property, is expected to be Thirty-Eight Million and 00/100 Dollars ($38,000,000.00), as set forth in the Development Budget. BCOI will only be responsible for cost overruns as provided in the Funding Agreement. Developer shall be responsible for and pay all cost overruns not approved in writing by BCOI, Owner and, if applicable, the Facility Lender. Any cost overruns which are not paid by Developer within five (5) days after written request from BCOI or Owner may be deducted from the Developer Fees (as defined below) and shall, at the election either of BCOI or Owner, constitute a default hereunder.

ARTICLE 5
COMPENSATION OF DEVELOPER

Subject to the adjustments, terms and conditions as expressly provided in this Agreement, as consideration for Developer's services provided under this Agreement, BCOI agrees to pay to Developer the fees set forth on EXHIBIT "F" (the "Developer Fees"). So long as (i) the Project is proceeding in all material respects in accordance with the terms, provisions and conditions of this Agreement, and is proceeding within the Development Budget and in accordance with the Development Schedule, (ii) Developer is not in default hereunder and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default hereunder, (iii) there is no Default or Event of Default, each as defined in the Funding Agreement, and (iv) Developer and/or DSI or any of their Affiliates are not in default under any other agreements and contracts with BCOI or any of its Affiliates or Owner or any of its Affiliates, 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 Agreement or any other agreement or contract of Developer and/or DSI with BCOI and any of its affiliates, or Owner or any of its affiliates, eighty percent (80%) of the Developer Fees shall be prorated over ten (10) months and paid in equal monthly installments commencing on September 15, 2005. Such monthly installments shall continue thereafter so long as the requirements set forth in subitems (i) through (iv) of this Article 5 are met and so long as (a) the requirements for funding under the Funding Agreement are satisfied. The remaining twenty percent (20%) of the Developer Fees along with the bonus described on EXHIBIT "F" hereto (the "Developer Bonus").shall be paid to Developer upon the satisfaction of all conditions to the Final Funding under the Funding Agreement. Developer agrees that the payments referred to in this Article 5 are subject and subordinate in all respects to the obligations of BCOI to Owner under the Leases and to any financing for the Project in favor of the Facility Lender and Developer shall, upon written request, execute all documents necessary to confirm such subordination and deferral in such form and on such terms as the Facility Lender may request. In the event Developer defaults hereunder, or if the Project is not progressing in accordance with this Agreement and the Development Schedule and within the Development Budget, then any amounts owed to Developer shall be determined by BCOI subject to the prior written approval of Owner and the Facility Lender.

ARTICLE 6
DISBURSEMENTS

The parties acknowledge and agree that all payments of hard and soft costs described on the Development Budget and all payments of cost overruns to applicable third party payees identified on the Development Budget and all other parties performing services and providing materials to the Project ("Third Party Payees") shall be paid as provided in the Funding Agreement.

ARTICLE 7
TERM OF AGREEMENT

7.1 Term. Unless sooner terminated as set forth herein, the term of this Agreement shall commence upon the Effective Date and shall continue until the Completion Date (as defined in Section 3.3(e)).

7.2 Early Termination.

(a) Owner, BCOI and any Facility Lender shall have the right, with two (2) days' prior written notice, to terminate this Agreement if any such party determines, in its sole discretion (but subject to Owner's prior written approval), that the transactions contemplated by this Agreement and the leasing of the Facility could reasonably be expected to result in a violation of any applicable laws and regulations, including without limitation, federal and state health care laws and regulations. Such health care laws and regulations include, without limitation, 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), Patient Inducement Statute (42 U.S.C. 1320a-7(a)(a)(5)), and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing. In the event this Agreement is terminated pursuant to the terms of this provision, the parties hereto shall have no further responsibilities to each other hereunder, unless otherwise expressly set forth herein.

(b) Owner or the Facility Lender shall have the right to terminate this Agreement upon Developer's failure to perform any of its obligations hereunder, which failure is not cured by Developer within fifteen (15) days after receipt of written notice thereof from Owner or the Facility Lender; provided, however, neither Owner nor Facility Lender shall be required to give more than one (1) written notice. In the event such failure cannot reasonably be cured within such fifteen (15) day period, Developer shall have a reasonable amount of time to cure such default (but in no event longer than thirty (30) days after such written notice). Neither BCOI nor Developer may terminate this Agreement without the prior written consent of Owner and any Facility Lender.

7.3 Payment of Fees Upon Termination. In the event this Agreement is terminated by either party in accordance with Section 7.2(b) prior to the completion of construction of the Project, subject to the terms, provisions and conditions of this Agreement, and so long as Developer is not in default under the terms of this Agreement (and no event has occurred which with the giving of notice or the passage of time or both would constitute a default hereunder) Developer shall be entitled to receive from BCOI the amounts due to be paid to the Developer to the date of such termination. In the event that Owner or the Facility Lender succeeds to the rights of BCOI hereunder, such party shall not be bound by the terms of this Section 7.3 unless such party expressly agrees in a written instrument to be so bound.

7.4 Delivery of Documents Upon Termination. In the event of the termination of this Agreement pursuant to this Article 7, Developer shall promptly provide to BCOI with copies to Owner all documents and reports related to the transactions contemplated hereunder, including, but not limited to, all title insurance commitments and policies, surveys, environmental reports or studies, engineering reports or studies, geotechnical reports and studies, drawings, financial statements, building permits, applications for building permits, soil tests reports or planning studies that are in the possession of Developer, or under Developer's control, that are related to the Property or the Project. Upon BCOI's or Owner's request, Developer shall assign to BCOI or Owner, as applicable, or their respective designee or nominee, all of Developer's rights under the Contracts and any other contract or agreement with any architect, engineer, contractor, supplier, consultant or representative that Developer and/or BCOI has entered into in connection with the Property or the Project.

ARTICLE 8
RECORDS AND INFORMATION

Developer shall furnish to BCOI and Owner, and their respective employees, agents, representatives and contractors, promptly upon request therefor, copies of all status reports prepared by Developer and its employees, agents and representatives for use with respect to Developer's duties under this Agreement, and all invoices, contractors' requests for payment, certificates of completion, loan disbursement applications, engineering reports, inspection reports, surveys, correspondence, site plans, floor plans, and all other documents, status reports and information relating to the Project. Developer shall also prepare and furnish to BCOI and to Owner and their respective employees, agents, representatives and contractors all reports and information requested by such persons in connection with the Project. Upon the termination or expiration of this Agreement, Developer shall deliver such documents to BCOI and the Facility Lender upon request. Except as otherwise expressly set froth herein, Developer shall not have the right to copy any of the foregoing documents nor retain any of them unless Developer receives BCOI's and Owner's prior written approval.

ARTICLE 9
COMPETING ACTIVITIES OF PARTIES

Intentionally Omitted.

ARTICLE 10
NON-LIABILITY; INDEMNIFICATION

10.1 Non-liability of BCOI and Owner. As used in this Article 10, the term Indemnitees refers to BCOI, Owner, MPT and the Facility Lender. Except as otherwise expressly provided herein, Indemnitees neither undertake nor assume any responsibility to select, review, inspect, supervise, pass judgment upon or inform Developer of any matter in connection with the Project, including matters relating to the suitability of: (i) the Plans and Specifications; (ii) the Third Parties and any materialmen, or the workmanship of or the materials used by any of them; or (iii) the progress of the Project and its conformity with the Plans and Specifications and all laws, rules, regulations and ordinances; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledges that any review, inspection, supervision, exercise of judgment or information supplied to Developer by any Indemnitee which such matters are solely for the protection of the applicable Indemnitee and that neither Developer nor any Third Party shall be entitled to rely on it.

10.2 Non-Relationship between Indemnitee and Developer. Notwithstanding any other provision of this Agreement, any other agreements entered into between any Indemnitee and Developer and any other document delivered in connection with the development and construction of the Project (collectively the "Documents"): (i) no Indemnitee is a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and no Indemnitee intends to ever assume any such status; (ii) no Indemnitee shall be deemed responsible for or a participant in any acts, omissions or decisions of Developer, and (iii) Owner is not the agent or representative of BCOI or Developer, BCOI and Developer are not the agents of Owner and this Agreement shall not make Owner liable to the Contractor, materialmen, contractors, subcontractors, craftsmen, laborers or others for goods delivered to or services performed by them upon the Property, or for debts or claims accruing to

such parties against BCOI or Developer, and there is no contractual relationship, either expressed or implied, between Owner and the Developer, Contractor or any materialmen, subcontractors, craftsmen, contractors, laborers, or any other person supplying any work, labor or materials for the Improvements or otherwise to the Property.

10.3 Limitation of BCOI Liability. The parties hereto acknowledge and agree that no Indemnitee (other than BCOI) or their affiliates and their respective officers, directors, members (general and limited) partners, shareholders, employees, agents and representatives (the "MPT Indemnified Parties") shall be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any development of, construction on, or occupancy or use of, the Property or the Project, whether arising from any claim, litigation, investigation or proceeding arising from or relating to: (i) any defect in any building, grading, landscaping or other on-site or offsite improvement; (ii) any act or omission of any of the Third Parties, Developer or any of Developer's agents, employees, independent contractors, licensees or invitees; (iii) any accident on the Property or the Project or any fire, flood or other casualty or hazard thereon; (iv) the failure of any of the Third Parties, Developer or any of Developer's licensees, employees, invitees, agents, independent contractors or other representatives to maintain the Property or the Project in a safe condition; and (v) any nuisance made or suffered on the Property or the Project. By accepting or approving anything required to be performed or given by Developer under the terms of this Agreement and under the Documents, including, without limitation, any certificate, financial statement, survey, appraisal or insurance policy, no Indemnitee (other than BCOI) shall be deemed to have warranted or represented the sufficiency or legal effect of the same (other than for purposes of satisfying the requirement that such Indemnitee's approval be obtained), and no such acceptance or approval shall constitute a warranty or representation by such Indemnitee to anyone.

10.4 Developer Indemnification. Developer hereby indemnifies, holds harmless and agrees to defend the Indemnitees from and against (A) all claims, demands, causes of action asserted against any Indemnitee by any person if the claim, demand or cause of action directly or indirectly relates to any claim, litigation, investigation or proceeding arising from or relating to (i) a claim, demand or cause of action that the person has or asserts against Developer; (ii) the payment of any commission, charge or brokerage fee incurred in connection with this Agreement and the Documents; (iii) any act or omission of Developer, any contractor, subcontractor, architect, engineer, or material supplier, vendor or other person with respect to the Property and/or the Project; or (iv) any claim or cause of action of any kind by any person which would have the effect of denying Indemnitees the full benefit or protection of any provision of any document (excluding charges and assessments by governmental agencies imposed upon BCOI in the normal course of BCOI's business); and (B) all liabilities, losses and other costs (including court costs and attorneys' fees) incurred by any Indemnitee as a result of any claim, demand or cause of action described in clause (A) above, except to the extent of loss proven to result from each respective Indemnitee's sole gross negligence or willful misconduct.

The Indemnitees' rights to indemnification shall not be directly or indirectly limited, prejudiced, impaired or eliminated in any way by any finding or allegation that any conduct is active, passive or subject to any other classification or that any Indemnitee is directly or indirectly responsible under any theory of any kind for any act or omission by Developer or any other person. Notwithstanding the foregoing, Developer shall not be obligated to indemnify the Indemnitees with respect to any intentional tort or act of gross negligence which any Indemnitee is personally determined by the judgment of a court of competent jurisdiction (sustained on appeal, if any) to have committed.

ARTICLE 11
ASSIGNMENT

11.1 Developer Assignment. Developer shall not, directly or indirectly, assign, transfer, mortgage, pledge, sell, hypothecate or otherwise encumber (or permit any of the foregoing) in any manner or by any means whatsoever, whether voluntarily or by operation of law, all or any part of its interest in or obligations arising out of this Agreement, nor delegate any of its obligations or duties hereunder without the prior written consent of BCOI, Owner and the Facility Lender, which consent may be withheld for any reason; provided, however, Developer shall be permitted to assign its interest in the Developer's Fees so long as such assignment is in writing and a copy thereof is delivered to BCOI, Owner and Facility Lender. In the event BCOI, Owner and the Facility Lender consents to such assignment or delegation, such assignment or delegation shall not release Developer from any obligation hereunder unless BCOI, Owner and the Facility Lender so agree in writing.

11.2 BCOI Assignment. All of BCOI's rights and interests under this Agreement are freely assignable in whole or in part, but assignment of any of such rights shall not release BCOI from any obligation hereunder unless Developer so agrees in writing (which shall not be unreasonably withheld, conditioned or delayed). BCOI shall have the right, without the necessity of obtaining consent from Developer, to assign all of its rights and interests under this Agreement to Owner or to any lender providing financing for or secured by an interest in the Property or the Project (the term "lender" may include, without limitation an affiliate of Owner) ("Facility Lender").

ARTICLE 12
ACCESS

12.1 Access. BCOI, Owner and their respective employees, agents, representatives and contractors, and the Facility Lender and its employees, agents and representatives shall have the right (without the obligation to do so) to observe the Project as the same is being constructed. BCOI shall promptly notify Developer of any deviations from the applicable Plans and Specifications or other deficiencies which they may discover, and Developer shall promptly correct and/or repair, or cause the prompt correction and/or repair of any such deviations or deficiencies upon receipt of such notice. All inspecting parties and their representatives shall use good faith efforts to coordinate their inspections with one another. Notwithstanding the foregoing, however, such inspecting parties shall not be responsible for any such deviations, defects or deficiencies or for any failure to discover or report any such deficiencies, defects or deviations. The Developer and Architect will, and Developer will instruct the Architect to, promptly report to such inspecting parties any such defects, deviations or deficiencies as it or they observe same.

ARTICLE 13
REPRESENTATIVES

13.1 Developer's Representative. Developer appoints James Cummings and Martin Fugardi to be its designated representatives with authority to act on behalf of Developer in connection with the Project, this Agreement and the disbursement requests and all other matters relating to the Project. BCOI, Owner and the Facility Lender may rely on documents signed by and actions taken by the above named person as the fully authorized act of Developer. This designation of authority shall be effective until written notice revoking the authority granted hereby and substituting a designated representative has been received by BCOI, Owner and the Facility Lender.

13.2 BCOI's Representatives. BCOI appoints Jerome S. Tannenbaum, M.D. and Rob Pantoja to be its designated representatives with authority to act on behalf of BCOI in connection with the Project, this Agreement, the disbursement requests and all other matters relating to the Project. Developer, Owner and the Facility Lender may rely on documents signed by and actions taken by any of the above named persons as the fully authorized act of BCOI. This designation of authority shall be effective until written notice revoking the authority granted hereby has been received by Developer, Owner and the Facility Lender.

ARTICLE 14
DEFAULTS AND REMEDIES

In the event that (i) the Completion Date has not occurred by June 1, 2006 ("Outside Completion Date") which is thirty (30) days after the Projected Completion Date, as the same may have been extended by any force majeure events as provided in Section 3.3(f) or Section 15.1 below, (ii) Developer fails to commence and pursue diligently the completion of the Project as provided in this Agreement or otherwise breaches any of the terms, conditions and provisions hereof (or an event has occurred which with the giving of notice or the passage of time or both would constitute such a default hereunder), and, in the event of a non-monetary default hereunder, Developer fails to cure such non-monetary default within ten (10) days from the date of written notice from BCOI or Owner; provided, however, neither BCOI nor Owner will be required to give more than one (1) written notice, (iii) the Project is not proceeding in all material respects in accordance with the terms, provisions and conditions of this Agreement, and is not proceeding within the Development Budget and in accordance with the Development Schedule, (iv) there is a default or an event has occurred which with the giving of notice or the passage of time or both would constitute such a default under the Funding Agreement or the other Transaction Documents, (v) Developer and/or DSI or any of their Affiliates are in default under any other agreements and contracts with BCOI or any of its Affiliates or Owner or any of its Affiliates, or an event has occurred which with the giving of notice or the passage of time or both would constitute such a default under this Agreement or any other agreement or contract of Developer and/or DSI with BCOI and any of its affiliates, or Owner or any of its affiliates, (vi) Developer becomes insolvent or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors, shall file a petition in bankruptcy, shall voluntarily be adjudicated insolvent or bankrupt or shall admit in writing the inability to pay debts as they mature, shall petition or apply to any tribunal for or shall consent to or shall not contest the appointment of a receiver, trustee, custodian or similar officer for Developer, or for a substantial part of the assets of Developer, or shall commence any case, proceeding or other action under any bankruptcy, reorganization, arrangement, readjustment or debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect or (vii) a petition is filed or any case, proceeding or other action is commenced against Developer seeking to have an order for relief entered against it as debtor or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or other relief under any law relating to bankruptcy, insolvency, arrangement, reorganization, receivership or other debtor relief under any law or statute of any jurisdiction whether now or hereafter in effect or a court of competent jurisdiction enters an order for relief against Developer, as debtor, or an order, judgment or decree is entered appointing, with or without the consent of Developer, a receiver, trustee, custodian or similar officer for Developer, or for any substantial part of any of the properties of Developer, and if any such event shall occur, such petition, case, proceeding, action, order, judgment or decree shall not be dismissed within sixty (60) days after being commenced; then Owner (or with Owner's written consent,

BCOI) shall have the following rights and remedies: Owner shall have the right to (A) enter upon the Property and take possession of all materials and equipment located thereon and on the remainder of the Property, (B) complete the Project in accordance with the Plans and Specifications, using any contractors, subcontractors and material suppliers as Owner may elect in its sole discretion, and (C) withhold Developer Fees and other payments payable hereunder in accordance with the terms hereof. If requested by Owner, Developer shall immediately upon written request by Owner, assign, in writing, and cause all contractors, subcontractors and material suppliers to assign, in writing, any and all contracts and agreements; however, Owner shall have no obligation to request or accept any such assignment or assume any of Developer's, contractor's, subcontractors or material suppliers' obligations under any such contracts. Upon the occurrence of an Event of Default, Developer agrees to cooperate with Owner in obtaining any required work from Third Parties with whom Developer has contracted. Developer shall reimburse Owner, upon demand, all costs and expenses incurred by Owner in connection with its exercise of the foregoing rights, including, without limitation, reasonable attorneys' fees and expenses, and a management fee equal to twelve percent (12%) of all costs and expenses incurred by Owner, together with interest thereon at an annual rate of seven percent (7%) from the date incurred until paid. In addition thereto, Owner may withhold all remaining Developer Fees payable to Developer under this Agreement.

In the event of a default under this Agreement, Developer shall promptly provide to BCOI (with copies to Owner) all documents and reports related to the transactions contemplated hereunder, including, but not limited to, all title insurance commitments or policies, surveys, environmental reports or studies, engineering reports or studies, geotechnical reports and studies, drawings, financial statements, building permits, applications for building permits, soil tests reports or planning studies that are in the possession of Developer that are related to the Project or the Property. Upon Owner's request, Developer shall assign to Owner its rights under any contract or agreement with any architect, engineer, contractor, supplier, consultant or representative that Developer and/or BCOI has entered into in connection with the Property or the Project, to the extent such rights are assignable.

Notwithstanding anything contained herein to the contrary, all rights, privileges and remedies afforded the parties by this Agreement shall be deemed cumulative and not exclusive. In the event of a breach of or other failure to perform as required under this Agreement, the party not breaching or defaulting shall, in addition to all rights and remedies herein provided, have all rights and remedies available at law or in equity.

Developer and BCOI acknowledge that all rights privileges and remedies of BCOI under this Article 14 may, at Owner's option, be exercised by Owner or the Facility Lender without the assumption by such party of any liabilities, obligations or responsibilities.

ARTICLE 15
MISCELLANEOUS

15.1 Force Majeure. The Projected Completion Date and Outside Completion Date shall be extended for a period equal to the duration of any delay due to a cause beyond Developer's control and without Developer's fault or negligence, including, but not limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, war, blockades, riots, earthquakes, fires, storms, floods, civil disturbances and unusually severe weather conditions not reasonably anticipatable (collectively the "force majeure events"); provided, however, that such excused delay by any of the force majeure events shall be deemed to exist only so long as Developer promptly and specifically notifies BCOI, Owner and

Facility Lender in writing of such delay and exercises due diligence to remove or overcome such delay; and, provided further that such force majeure events shall not excuse, defer or delay any obligation of Developer involving the payment of money.

15.2 Modifications; Waiver. No change or modification of this Agreement shall be valid or binding upon the parties hereto, nor shall any waiver of any term or condition in the future be valid or binding upon such parties, unless such change, modification or waiver shall be in writing and signed by both parties hereto. Failure by either party to enforce any of the provisions hereof for any length of time shall not be deemed a waiver of its rights set forth in this Agreement. Such a waiver may be made only by written instrument signed by the party sought to be charged with the waiver.

15.3 Binding Effect. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto, their legal representatives, permitted transferees and assigns; provided, however, that Developer may not assign its rights or delegate its duties under this Agreement without the prior written consent of BCOI, Owner and the Facility Lender, which may be withheld by any of them in their discretion; provided, however, Developer may assign its rights to the Developer's Fees as expressly set forth in Section 11.2 above.

15.4 Counterparts. This Agreement 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.

15.5 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES.

15.6 Jurisdiction and Venue. BCOI, DEVELOPER AND OWNER CONSENT TO PERSONAL JURISDICTION IN THE STATE OF DELAWARE. BCOI, DEVELOPER AND OWNER AGREE THAT ANY ACTION OR PROCEEDING ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT AND TRIED EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF THE STATE OF DELAWARE. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. BCOI, DEVELOPER AND OWNER EACH EXPRESSLY ACKNOWLEDGE THAT DELAWARE IS A FAIR, JUST AND REASONABLE FORUM AND EACH AGREE NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY ANY PARTY HERETO IN SAID COURTS. FURTHER, BCOI, DEVELOPER AND OWNER IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN ANY INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY CERTIFIED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 15.10 HEREOF 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.

15.7 Definitions. The term "Affiliate" or "Affiliates" as used herein 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.

15.8 Construction. The titles of the Articles herein and the captions of this Agreement have been inserted as a matter of convenience for reference only and shall not control or affect the meaning or construction of any of the terms or provisions herein, and do not in any way limit or amplify the terms and provisions hereof.

15.9 Entire Agreement. This Agreement with the exhibits and schedules, which are attached hereto, made a part hereof and incorporated herein by reference, are intended by the parties hereto to be the final expression of their agreement and is the complete and exclusive statement of the terms thereof, notwithstanding any representation or statement to the contrary heretofore made.

15.10 Notices. All notices, demands, consents, approvals, requests and other communications under this Agreement shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized delivery service or (d) sent by facsimile transmission and addressed as follows:

If to Developer: DSI Facility Development, LLC
511 Union Street, Suite 1800
Nashville, Tennessee 37219
Attention: Jerome S. Tannenbaum, Chief Manager
Facsimile: (615) 259-0693

With a copy to: Latham & Watkins LLP
555 11th Street, N.W., Suite 1000
Washington, DC 20004
Attn: Eric L. Bernthal
Facsimile: (202) 637-2201

If to BCOI: Bucks County Oncoplastic Institute, LLC
511 Union Street, Suite 1800
Nashville, Tennessee
Attention: Jerome S. Tannenbaum, M.D.
Facsimile: (615) 259-0693

If to Owner: MPT of Bucks County, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.
Facsimile: (205) 969-3756

With a copy to: Baker, Donelson, Bearman, Caldwell and Berkowitz, P.C.
420 North 20th Street

1600 SouthTrust Tower
Birmingham, Alabama 35203
Attention: Thomas O. Kolb, Esq.
Facsimile: (205) 488-3721

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 (defined below), 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. "Business Day" refers to 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.

15.11 Attorneys' Fees. In the event any litigation ensues with respect to the rights, duties and obligations of the parties under this Agreement, the unsuccessful party in any such action or proceeding shall pay for all costs, expenses and reasonable attorneys' fees incurred by the prevailing party in enforcing the covenants and agreement of this Agreement. The term "prevailing party" as used herein shall include, without limitation, a party who obtains legal counsel and brings action against the other party by reason of the other party's breach or default and obtains substantially the relief sought, whether by compromise, settlement or judgment.

15.12 Captions. The captions of this Agreement are for convenience only, are not a part of this Agreement, and do not in any way limit or amplify the terms and provisions hereof.

15.13 Severability. If any covenant or provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such holding shall not affect the validity of the remaining covenants and provisions, it being the intention of the parties that this Agreement be so construed as to render enforceable that portion of the Agreement unaffected by such holding. The contractual provisions shall be deemed severable.

IN WITNESS WHEREOF, the parties hereto have caused this Development Agreement to be executed by their duly and properly authorized officers under seal as of the date first above written.

BCOI:

BUCKS COUNTY ONCOPLASTIC INSTITUTE, LLC

By: /s/ Jerome S. Tannenbaum, M.D.

Jerome S. Tannenbaum, M.D.
Its: Chief Manager

DEVELOPER:

DSI FACILITY DEVELOPMENT, LLC

By: /s/ Jerome S. Tannenbaum, M.D.

Jerome S. Tannenbaum, M.D.
Its: Chief Manager

MPT:

MPT OF BUCKS COUNTY, L.P.

BY: MPT OF BUCKS COUNTY, LLC
ITS: GENERAL PARTNER

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

EXHIBIT "A"

(LEGAL DESCRIPTION)

[See attached.]

EXHIBIT "B"

(PRELIMINARY SITE PLAN DRAWING)

[See attached.]

EXHIBIT "C"

(DEVELOPMENT BUDGET)

[See attached.]

EXHIBIT "D"

(DEVELOPMENT SCHEDULE)

[See attached.]

EXHIBIT "E"

(APPROVED CONTRACTS)

[See attached.]

EXHIBIT "F"

(SCHEDULE OF DEVELOPER FEES AND DEVELOPER BONUS)

Developer Fees: The sum of $515,000.00 plus $687,500.00 ($55,000.00 of which has previously been paid to Developer).

Developer Bonus: The amount by which (i) the sum of $37,000,000 and the Fee Increase Amount (as defined in the next sentence) exceeds (ii) the sum of $5,395,497.21 and the aggregate funds disbursed pursuant to the Funding Agreement. The "Fee Increase Amount" equals the total of disbursements made pursuant to Funding Agreement for the following: (a) legal expenses of BCOI actually funded under the Funding Agreement minus the amount reflected as the original budgeted amount for such item in the Development Budget under the Funding Agreement; (b); legal expenses of Owner actually funded under the Funding Agreement; and (c) City Permits, Impact Fees and Utility Fees actually funded under the Funding Agreement minus the amounts reflected as the original budgeted amounts for such items in the Development Budget under the Funding Agreement; provided, however, that in no event shall the Fee Increase Amount exceed $1,000,000.00.

Exhibit 10.58

FUNDING AGREEMENT

AMONG

BUCKS COUNTY ONOCOPLASTIC INSTITUTE, LLC ("BCOI"),

MPT OF BUCKS COUNTY, L.P. ("OWNER"),

AND

DSI FACILITY DEVELOPMENT, LLC ("DEVELOPER")

DATED AS OF SEPTEMBER 16, 2005.

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FUNDING AGREEMENT

THIS FUNDING AGREEMENT (this "Agreement") is dated as of September 16, 2005, by and among BUCKS COUNTY ONOCOPLASTIC INSTITUTE, LLC, a Delaware limited liability company ("BCOI") whose address is 511 Union Street, Suite 1800, Nashville, Tennessee 37219, Attention: Jerome S. Tannenbaum, MPT of BUCKS COUNTY, L.P., a Delaware limited partnership ("Owner"), whose address is 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, Attention: Edward K. Aldag, Jr., and DSI FACILITY DEVELOPMENT, LLC, a Delaware limited liability company ("Developer"), whose address is 511 Union Street, Suite 1800, Nashville, Tennessee 37219, Attention: Jerome S. Tannenbaum.

WITNESSETH

WHEREAS, BCOI has entered into a Lease Agreement dated as of the date hereof (as defined below), between BCOI, as lessee, and Owner, as lessor;

WHEREAS, BCOI and Owner have entered into that certain Development Agreement with Developer (each defined below), concerning the construction of the Improvements, which Improvements shall be leased by Owner to BCOI pursuant to the Lease Agreement;

WHEREAS, Owner has agreed to fund the construction of such Improvements on the terms and conditions herein contained.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

ARTICLE I
DEFINED TERMS

SECTION 1.01 Certain Defined Terms. Certain capitalized terms used herein shall have the respective meanings:

"Applicable Environmental Law" shall mean any applicable federal, state or local law, rule or regulation pertaining to health or the environment, or petroleum products, or radon radiation, or oil or hazardous substances, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended ("RCRA") and the Federal Emergency Planning and Community Right-To-Know Act of 1986, as amended. The terms "hazardous substance" and "release" shall have the meanings specified in CERCLA, and the terms "solid waste," disposal," "dispose," and "disposed" shall have the meanings specified in RCRA, except that if such acts are amended to broaden the meanings thereof, the broader meaning shall apply herein prospectively from and after the date of such amendments; notwithstanding the foregoing, provided, to the extent that the laws of the state in which the Property is located establish a meaning for "hazardous substance" or "release" which is broader than that specified in CERCLA, as CERCLA may be amended from time to time, or a meaning for "solid waste," "disposal," and "disposed" which is broader than specified in RCRA, as RCRA may be amended

from time to time, such broader meanings under said state law shall apply in all matters relating to the laws of such State.

"Applicable Healthcare Laws" shall mean all rules and regulations under the False Claims Act (31 U.S.C. Section 3729 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), 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 applicable equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

"Assignment of Construction Documents" shall mean that certain Assignment of Contracts and Documents of even date herewith from BCOI and Developer in favor of Owner.

"Complete", "Completed" or "Completion" shall mean (i) that Owner has received a certificate from the Project architect that the construction of the Project has been substantially completed in accordance with the Plans and Specifications, which certificate shall be in form and substance satisfactory to Owner and shall include the written approval of the Construction Inspector noted thereon and (ii) that Owner has received evidence that appropriate governmental authorities have unconditionally approved and certified the completed Improvements in their entirety for permanent occupancy as an acute-care hospital and incorporated medical office building.

"Construction Contract" shall mean the lump sum price or other construction contract between BCOI and General Contractor, which has been approved in writing by Owner.

"Construction Inspector" shall mean Laura Huber, or such other architect, engineer or other inspector selected by Owner, in Owner's discretion, who shall assist Owner in connection with the construction of the Improvements, including but not limited to, reviewing Plans and Specifications, making inspections of the progress of construction of the Improvements for purposes of funding, and advising Owner with respect to other matters relating to the Property and Improvements as Owner may request in its reasonable discretion.

"Credit Enhancements" shall have the meaning set forth in the Lease Agreement.

"Default" shall mean the occurrence or existence of any event which, but for the giving of notice or expiration of time or both, would constitute an Event of Default.

"Developer" shall mean DSI Facility Development, LLC, a Delaware limited liability company.

"Development Agreement" shall mean the Development Agreement between Owner, BCOI and Developer dated of even date herewith, with respect to the construction of the Improvements.

"Development Budget" shall mean the detailed line item cost budget attached hereto as EXHIBIT B (which Owner hereby approves) setting forth total estimated costs with respect to the Property and the construction of the Improvements, as revised from time to time with Owner's prior written approval.

"Draw Requests" shall mean the detailed written draw requests designated "Draw Request #1" and "Draw Request #2" attached hereto as EXHIBIT E setting forth the requests previously made by Developer and the subsequent advances made by Owner to Developer pursuant thereto.

"Event of Default" shall mean an "Event of Default" as defined in Article VI of this Agreement. Such term shall mean that any required notice has been given and any applicable cure period has expired, except as otherwise expressly provided in the last paragraph of such Article VI.

"Final Funding" shall have the meaning set forth in Section 2.01 (i) hereof.

"Funding" shall mean a disbursement of funds by Owner for purposes of funding the construction and development of the Improvements, and shall include the Initial Funding.

"GAAP" shall mean generally accepted accounting principles, consistently applied.

"General Contractor" shall mean such general contractor(s) selected by BCOI or the Developer and submitted to and approved by Owner.

"Guarantors" shall mean one or more, Beth Dupree, M.D., Rob Skalicky, M.D., Ann Griffiths, Ralph Griffiths, Ravi Rajan, M.D., Jennifer Rajan, Merdhad Soroush, M.D., Roberto G. Pantoja, Theresa R. Pantoja, Ian Clark, Kenneth Kencel, Doug Grindstaff, G. Patrick Maxwell, M.D., M. Stephen Harrison, Deborah Tannenbaum, Jerome S. Tannenbaum, M.D., Frank Bumstead and Centre Bregal Partners, L.P..

"Guaranty" shall mean that certain Lease Guaranty executed by the Guarantors of even date herewith, as the same may be amended, modified and/or restated from time to time.

"Improvements" shall mean (i) the medical office buildings and related improvements (the "MOB Improvements") and (ii) the hospital facility and connector structure (the "Hospital Improvements") as shown on the Site Plan, including all buildings, improvements, structures and fixtures, landscaping, parking lots and structures, roads, drainage and all above ground and under ground utility structures equipment systems and other so-called "infrastructure" improvements for use in connection therewith.

"Indemnity Agreement" shall mean the Environmental Indemnity Agreement of even date herewith from BCOI in favor of Owner.

"Initial Funding" shall mean the initial funding hereunder as set forth in the closing statement signed by BCOI and submitted to and approved by Owner on or about the date of this Agreement.

"Key Tenant" shall mean the tenant under a Key Tenant Lease.

"Key Tenant Lease" shall mean any lease or other occupancy agreement which provides to the tenant thereunder a right to approve any construction of the Improvements.

"Knowledge" shall mean, 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 member of such Person's Knowledge Group would reasonably be expected to have actual knowledge of such fact or matter based on his or her office or position within such Person.

"Lease Agreement" shall mean that certain Lease Agreement dated the date hereof between BCOI and Owner with respect to the Property.

"Leased Property" shall have the meaning set forth in the Lease Agreement.

"Overdue Rate" shall have the meaning set forth in the Lease Agreement.

"Person" shall mean an individual, firm, corporation, general or limited partnership, limited liability company, an unincorporated association, joint venture, governmental entity or another entity or group.

"Plans and Specifications" shall mean the plans and specifications for the Improvements prepared by DSI Facility Development, LLC, and dated April 11, 2005, which Owner hereby approves, as the same may be revised from time to time in accordance with the terms of the Transaction Documents or otherwise with the approval of Owner.

"Project Completion Date" shall mean (a) July 31, 2006, or (b) as to any Improvements to be occupied by a Tenant Lease, the date required by such Tenant Lease, whichever first occurs, or (c) such other date the Owner may approve in its sole discretion at the request of BCOI.

"Project" shall mean the Property and Improvements.

"Property" shall mean BCOI's leasehold interests in the approximately fifteen (15) acres of real property located in Bensalem Township, Bucks County, Pennsylvania more particularly described on the attached EXHIBIT A, as more fully described in the Lease Agreement.

"Purchase Agreement" shall mean that certain Purchase and Sale Agreement dated March 3, 2005 among BCOI, MPT Operating Partnership, L.P., DSI Facility Development, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D., as amended, supplemented and otherwise modified from time to time in accordance with the terms thereof.

"Retainage" shall mean the greater of (a) the retainage required by the Construction Contract together with change orders with respect thereto which are approved in accordance with Section 5.08, or (b) ten percent (10%) of the costs of completed construction under such contract, to the extent such completed construction and costs thereof have then been approved by Owner's Construction Inspector.

"Single Purpose Entity" shall mean an entity which (i) exists solely for the purpose of owning, and/or leasing all or any portion of the Project and conducting the operation of a business therefrom in accordance with the terms of the applicable Lease (the "Business"), (ii) conducts business only in its own name or under fictitious or d/b/a names previously disclosed to Owner, (iii) does not engage in any business other than the ownership and/or leasing of all or any portion of the Property and the operation of the Business, except for the operation of that certain stand

alone imaging center previously disclosed to Owner, (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 Project and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by the Lease Agreement and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, other than as approved by Owner, (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.

"Site Plan" shall mean BCOI's site plan dated April 8, 2005 prepared by Taylor Wiseman & Taylor and attached hereto as EXHIBIT D.

"Tenants" shall mean the lessees or tenants under the Tenant Leases, if any.

"Tenant Leases" refers to all leases, subleases and other rental agreements (written or verbal, now or hereafter in effect), if any, that grant a possessory interest in and to any space in 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.

"Tenant Improvements" refers to the interior partitions, finishes and other tenant improvement work in and for each suite of space in the Leased Property leased to a Tenant as required or permitted under the Tenant Leases.

"Third Party Agreements" shall mean all agreements with respect to the development and construction of the Improvements that provide for consideration to be paid of Five Thousand Dollars ($5,000.00) or more, including the agreement with the General Contractor. All currently existing Third Party Agreements are listed on EXHIBIT C hereto.

"Title Company" shall mean First American Title Insurance Company.

"Title Policy" shall have the meaning set forth in Section 3.03.

"Total Funding Amount" shall mean $38,000,000.00

"Transaction Document or "Transaction Documents" shall mean this Agreement, the Lease Agreement, the Guaranty, the Third Party Agreements, the Development Agreement, the Assignment of Construction Documents and the Purchase Agreement and any and all other instruments or documents heretofore or hereafter executed and delivered in connection with any of the foregoing or the transactions contemplated thereby, together with any and all extensions, amendments, modifications and/or renewals of any of the foregoing.

SECTION 1.02 Singular and Plural Terms. Singular terms shall include the plural forms and vice versa, as applicable, of the terms defined.

SECTION 1.03 Accounting Terms. All accounting terms used in this Agreement shall be construed in accordance with GAAP, except as otherwise defined.

SECTION 1.04 Amendments to Documents. All references to other documents or instruments shall be deemed to refer to such documents or instruments as they may hereafter be extended, renewed, modified, or amended and all replacements and substitutions therefor.

ARTICLE II
DISBURSEMENTS

SECTION 2.01 Disbursement Procedure. Subject to the terms and conditions hereof, the terms and conditions set forth in the Development Agreement, and based upon the representations set forth herein, Owner agrees to disburse the amounts set forth herein for costs of construction of the Improvements and related fees, not to exceed the Total Funding Amount (less the sum of Five Million Three Hundred Ninety-Five Thousand Four Hundred Ninety-Seven and 21/100 Dollars ($5,395,497.21)), which is the total cost of the land on which the Improvements are to be constructed and which is not being funded pursuant hereto) provided, however, Owner will not disburse any funds for any cost overruns except as expressly required herein. Subject to compliance by BCOI and the Developer, as applicable, with all of the terms, conditions and provisions of this Agreement and the Development Agreement, the Initial Funding will be disbursed at Closing (as herein defined). The parties acknowledge that advances against the Total Funding Amount have previously been made as set forth on the Draw Requests. The remainder of the Total Funding Amount shall be disbursed in Fundings at such time and in such amounts as Owner shall determine in accordance with the following procedures:

(a) Not less than ten (10) business days before the date on which BCOI or Developer desires a Funding, BCOI or Developer shall submit to Owner a requisition in form reasonably satisfactory to Owner which shall include (i) the Development Budget, (ii) for amounts in the Development Budget designated for construction of the Improvements pursuant to the Construction Contract with the General Contractor, an AIA G702/703 form containing the itemized schedule of values for the construction work and all costs incurred to date for construction pursuant to each category of such schedule of values, (iii) a separate itemization of costs incurred for equipment, construction and nonconstruction expenses in connection with the Property and Improvements (other than those incurred pursuant to a contract with the General Contractor (itemized under the line items of the Development Budget, with copies of invoices for all such amounts)) and (iv) the percentage of completion of each line item on the Development Budget (if applicable) and schedule of values. The accuracy of the costs and percentage of completion shall be certified to Owner by BCOI and Developer, by the Construction Inspector, by BCOI's architect and, in the case of construction of the Improvements by the General Contractor, also by the General Contractor, in each case as true in all material respects. All disbursements shall require approval of Owner's Construction Inspector. BCOI appoints Jerome S. Tannenbaum and Robert Pantoja as its agents to make disbursement requests. Developer appoints James Cummings and Martin Fugardi as its agents to make disbursement requests. Any of the foregoing agents, and any one of the agents appointed by BCOI or Developer pursuant to the next sentence, is hereby authorized to request a Funding. BCOI and Developer may hereafter by written notice to Owner appoint one or more other agents or change agents to make disbursement requests, provided any such notice is not effective until actually received by Owner.

(b) The completed construction work with respect to the Improvements to the date of any request for a Funding must be reviewed and approved by the Construction Inspector as a condition to a Funding. BCOI or Developer will contact the Construction Inspector and coordinate delivery of BCOI's or Developer's request for a Funding with an inspection by the Construction Inspector in order to allow the Construction Inspector to review the completed construction work for which costs are included in BCOI's or Developer's request for a Funding. Such Construction Inspector will review and certify to Owner his opinion of the percentage of completion, compliance with Plans and Specifications and the maximum allowable Funding applicable thereto, which shall be determined in accordance with this Agreement.

(c) A maximum Funding (except in the case of the Final Funding, as herein defined) will equal nonconstruction expenses actually incurred within the amounts set forth in the Development Budget (as reallocated from time to time in accordance with subparagraph (d), below), plus the lesser of (i) the actual cost of the completed construction of the Improvements, deposits or purchases for future use, or (ii) Owner-approved scheduled value of each completed portion of the Improvements (as set forth in the Development Budget), but no Funding for duplication of work for which funds were previously disbursed, work that does not conform in all material respects to the Plans and Specifications, or work that is unsatisfactory in the reasonable opinion of the Construction Inspector or unavailable for review by the Construction Inspector, less: (1) the Retainage and (2) the amounts previously disbursed by Owner.

(d) Any Funding for costs of construction on each line item shown in the Development Budget shall be made only up to the amount set forth in the Development Budget shall be made for such line item, except that BCOI or Developer will be entitled to reallocate individual costs of no more than Six Hundred Thousand Dollars ($600,000.00) within each of the cost codes set forth in the Development Budget without Owner's prior written consent. A reallocation among line items may be made only upon the prior written consent of Owner. Notwithstanding the foregoing, no Funding from hard cost categories to soft cost categories or from interest to other categories shall be permitted except in Owner's sole discretion. No Funding will be made for materials stored for future use except in accordance with Sections 3.06.

(e) Fundings may be made for deposits for materials and/or services and for materials stored for future use in accordance with Sections 3.06 hereof.

(f) Notwithstanding the foregoing, Owner shall not be required to make a Funding more than once each month, and Owner reserves the right to limit the total amount disbursed hereunder at any time to an amount which, when deducted from the Total Funding Amount, leaves a balance to be disbursed equal to or greater than the cost of completion of the Improvements and payment of remaining nonconstruction expenses (including funding of reserve funds or deposits if required by this Agreement) plus the Retainage under any contract for which the conditions herein for release have not been satisfied, all as reasonably determined by Owner from time to time. Prior to the Final Funding, Owner shall be entitled to retain at all times as undisbursed funds in an amount sufficient to pay all construction and nonconstruction costs relating to construction of the Improvements, as reasonably estimated by Owner, including, but not limited to, amounts to become due pursuant to construction contracts and equipment purchase contracts, amounts to complete the Improvements but not yet included in any such contract, maintenance bond and completion bond payments, estimated interest costs in excess of

anticipated cash available for debt service prior to the anticipated date the Improvements will be completed and will achieve earnings sufficient to cover operating expenses and debt service, estimated post-closing fees and expenses of Owner and its counsel, estimated permit and license fees, estimated architectural and engineering fees of BCOI and the Construction Inspector, and estimated recording and title insurance costs, all to the extent reasonably anticipated to be incurred after closing.

(g) No Fundings shall be made after the Project Completion Date, except in Owner's discretion.

(h) The line items on the Development Budget designated as "Developer Fee" ($515,000) and "Construction Management Fee" ($687,500; advances of which have been previously made by Owner to Developer in the amount set forth on the line item designated as "DSI Construction Management Fee" and the column designated as "Payment This Request" on Draw Request #2), will be disbursed as follows: (i) Eighty percent (80%) of such fees will be disbursed in ten (10) equal monthly installments beginning on September 15, 2005 and (ii) the remaining twenty percent (20%) will be disbursed at the time of the Final Funding, unless sooner paid pursuant to Section 3.3(h) of the Development Agreement; In addition, unless sooner paid pursuant to Section 3.3 (h) of the Development Agreement, the Final Funding shall include the Developer Bonus, as defined in Exhibit F to the Development Agreement.

(i) The Retainage and any other amounts not previously funded shall be funded (the "Final Funding") promptly upon the occurrence of all of the following (i) the satisfactory completion (as determined by BCOI and Owner) of all construction work under the Construction Contract, (ii) the Owner has received a certificate from the Project architect that the construction of the Project has been substantially completed in accordance with the Plans and Specifications, which certificate shall be in form and substance satisfactory to Owner and shall include the written approval of the Construction Inspector noted thereon, (ii) Owner has received evidence that appropriate governmental authorities have unconditionally approved and certified the Completed Improvements in their entirety for permanent occupancy as an acute-care hospital and incorporated medical office building; (iii) the Owner has received evidence satisfactory to Owner that the Completed Improvements are free of all mechanic's and materialmen's liens, (iv) BCOI has obtained and delivered to Owner an "as built" ALTA survey prepared by an engineer or surveyor licensed in the State of Pennsylvania in form and content acceptable to Owner, certified to ALTA standards, and certifying that the Improvements, among other things, do not encroach upon any contiguous properties, (v) all punch list items have been completed to Owner's Construction Inspector's satisfaction, (vi) BCOI (as tenant under the Lease Agreement) shall have executed an acknowledgement of acceptance of the Property in form and substance acceptable to Owner, (vii) there are no defaults or events of default (and no event has occurred which with the giving of notice or passage of time or both would constitute a default) under this Agreement and (viii) BCOI has been issued a license to operate as a healthcare facility in the State of Pennsylvania by the proper governmental authorities.

SECTION 2.02 Direct Funding. The parties acknowledge and agree that regardless of whether BCOI has submitted a requisition therefor, Owner intends to make Fundings directly to the General Contractor and other payees under the Third Party Agreements. All such Fundings shall nevertheless be deemed Fundings to BCOI hereunder and shall be subject to the terms hereof to

the same extent as if they were made directly to BCOI. Notwithstanding the foregoing, if BCOI or Developer notify Owner of a payment dispute with any such payee, Owner shall not make a Funding to such payee until notified by BCOI or Developer that such dispute has been resolved, unless Owner determines that withholding such funding will be detrimental to the project.

SECTION 2.03 Representations and Warranties. Each submission by BCOI or Developer to Owner of a requisition for a Funding shall constitute BCOI's or Developer's representation and warranty to Owner that: (a) all completed construction is in accordance with the Plans and Specifications in all material respects and (b) all construction and nonconstruction costs for the payment of which Owner has previously disbursed funds have in fact been paid or arrangements for timely payment thereof have been made.

SECTION 2.04 Additional Information. If Owner or the Title Company shall so require, BCOI or Developer, as applicable, will submit with its requisitions for any Funding estoppel certificates in form satisfactory to Owner and the Title Company, showing amounts paid and amounts due to all persons or organizations furnishing labor or materials in connection with the completion of the Improvements.

ARTICLE III
CONDITIONS TO FUNDING

Owner's obligation to make any Funding hereunder shall be effective only upon fulfillment of, or written waiver by Owner of, the following conditions:

SECTION 3.01 Transaction Documents. Receipt and approval by Owner of all items required to be provided to Owner under the terms of the Transaction Documents. For purposes of this Section 3.0l, such items shall be in final form unless permitted by the Transaction Documents to be in draft or preliminary form.

SECTION 3.02 Execution of Documents. Execution, delivery and, when necessary, recording or filing, of any of the Transaction Documents which Owner desires to file or record, and the payment by BCOI and/or Developer of all fees and taxes with respect to such filing or recording.

SECTION 3.03 Title Insurance. BCOI or Developer shall arrange to have the Title Company issue and deliver to Owner an endorsement (the "Endorsement") extending the effective date of the Owner's title insurance policy issued to Owner in connection with its acquisition of the Property (the "Title Policy") through the date of such Funding and insuring Owner for said Funding (including a final Funding) under the Title Policy without additional title exceptions, except those that may be approved by Owner in its discretion. Each Endorsement shall confirm that (i) there has been no change in the status of the title to the Property, (ii) there has been no creation of any new encumbrance or lien on the Property or the Improvements, and (iii) there has been no occurrence or any event that could in Owner's opinion impair the priority of the lien of the Lease Agreement, all as of the time of each such Funding (including a final Funding). In addition thereto, BCOI or Developer shall deliver to Owner and the Title Company the documentation required under Section 2.05 above.

SECTION 3.04 Documents to be Furnished by BCOI Prior to Each Funding. As a condition precedent to each Funding (provided, however that the Initial Funding shall not be required to satisfy the condition precedents set forth in Sections 3.04(b) through (f) below), BCOI shall furnish or cause to be furnished to Owner the following documents covering each disbursement, in form and substance satisfactory to Owner:

(a) A requisition meeting all the requirements set forth in Section 2.01(a) of this Agreement, and approved by Owner and/or Owner's Construction Inspector;

(b) A completed standard AIA Form G702 and Form G703 signed by the General Contractor and the architect, together with sworn statements and unconditional waivers of liens signed by the applicable contractor, subcontractor or materialman engaged or to be engaged by BCOI or Developer or with whom BCOI or Developer shall have any dealings with respect to construction of the Improvements, covering all work, to be paid with the proceeds of any prior Fundings, together with such invoices, contracts or other supporting data as Owner or the Title Company may require to evidence that all costs for which disbursement is sought have been incurred;

(c) An endorsement to Owner's title insurance policy as required by Section 3.03 hereof;

(d) Copies of any executed change orders not previously furnished to Owner, and any amendments or modifications to any Third Party Agreements;

(e) Copies of all construction contracts (including subcontracts) executed since the last Funding, together with any bonds obtained or required to be obtained with respect thereto;

(f) Satisfactory evidence that all government approvals have been obtained for development of the Project; and

(g) Such other instruments, documents and information as Owner or the Title Company may reasonably request.

SECTION 3.05 Continued Satisfaction of Duties, Representations, Warranties and Covenants. As of each Funding date, in Owner's sole discretion, (a) BCOI and Developer continue to satisfy all conditions precedent to Funding set forth in Articles II and III hereof, (b) BCOI, Developer and Guarantors shall have performed and complied with all terms and conditions set forth in this Agreement and the Transaction Documents, (c) all representations and warranties in this Agreement and the Transaction Documents remain true, correct and complete in all material respects, and (d) there exists no Default or Event of Default hereunder.

SECTION 3.06 Disbursements for Materials Stored for Future Use. Any requests for disbursements which in whole or in part relate to materials which are not incorporated into the Improvements as of the date of the request for disbursement but are to be temporarily stored at the Project or in an off-site storage facility, including disbursements for deposits for such materials, must be accompanied by evidence satisfactory to Owner that (i) such materials are included within the coverages of insurance policies carried by BCOI, (ii) the ownership of such

materials is vested (or, in the case of disbursements for deposits, will be vested) in BCOI free of any liens and claims of third parties, (iii) such materials are properly insured and protected against theft or damage, (iv) the Owner's Construction Inspector has viewed and inspected the stored materials (except in the case of disbursements for deposits), and (v) in the opinion of the Owner's Construction Inspector, the materials are physically secured and can be incorporated into the Project within ninety (90) days from the date of the requisition (or, in the case of disbursements for deposits, in the opinion of the Construction Inspector the materials to which the deposit relates can be incorporated into the Project within ninety (90) days from the date the materials will be delivered). Owner may require separate Uniform Commercial Code financing statements to cover any such stored materials.

SECTION 3.07 Intentionally omitted.

SECTION 3.08 Disbursements For Tenant Improvements. Owner shall not be obligated to make any disbursements for Tenant Improvements, unless the Owner receives a certified statement from BCOI and Developer certifying that the costs of the Tenant Improvements and all Tenant Improvement allowances are within the Development Budget. In addition, the first request for disbursement for Tenant Improvements in connection with a specific leased space in the Project shall be accompanied by the following, all of which shall be subject to the approval of Owner: (i) copies of all contracts, if not previously delivered to Owner, for the performance of such Tenant Improvements, (ii) a cost breakdown for each trade performing Tenant Improvements in such leased space, and an estimated commencement and completion date, (iii) an estimate of all direct costs of the Tenant Improvements to be performed in such leased space which has not been contracted for or made subject to a work order or order to proceed, (iv) plans and specifications for the leased space (v) a certified statement from BCOI and Developer that the costs of the Tenant Improvements and all Tenant Improvement allowances are within the Development Budget, and (vi) a fully executed lease approved by Owner covering such leased space.

SECTION 3.09 Assignment of Contracts. BCOI and/or Developer, as applicable, have assigned, or shall assign, all Third Party Agreements to Owner and, in addition, have provided, or shall provide, the following to Owner: (i) a subordination, certificate and consent to assignment from the Project architect and from the General Contractor, each in form and substance acceptable BCOI and Owner; and (ii) a letter, in form and substance acceptable to BCOI and Owner, from each of the parties to any other Third Party Agreements evidencing their agreement to subordinate such Third Party Agreements and their consent to the assignment thereof or; (b) where the Third Party Agreement consists only of a purchase order, a copy of the purchase order executed by each such party, which must be in form and substance acceptable to, and preapproved by, BCOI and Owner.

In the event Owner, at its option, elects to make one or more Fundings prior to receipt and approval of all items required by this Article III, such election shall not obligate Owner to make any subsequent Funding unless the terms, conditions and provisions set forth herein are met.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

BCOI and Developer, jointly and severally represent and warrant to Owner, knowing that Owner will rely on such representations and warranties as incentive to enter into the transactions contemplated hereby:

SECTION 4.01 Existence and Ownership of BCOI and Developer. BCOI and Developer are duly organized and validly existing Delaware limited liability companies having full power and authority to consummate the transactions contemplated by this Agreement. Ownership of BCOI and Developer as of the date hereof are as set forth on SCHEDULE 4.01 attached hereto and made a part hereof by reference and incorporation. BCOI and Developer each represent and warrant that they are, and at all times since their formation have been, Single Purpose Entities.

SECTION 4.02 Violations or Actions Pending. There are no actions, suits, or proceedings pending or, to the best of the knowledge of BCOI and Developer, threatened, which would reasonably be expected to materially adversely affect the financial condition of BCOI or Developer or which would reasonably be expected to impair the value of any Leased Property taken or to be taken by Owner in connection with this Agreement or any other Transaction Documents. BCOI and Developer are not in violation of any agreement the violation of which might reasonably be expected to have a materially adverse effect on BCOI's or Developer's business or assets, and are not in violation of any order, judgment, or decree of any court, or any statute or governmental regulation to which BCOI or Developer is subject, the violation of which would reasonably be expected to materially adversely affect the financial condition of BCOI or Developer. Neither the execution nor the performance of this Agreement or any of the Transaction Documents by BCOI or Developer will result in any material breach of any security instrument, lease, credit or loan agreement or any other instrument or agreement which may bind or affect such Person.

SECTION 4.03 Financial Statements. All financial statements of BCOI and Developer, heretofore given and hereafter to be given to Owner are and will be true, correct and complete in all material respects as of their respective dates and prepared in accordance with GAAP, and fairly represent the financial conditions of the business or persons to which they pertain, and no materially adverse change has occurred in the financial conditions reflected therein since the respective date thereof.

SECTION 4.04 Compliance with Laws and Regulations and Transaction Documents. All necessary permits and approvals have been received, are final and are unappealable and all necessary action has been taken to permit construction of the Improvements according to the Plans and Specifications, each as may be necessary pursuant to applicable covenants and restrictions of record and all applicable laws, ordinances, and regulations, including, without limitation, subdivision, zoning, building codes, set back requirements and environmental laws. When completed according to the Plans and Specifications, the Improvements will comply with all covenants and restrictions of record and all applicable laws, ordinances and regulations, including, without limitation, the Applicable Healthcare Laws, Americans with Disabilities Act and regulations thereunder and laws, ordinances and regulations relating to subdivision, zoning, building codes, set back requirements and environmental laws. BCOI and Developer are in compliance in all material respects with the Transaction Documents.

SECTION 4.05 Roads and Utilities. All utility, water and sanitary sewage services necessary for the construction and use of the Improvements are available to the Property and BCOI and Developer have received permission to make such use thereof as is necessary for construction of the Improvements and as is necessary for the use thereof after completion of the Improvements. The Property abuts upon or has access via one or more valid and subsisting easements or rights or way, to a physically open and publicly dedicated street. There are no off Property improvements necessary for the full use of the Improvements upon completion thereof.

SECTION 4.06 Condemnation. There are no proceedings pending, or, to the best of BCOI's and Developer's knowledge, threatened, to acquire any power of condemnation or eminent domain, with respect to the Property, or any interest therein, or to enjoin or similarly prevent the construction or use of the Improvements.

SECTION 4.07 Accuracy of Documents. All documents furnished to Owner by or on behalf of BCOI and Developer as part of or in support of this Agreement are true, correct, complete in all material respects and accurately represent the matters to which they pertain in all material respects.

SECTION 4.08 Environmental and Healthcare Matters. Neither BCOI, Developer nor, to the best of BCOI's and Developer's knowledge, the Property is in violation of or subject to any existing, pending or, to the best of BCOI's and Developer's knowledge, threatened investigation or inquiry by any governmental authority or any remedial obligations under any Applicable Environmental Law or Applicable Healthcare Law, and there are no facts, conditions or circumstances known to it which are reasonably likely to result in any such investigation or inquiry if such facts, conditions and circumstances, if any, were fully disclosed to the applicable governmental authority. To the best of BCOI's and Developer's knowledge, except as disclosed in the Phase I environmental site assessment report dated April 9, 2005, prepared by EMG Corporation, BCOI and Developer (i) are not aware of any facts, conditions or circumstances relating to the Project which are or could reasonably be expected to be in violation of any Applicable Environmental Law or any Healthcare Law, (ii) are not aware of any Applicable Environmental Law or any Healthcare Law investigation or inquiry relating to the Project, (iii) have not obtained and are not required to obtain any permits, licenses, or similar authorizations to construct, occupy, operate or use any buildings, improvements, fixtures or equipment required in connection with the Property or Improvements constructed or to be constructed thereon by reason of any Applicable Environmental Law or any Healthcare Law that has not already been obtained, and (iv) are not aware of any oil, toxic or hazardous substances or solid wastes that have been disposed of or released on the Property (collectively the "Environmental and Healthcare Matters"). BCOI and Developer agree (i) to promptly notify Owner if BCOI or Developer becomes aware of any Environmental and Healthcare Matters which affect or could reasonably be expected to affect the Project, and (ii) that they will not, in their use of the Property and the Improvements, dispose of or release oil, toxic or hazardous substances or solid wastes, on the Property or in the Improvements, except as would not constitute a violation of any Applicable Environmental Laws and Healthcare Laws.

SECTION 4.09 Agreements. Each of the Transaction Documents is in full force and effect, has not been amended or modified, and no default or condition which with the giving of notice or passage of time would constitute such a default by BCOI or Developer, exists thereunder. Each

Third Party Agreement is assignable to Owner pursuant to the terms thereof. A true, correct and complete list of all material Third Party Agreements currently existing with respect to the Project is set forth in EXHIBIT C hereto.

SECTION 4.10 Accurate and Complete Disclosure. No representation or warranty made by BCOI or Developer under this Agreement and made by any employee, affiliate or agent of BCOI and Developer to Owner pursuant to or in connection with this Agreement is false or misleading in any material respect (including by omission of material information necessary to make such representation, warranty or statement not misleading in any material respect). BCOI or Developer has disclosed to Owner in writing every fact of which BCOI or Developer, as applicable, has knowledge which materially and adversely affects, or would materially and adversely affect the business, operations or financial condition of BCOI and Developer or the ability of BCOI and Developer to perform their obligations under this Agreement.

SECTION 4.11 Continuing Effectiveness. All representations and warranties contained herein shall be deemed made each time BCOI or Developer requests any Funding pursuant to this Agreement unless BCOI or Developer specifically notifies Owner of any change therein. It shall be a condition precedent to the Initial Funding and each subsequent disbursement that each of said representations and warranties is true and correct in all material respects as of the date of such requested disbursement. In addition, at Owner's request, BCOI and/or Developer shall reaffirm such representations and warranties in writing prior to each disbursement hereunder.

ARTICLE V
COVENANTS OF BCOI/DEVELOPER

BCOI and Developer covenant and agree, from the date of this Agreement and as long as BCOI or Developer may obtain any Fundings under this Agreement, to:

SECTION 5.01 Construction of Improvements. (i) Cause the commencement of construction and the completion of the construction of the Improvements in accordance with the terms of the Development Agreement; (ii) furnish Owner a foundation survey promptly upon completion of the foundations of the Improvements; (iii) cause the Improvements to be constructed in compliance with and thereafter remain in compliance with all applicable covenants and restrictions of record and all applicable laws, ordinances and regulations, including, without limitation, Applicable Environmental Law, the Applicable Healthcare Laws, Americans with Disabilities Act and regulations thereunder, and laws, ordinances and regulations relating to subdivision, zoning, building codes, set back requirements and environmental matters; (iv) cause the Improvements to be constructed so as not to encroach upon or overhang any Property line, setback line, easement or right-of-way (except as permitted pursuant to a properly executed and recorded easement or other applicable agreement, in form and substance reasonably acceptable to Owner); (v) cause such construction to proceed continuously (subject to temporary cessation to the extent not in violation of the terms of this Agreement); (vi) complete construction of the Improvements by the Project Completion Date, time being of the essence; (vii) furnish to Owner within thirty (30) days of Owner's request and upon substantial completion of the Project an as-built survey, in form satisfactory to Owner showing the location of the Improvements without violation of set back lines, zoning or subdivision requirements, easements, covenants or restrictions and showing no encroachments or other conditions which could reasonably be

expected to materially adversely affect the value and use of the Property and Improvements; and (viii) upon substantial completion of the Project furnish Owner a final date-down endorsement to the Title Policy bringing the effective date current, adding the ALTA 3.1 zoning endorsement and comprehensive endorsement (if not yet a part of the policy)and such other additional endorsements reasonably required by Owner, to the extent available.

SECTION 5.02 Use of Proceeds. Use each Funding solely and exclusively for the purposes set forth in, and in the amounts set forth in, the Development Budget (as may amended or modified in accordance with this Agreement), in this Agreement or in the Development Agreement, and pay such other fees, closing costs, and other nonconstruction expenses relating to the construction of the Improvements, or the discharge of BCOI's or Developer's obligations under this Agreement as Owner has approved or may from time to time approve.

SECTION 5.03 Liens and Encumbrances. Keep its interest in the Property and Improvements and all other assets of BCOI free from all liens and encumbrances except those contemplated by the Transaction Documents; pay prior to delinquency and prior to any interest, fees or penalties being incurred for not promptly paying, all persons or entities supplying work or materials for the construction of the Improvements, except, in each case, for good faith contests of which Owner has been notified in writing to the extent such contest is material to the completion of the Project; and promptly discharge, bond off, provide affirmative title insurance coverage insuring Owner against any loss or damage with respect to, or make other arrangements acceptable to Owner with respect to, any mechanic's, materialman's or other lien filed against the Property, the Improvements, BCOI or the Sole Member.

SECTION 5.04 Deficiencies. Deposit with Owner within ten (10) days following Owner's demand therefor (which demand may be made at Owner's option) the amount of money equal to the difference between the undisbursed Total Funding Amount (less the sum of Five Million Three Hundred Ninety-Five Thousand Four Hundred Ninety-Seven and 21/100 Dollars ($5,395,497.21)), as of such date and the amount which Owner shall reasonably determine is necessary to fully complete the construction of the Improvements free of all liens, including direct and indirect costs and work performed but for which payment has not been made, and Owner shall be under no obligation to make any further Fundings until any amount so demanded is so deposited with Owner.

SECTION 5.05 Reports and Notices. Furnish promptly to Owner such information as Owner may reasonably require concerning costs, progress of construction, marketing, and such other factors as Owner may require; notify Owner promptly of any litigation instituted or threatened against BCOI or Developer, any liens filed by the Internal Revenue Service against BCOI, Developer, the Property or the Improvements as a result of deficiencies asserted against BCOI or Developer, any audits of any Federal or State tax return of BCOI or Developer and the results of any such audit, any default or dispute with any tenant, any dispute pursuant to or default under the Transaction Documents by any party, any condemnation or similar proceedings with respect to any of the Property or Improvements, any proceeding seeking to enjoin the intended use of the Improvements, any material changes in governmental requirements pertaining to the Property or Improvements, utility availability or anticipated costs of completion, and any other matters which could reasonably be expected to materially adversely affect BCOI's ability to perform its obligations under this Agreement.

SECTION 5.06 Books and Records. Maintain complete and accurate account books and records its interest in the Property and the construction of the Improvements, which books and records shall reflect the consistent application of GAAP, and make such books and records available at reasonable times upon reasonable prior notice for inspection and copying by Owner or its agent.

SECTION 5.07 Access and Promotion. Permit Owner and its agents to have access to the Property and Improvements at all reasonable times during normal business hours upon reasonable prior notice; provided, however, Owner shall not exercise its right of access in a manner that unreasonably disrupts construction activities; provide to Owner at BCOI's expense a sign in accordance with Owner's specifications publicizing Owner's interest in the Property; and allow Owner to maintain the sign on the Property, subject to any signage requirements and restrictions of applicable law.

SECTION 5.08 Changes to the Site Plan and Plans and Specifications. Authorize or permit no changes to the Site Plan or the Plans and Specifications (and if Plans and Specifications have not yet been provided to and approved by Owner, then to any working drawings) without the prior written consent of Owner, any Key Tenants and all governmental bodies having jurisdiction to the extent such approval by a governmental body is required by law or regulation.

Notwithstanding anything contained herein, (a) change orders shall not increase the cost of construction of the Improvements (or if such change orders increase the cost of construction of the Improvements and such changes are approved by Owner, then, prior to making such changes, BCOI shall deposit with Owner any increase in the costs of construction of the Improvements to be held and disbursed as provided in Section 5.04 hereof); and (b) such changes must not result in the Improvements having less value; and (c) such changes must not affect the general appearance, structure or location of the Improvements or any portion thereof; and (d) if any sureties have provided bonds in connection with the construction of the Improvements, such changes must either (i) have the prior written approval of all such sureties or (ii) such sureties have waived the right to approve the same, and Construction Inspector (or another architect or engineer designated by Owner) certifies in writing to Owner that such changes do not constitute a substantial change in the Plans and Specifications and do not constitute a change in the scope of the work under the Construction Contract; and (e) Construction Inspector (or another architect or engineer designated by Owner) certifies in writing to Owner that such changes do not constitute a substantial change in the Plans and Specifications. BCOI hereby agrees to promptly deliver to Owner copies of all "change orders.

SECTION 5.09 List of Contractors, Subcontractors, and Materialmen. Upon Owner's written request, notify Owner promptly of the names and addresses of all entities employed as contractors, subcontractors and materialmen in connection with the construction of the Improvements.

SECTION 5.10 Lien Waiver. Deliver copies of waivers of liens (the originals of which shall have been filed or are about to be filed, in the office of the Prothonotary of the Court of Common Pleas of the County in which the Property is situated), signed by the applicable contractor, subcontractor or materialman engaged or to be engaged by BCOI or Developer or with whom BCOI or Developer shall have any dealings with respect to construction of the Improvements, waiving their right and the right of all subcontractors and parties acting through or under them or any of them, to

file or maintain any mechanics' liens or claims against the Property and the Improvements, or any interest of BCOI or Developer therein, which waivers shall be executed and delivered to Owner prior to visible commencement of any work on the Property by such contractor, subcontractor or materialman.

SECTION 5.11 Ownership of Personalty. Furnish to Owner, if Owner so requests, copies of the contracts, bills of sale, receipted vouchers, and agreements, or any of them, under which BCOI claims title to the materials, articles, fixtures and other personal property used or to be used in the construction or operation of the Improvements.

SECTION 5.12 Appraisals. Upon Owner's request and upon reasonable notice, permit Owner and its agents, employees or contractors, to enter upon and appraise the Improvements during normal business hours; cooperate with and provide any information requested in connection with such appraisals; and reimburse Owner for the cost of the first such reappraisal and any other reappraisal while an Event of Default exists (provided, however, Owner shall not exercise its right of access in a manner that unreasonably disrupts construction activities).

SECTION 5.13 Other Acts. Upon Owner's request, execute and deliver to Owner all other documents and perform all other acts which Owner reasonably deems necessary in connection herewith, to the extent permitted under applicable law.

SECTION 5.14 Construction Contracts. BCOI shall not enter into, modify, amend, terminate or cancel any agreement or contract with the General Contractor, the Development Agreement, the architect's contract or any Third Party Agreement, without the prior written approval of Owner, which approval shall not be unreasonably withheld. BCOI will furnish Owner promptly after execution thereof executed copies of all contracts between BCOI, the General Contractor, architects, engineers and contractors and all subcontracts between the General Contractor or contractors and all of their subcontractors and suppliers, which contracts and subcontracts may not have been furnished pursuant to Article III of this Agreement.

ARTICLE VI
EVENTS OF DEFAULT

The occurrence of any of the events listed in this Article shall constitute an "Event of Default" under this Agreement.

SECTION 6.01 Assignment or Conveyance. Assignment or attempted assignment by BCOI of this Agreement, any rights hereunder, or any advance to be made hereunder, or the conveyance, lease, mortgage, or any other alienation or encumbrance of its interest in the Property or Improvements or any interest therein without the prior written consent of Owner, except as otherwise expressly permitted in the Transaction Documents; provided, however, that notwithstanding any provision to the contrary in the Transaction Documents, Developer may assign any Developer Fees and the Developer Bonus set forth in the Development Agreement (or the right to receive any Developer Fees or the Developer Bonus) owing to Developer under any Transaction Document in support of any letter of credit, line of credit or other facility provided for the benefit of Owner in connection with the Transaction Documents.

SECTION 6.02 Voluntary Insolvency Proceedings. The filing by BCOI, the Sole Member or any other Person owned in majority interest or controlled by BCOI, of a voluntary petition in bankruptcy or any such Person's adjudication as a bankrupt or insolvent, or the filing by any such Person of any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or any such Person's seeking or consenting to or acquiescence in the appointment of any trustee, receiver or liquidator of any such Person or of all or any substantial part its property or of any or all of the rents, revenues, issues, earnings, profits or income thereof, or the making of any general assignment for the benefit of creditors or the admission in writing by BCOI or any such Person of its inability to pay its debts generally as they become due.

SECTION 6.03 Involuntary Insolvency Proceedings. The entry by a court of competent jurisdiction of an order, judgment, or decree approving a petition filed against BCOI, the Sole Member or any Person owned in majority interest or controlled by BCOI seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency, or other relief for debtors, which order, judgment or decree remains unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the date of entry thereof, or the appointment of any trustee, receiver or liquidator of any such Person or of all or any substantial part of its property or of any or all of the rents, revenues, issues, earnings, profits or income thereof which appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive).

SECTION 6.04 Transfer. Except as otherwise permitted herein, the transfer of BCOI's interest in, or rights under this Agreement by operation of law or otherwise, including, without limitation, such transfer by BCOI as debtor in possession under the Bankruptcy Code, or by a trustee for BCOI under the Bankruptcy Code, to any third party, whether or not the obligations of BCOI under this Agreement are assumed by such third party.

SECTION 6.05 Foreclosures or Liens. The institution of a foreclosure action against the Property or Improvements or any part thereof, or the filing of a lien against the Property or Improvements or any part thereof, which is not removed of record or dismissed within sixty (60) days after BCOI receives notice of such filing, unless BCOI has made arrangements satisfactory to Owner with respect to such lien pursuant to Section 5.03 hereof and no foreclosure or other possessory action against the Property or Improvements has been commenced.

SECTION 6.06 Casualty Loss. Substantial damage to, or partial or total destruction of, the Improvements by fire or other casualty such that, in the determination of Owner, the Improvements will not be restored, rebuilt and completed on or before the Project Completion Date (as the same may be extended pursuant to Section 6.08 hereof) and as a result of such damage or destruction or the delay caused thereby, any tenant would have the right to terminate any Key Tenant Lease, impose a penalty, or reduce or abate rent, and such right has not been waived by such tenant.

SECTION 6.07 Misrepresentation. If any certificate, statement, representation, warranty or audit heretofore or hereafter furnished by or on behalf of BCOI pursuant to or in connection with this

Agreement or otherwise (including, without limitation, representations and warranties contained herein) or as an inducement to Owner to extend any credit to or to enter into this or any other agreement with BCOI proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified or to have omitted any substantial contingent or unliquidated liability or claim against BCOI or if on the date of execution of this Agreement there shall have been any materially adverse change in any of the facts previously disclosed by any such certificate, statement, representation, warranty or audit, which change shall not have been disclosed to Owner at or prior to the time of such execution.

SECTION 6.08 Failure to Complete Improvements. Except as allowed under Section 15.1 of the Development Agreement for force majeure events, failure by BCOI and Developer to complete the construction of the Improvements and obtain a certificate of occupancy or other final governmental approval of the Improvements for their intended use on or before the Project Completion Date, or the cessation of work on the construction of the Improvements for any period of thirty (30) consecutive days.

SECTION 6.09 Failure to Perform Obligations. Failure by BCOI to perform any term, condition or covenant of this Agreement not otherwise enumerated in this Article VI, which failure is not cured within any applicable grace or cure period therefor, and if no grace or cure period is provided therefor, within thirty (30) days after demand by Owner.

SECTION 6.10 Cross Defaults. Any default, by BCOI, Developer, the Sole Member, the Guarantors or any affiliate of any of them beyond any applicable grace or cure period under the terms of any of the Transaction Documents to which such Person is a party.

Nothing herein shall require notice except as expressly set forth herein or in the other Transaction Documents. Notwithstanding the foregoing, no notice shall be required if Owner is prevented from giving notice by bankruptcy or other applicable law, and the cure period, if any, shall commence with the date of such event rather than from the date of notice.

ARTICLE VII
REMEDIES UPON DEFAULT

SECTION 7.01 Remedies of Owner. Upon an Event of Default in Article VI hereof, and following the expiration of any applicable grace or cure period, Owner may if it so elects, without any notice or demand to BCOI (or to any other Person) whatsoever (which notice or demand is expressly waived, except to the extent otherwise specifically provided herein or in the other Transaction Documents), exercise any or all (or none) of the following rights and remedies (all of which rights and remedies shall be cumulative) as Owner, in its sole discretion, may deem necessary or appropriate:

(a) Declare immediately due and owing all outstanding sums or other obligations due to Owner hereunder or under any of the other Transaction Documents.

(b) Exercise all or any of its rights or remedies granted herein, or in any of the other Transaction Documents (including, but not limited to the right to set off any or all of the obligations of BCOI against any or all of the property of BCOI or any guarantor or indemnitor in

the possession or control of Owner) or under applicable law, or which it may otherwise have, against BCOI or any guarantor or indemnitor or otherwise.

(c) Enter upon the Property and take possession thereof, together with the Improvements in the course of construction or completed and all materials, supplies and construction facilities and appliances located thereon, and proceed either in Owner's name, in the name of BCOI, in the name of Developer, as the attorney-in-fact of BCOI, as the attorney-in-fact of Developer (which authority is coupled with an interest and is irrevocable by BCOI and Developer), as Owner shall elect, to complete the Improvements at the cost and expense of BCOI and Developer. If not assigned to Owner simultaneously with the execution of this Agreement, if requested by Owner, BCOI and Developer shall immediately assign to Owner, in writing, their rights under any contract or agreement with any architect, engineer, contractor, supplier, consultant or representative that Developer and/or BCOI has entered into in connection with the Property or the Project; provided, however, Owner shall have no obligation to accept any such assignment or assume any of BCOI's or Developer's obligations under any such contracts. BCOI and Developer shall reimburse Owner, upon demand, all costs and expenses incurred by Owner in connection with its exercise of the foregoing rights, including, without limitation, reasonable attorneys' fees and expenses. If Owner elects to complete or cause the Improvements to be so completed, it may do so according to the terms of the Third Party Agreements (including the Plans and Specifications) or according to such changes, alterations or modifications in and to the Third Party Agreements and the Plans and Specifications as Owner shall deem expedient or necessary, and Owner may enforce or cancel all or any of the Third Party Agreements and any and all other contracts theretofore entered into or make other contracts which, in Owner's opinion, may seem advisable, and BCOI and Developer shall be liable, under this Agreement or any other Transaction Document, to pay Owner upon demand any amount or amounts expended by Owner or its representatives for such performance, together with any costs, charges or expenses incident thereto or otherwise incurred or expended by Owner or its representatives on behalf of BCOI and Developer in connection with the Improvements, and the amounts so expended shall be immediately due and payable to Owner and shall bear interest thereon at the Overdue Rate.

BCOI acknowledges that all rights privileges and remedies of Owner under this Section 7.01(c) may, at Owner's option, be exercised by Owner without the assumption by such party of any liabilities, obligations or responsibilities.

(d) Decline to disburse any additional Fundings to or for the benefit of BCOI or any other Person.

SECTION 7.02 Failure to Exercise Remedies. Neither failure nor delay on the part of Owner to exercise any right, remedy, power or privilege hereunder or under any Transaction Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or under any Transaction Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The acceptance by Owner of any partial payments under the Transaction Documents made by or on behalf of BCOI after the occurrence of an Event of Default hereunder or under any Transaction Document shall not be deemed a waiver or cure by Owner of said Event of Default unless expressly agreed in writing by Owner.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.01 Conflict of Transaction Documents. In the event of a conflict between any of the provisions any other Transaction Document with this Agreement, the provisions of this Agreement shall control.

SECTION 8.02 Exclusiveness. This Agreement is made for the sole protection of BCOI, Developer and Owner, and their successors and assigns, and except as expressly set forth herein, no other person or entity shall have any rights hereunder.

SECTION 8.03 Notice. All notices provided for herein shall be made to such party in the manner set forth in the Lease Agreement.

SECTION 8.04 Modification and Waiver. No provisions of this Agreement shall be amended, waived or modified except by an instrument in writing signed by BCOI, Developer and Owner.

SECTION 8.05 Materiality. All representations and warranties made herein shall be deemed to have been material and relied on by Owner and shall survive the execution and delivery of this Agreement and the disbursements of Fundings made pursuant to this Agreement for a period of two (2) years from the date of the Final Funding.

SECTION 8.06 Heading. All descriptive headings of articles and sections in this Agreement are inserted for convenience only, and shall not affect the construction or interpretation hereof.

SECTION 8.07 Severability. Inapplicability or unenforceability of any provisions of this Agreement shall not limit or impair the operation or validity of any other provision of this Agreement.

SECTION 8.08 CounterpartS. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

SECTION 8.09 Assignability. Neither this Agreement, nor any rights or obligations hereunder, nor any Funding to be made hereunder, is assignable by BCOI; provided, however, that notwithstanding any other provision to the contrary in any Transaction Document, Developer may assign any Developer Fees or the Developer Bonus (or the right to receive any Developer Fees or the Developer Bonus) owing to it under any Transaction Document in support of any letter of credit, line of credit or other facility provided for the benefit of Owner in connection with the Transaction Documents. Except as set forth in the preceding sentence, BCOI and Developer shall not convey or encumber, or permit the conveyance or encumbrance of (other than by the lessor as permitted under the Lease Agreement), the Property, Improvements or other Leased Property, or any interest therein, without the prior written consent of Owner, which consent shall be in Owner's sole discretion. The rights of Owner under this Agreement are assignable in part or in full, and any assignee of Owner shall succeed to and be possessed of the rights of Owner hereunder to the extent of the assignment made, including the right to make Fundings to or on behalf of BCOI or any approved assignee of BCOI in accordance with this Agreement.

SECTION 8.10 No Agency Relationship. Owner is not the agent or representative of BCOI or Developer, BCOI and Developer are not agents of Owner and this Agreement shall not make Owner liable to the General Contractor, materialmen, contractors, subcontractors, craftsmen, laborers or others for goods delivered to or services performed by them upon the Property, or for debts or claims accruing to such parties against BCOI or Developer. Except as expressly provided in the Transaction Documents, there is no contractual relationship, either expressed or implied, between Owner and the Developer, General Contractor or any materialmen, subcontractors, craftsmen, contractors, laborers, or any other person supplying any work, labor or materials for the Improvements or otherwise to the Property.

SECTION 8.11 Waiver. No course of dealing and no delay or omission by Owner in exercising any right or remedy hereunder or with respect to any other Transaction Documents shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Owner may remedy any default hereunder or Event of Default without waiving the default or Event of Default remedied and without waiving any other prior or subsequent default or Event of Default, and Owner shall be reimbursed by BCOI for any and all of its expenses in so remedying such default or Event of Default. All rights and remedies of Owner hereunder are cumulative.

BCOI agrees that upon any Event of Default under this Agreement, Owner shall have the absolute right to make such use of the foregoing property so assigned as Owner shall desire, and, as to any such property which is also the subject of a security agreement or financing statement in favor of Owner, that Owner will not be limited to remedies available under the Uniform Commercial Code, but may at its option avail itself of the rights granted herein in addition to or in substitution for its Uniform Commercial Code remedies.

SECTION 8.12 Costs and Expenses. BCOI will bear all taxes, fees, costs and expenses (including reasonable fees and expenses of counsel for Owner and of the Construction Inspector) in connection with the Transaction Documents (including any amendments requested by BCOI and hereafter made), all funding and administration hereunder and the recording of any of the Transaction Documents. If, at any time, an Event of Default occurs or Owner becomes a party to any suit or proceeding arising under or out of this Agreement or any of the Transaction Documents, or if Owner is made a party to any suit or proceeding by virtue of this Agreement or any Leased Property and as a result of any of the foregoing, Owner employs counsel to advise or provide other representation with respect to this Agreement, or to take any action in or with respect to any suit or proceeding relating to this Agreement, any of the other Transaction Documents, any Leased Property, BCOI, or to protect, collect, or liquidate any of the Leased Property, or attempt to enforce any security interest or lien granted to Owner by any of the Transaction Documents, then in any such events, the reasonable attorney's fees arising from such services, including fees on appeal and in any bankruptcy proceedings, and any reasonable out-of-pocket expenses, costs and charges relating thereto shall constitute additional sums due from BCOI and Developer to Owner payable within twenty (20) days from delivery of a reasonably detailed written notice therefor from Owner to BCOI or Developer. Without limiting the foregoing, BCOI has undertaken the obligation for payment of, and shall pay, all recording and filing fees, revenue or documentary stamps or taxes, intangibles taxes, transfer taxes, recording taxes and other taxes, expenses and charges payable in connection with this Agreement and any of the Transaction Documents or the filing of any financing statements or other instruments

required to effectuate the purposes of this Agreement, and should BCOI fail to do so, BCOI agrees to reimburse Owner for the amounts paid by Owner, together with penalties or interest, if any, incurred by Owner as a result of underpayment or nonpayment. This Section shall survive termination of this Agreement.

SECTION 8.13 Attorneys' Fees. Any provisions of the Transaction Documents providing for the payment of "attorneys' fees," "reasonable attorneys' fees" or other words or provisions of similar import, shall mean attorneys' and paralegal fees of outside counsel incurred based upon the usual and customary hourly rates of the attorneys and paralegals involved for time actually spent by such attorneys and paralegals and without giving effect to any statutory presumption that may then be in effect.

SECTION 8.14 Warrant of Attorney. BCOI and Developer each hereby irrevocably appoints Owner as attorney-in-fact, effectively after the occurrence and during the continuance of an Event of Default, to do in its stead all things believed by Owner reasonably necessary to effect performance of this Agreement and filing notices in public records. The forgoing appointment is coupled with an interest and is solely for protection of Owner's security and, therefore, is not intended to confer any right of action on any third party. BCOI AND DEVELOPER EACH SPECIFICALLY WAIVES ANY RIGHT TO ANY FORM OF NOTICE OR TO ANY ACKNOWLEDGMENT BY AGENT WHICH MIGHT BE APPLICABLE PURSUANT TO THE PENNSYLVANIA PROBATE, ESTATES AND FIDUCIARIES CODE ("PROBATE CODE"), AS AMENDED, TO ANY POWER OF ATTORNEY, OR ANY WARRANT OF ATTORNEY TO CONFESS JUDGMENT, GRANTED HEREIN OR IN ANY OTHER TRANSACTION DOCUMENT AND HEREBY DIRECTS THAT ANY POWER OF ATTORNEY, OR ANY WARRANT OF ATTORNEY TO CONFESS JUDGMENT, GRANTED HEREIN OR IN ANY OTHER TRANSACTION DOCUMENT NOT BE CONSTRUED IN ACCORDANCE WITH THE TERMS OF THE PROBATE CODE.

SECTION 8.15 Consequential Damages. OWNER SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY DAMAGES, CONSEQUENTIAL OR OTHERWISE, THAT MAY BE INCURRED OR ALLEGED BY BCOI OR DEVELOPER OR BY ANY OTHER PERSON OR ENTITY AS A RESULT OF ANY OF THE TRANSACTION DOCUMENTS OR THE EXERCISE OF THE TERMS THEREOF BY OWNER OR THE COLLECTION BY OR ON BEHALF OF THE SUMS DUE THEREUNDER, UNLESS SUCH DAMAGES ARE INCURRED AS A RESULT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF OWNER.

SECTION 8.16 Indemnification. BCOI HEREBY INDEMNIFIES, HOLDS HARMLESS AND AGREES TO DEFEND OWNER FROM AND AGAINST (A) ALL CLAIMS, DEMANDS, CAUSES OF ACTION ASSERTED AGAINST OWNER BY ANY PERSON IF THE CLAIM, DEMAND OR CAUSE OF ACTION DIRECTLY OR INDIRECTLY RELATES TO ANY CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING ARISING FROM OR RELATING TO: (I) A CLAIM, DEMAND OR CAUSE OF ACTION THAT THE PERSON HAS OR ASSERTS AGAINST BCOI; (II) THE PAYMENT OF ANY COMMISSION, CHARGE OR BROKERAGE FEE INCURRED IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTION DOCUMENTS; (III) ANY ACT OR OMISSION OF BCOI, ANY CONTRACTOR, SUBCONTRACTOR, ARCHITECT, ENGINEER, MATERIAL SUPPLIER, VENDOR OR OTHER PERSON WITH RESPECT TO THE PROPERTY AND/OR THE PROJECT; OR (IV) ANY CLAIM OR CAUSE OF ACTION OF ANY KIND BY ANY PERSON WHICH WOULD HAVE THE EFFECT OF DENYING OWNER THE FULL BENEFIT OR PROTECTION OF ANY PROVISION OF ANY DOCUMENT; AND (B) ALL LIABILITIES, LOSSES AND OTHER COSTS (INCLUDING COURT COSTS AND ATTORNEYS' FEES) INCURRED BY OWNER AS A RESULT OF ANY CLAIM, DEMAND OR CAUSE OF ACTION DESCRIBED IN CLAUSE (A) ABOVE, EXCEPT TO THE EXTENT OF LOSS PROVEN TO RESULT FROM OWNER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. EXCEPT AS EXPRESSLY SET FORTH HEREIN, THE

OWNER'S RIGHT TO INDEMNIFICATION SHALL NOT BE DIRECTLY OR INDIRECTLY LIMITED, PREJUDICED, IMPAIRED OR ELIMINATED IN ANY WAY BY ANY FINDING OR ALLEGATION THAT ANY CONDUCT IS ACTIVE, PASSIVE OR SUBJECT TO ANY OTHER CLASSIFICATION OR THAT OWNER IS DIRECTLY OR INDIRECTLY RESPONSIBLE UNDER ANY THEORY OF ANY KIND FOR ANY ACT OR OMISSION BY BCOI OR ANY OTHER PERSON. NOTWITHSTANDING THE FOREGOING, BCOI SHALL NOT BE OBLIGATED TO INDEMNIFY OWNER WITH RESPECT TO ANY INTENTIONALLY TORT OR ACT OF GROSS NEGLIGENCE WHICH OWNER IS PERSONALLY DETERMINED BY THE JUDGMENT OF A COURT OF COMPETENT JURISDICTION (SUSTAINED ON APPEAL, IF ANY) TO HAVE COMMITTED.

SECTION 8.17 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES.

SECTION 8.18 JURISDICTION AND VENUE. EACH OF THE PARTIES HERETO CONSENT TO PERSONAL JURISDICTION IN THE STATE OF DELAWARE. EACH OF THE PARTIES HERETO AGREE THAT ANY ACTION OR PROCEEDING ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT AND TRIED EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF THE STATE OF DELAWARE. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. EACH OF THE PARTIES HERETO EXPRESSLY ACKNOWLEDGE THAT DELAWARE IS A FAIR, JUST AND REASONABLE FORUM AND EACH OF THE PARTIES AGREE NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY ANY OF THE PARTIES HERETO IN SAID COURTS. FURTHER, THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN ANY INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY CERTIFIED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 8.03 HEREOF 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.

SECTION 8.19 WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICBALE LAW, AT OWNER'S OPTION, BCOI AND DEVELOPER EACH HEREBY WAIVE ANY RIGHT THAT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY ON ANY CLAIM, COUNTERCLAIM, SETOFF, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR (B) IN ANY WAY CONNECTED WITH OR PERTAINING OR RELATED TO OR INCIDENTAL TO ANY DEALINGS OF OWNER AND/OR BCOI, OWNER AND/OR DEVELOPER, AND BCOI AND DEVELOPER WITH RESPECT TO THE TRANSACTION DOCUMENTS OR IN CONNECTION WITH THIS AGREEMENT OR THE EXERCISE OF ANY PARTY'S

RIGHTS AND REMEDIES UNDER THIS AGREEMENT OR OTHERWISE, OR THE CONDUCT OR THE RELATIONSHIP OF THE PARTIES HERETO, IN ALL OF THE FOREGOING CASES WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. BCOI AND DEVELOPER EACH AGREE THAT ANY PARTY MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED AGREEMENT OF BCOI AND DEVELOPER IRREVOCABLY TO WAIVE THEIR RIGHTS TO TRIAL BY JURY AS AN INDUCEMENT OF OWNER TO ENTER INTO THIS AGREEMENT AND THAT ANY DISPUTE OR CONTROVERSY WHATSOEVER BETWEEN THE PARTIES HERETO SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

* * *

[Signatures appear on following page.]

IN WITNESS WHEREOF, BCOI, Owner and Developer have caused this Agreement to be executed as of the date first set forth above.

BCOI:

BUCKS COUNTY ONOCOPLASTIC INSTITUTE, LLC

By: /s/ Jerome S. Tannenbaum, M.D.
\-----------------------------------
Jerome S. Tannenbaum, M.D.
Its: Chief Manager

OWNER:

MPT OF BUCKS COUNTY, L.P.

BY: MPT OF BUCKS COUNTY, LLC
ITS: GENERAL PARTNER

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

By: /s/ Edward K. Aldag, Jr.
\-----------------------------------
Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

DEVELOPER:

DSI FACILITY DEVELOPMENT, LLC

By: /s/ Jerome S. Tannenbaum, M.D.
\-----------------------------------
Jerome S. Tannenbaum, M.D.
Its: Chief Manager

EXHIBIT A

LEGAL DESCRIPTION

[See attached.]

EXHIBIT B

DEVELOPMENT BUDGET

[See attached.]

EXHIBIT C

THIRD PARTY AGREEMENTS

1. Standard Form of Agreement Between Owner and Architect (1997 Edition) entered into as of April 25, 2005, by and between Buck's County Institute, LLC, as Owner, and DSI Facility Development, LC, as Architect, incorporating the terms of that certain Standard Form of Architect's Services (1997 Edition) executed by Jerome Tannenbaum on April 29, 2005, as amended by that certain Standard form of Amendment for the Agreement Between Owner and Architect (1993 Edition) made as of April 24, 2005, as further amended by that certain Rider to Standard Form of Agreement Between Owner and Architect between Buck's County Oncoplastic Institute, LLC and DSI Facility Development, LLC of even date herewith.

2. Agreement between Owner and Architect, dated as of September __, 2005, by and between Buck's County Oncoplastic Institute, LLC and Kenneth Karkau (subject to receipt of evidence of professional liability insurance).

3. Proposal #230595 dated May 29, 2003 by Hill-Rom to Diversified Specialty Institutes, Inc., Customer #1126790.

4. Proposal #786714 dated March 4, 2005 by Hill-Rom to Diversified Specialty Institutes, Inc., customer #250137.

5. Proposal by York International Corporation ("York") to Dr. Jerome Tannenbaum and Short Form of Agreement Between Owner and Engineer For Professional Services, between York International and Diversified Specialty Institutes executed by Diversified Specialty Institutes on April 21, 2005; Purchase Order, dated September 12, 2005, by York, consisting of pages 1 and 2, and Exhibits A, B, and C (subject to receipt of evidence of required insurance).

6. Letter of Agreement between Taylor Wiseman & Taylor and Diversified Specialty Institutes, dated as of October 27, 2004, regarding "Feasibility Study; Glenview Corporate Center."

7. Letter of Agreement between Taylor Wiseman & Taylor and Diversified Specialty Institutes, dated as of November 10, 2004, regarding "Zoning Hearing Board, Sketch Plan."

8. Letter of Agreement between Taylor Wiseman & Taylor and Diversified Specialty Institutes, dated as of November 30, 2004, regarding "Topographic Survey & Preliminary Plans."

9. Letter of Agreement between Taylor Wiseman & Taylor and Diversified Specialty Institutes, dated as of February 2, 2005, regarding "Buck's County Hospital/MOB Corp. Center."

10. Letter of Agreement between Taylor Wiseman & Taylor and Diversified Specialty Institutes, dated as of February 4, 2005, regarding "Change Order No. 1; Wetlands Features, Floodplain."

11. Letter of Agreement between Taylor Wiseman & Taylor and Diversified Specialty Institutes, dated as of April 8, 2005, regarding "DSI - Hospital; ALTA Survey."

12. Proposal for Geotechnical Investigation dated January 31, 2005, by Geotek engineering company, accepted by Diversified Specialty Institutes on February 4, 2005.

EXHIBIT D

SITE PLAN

[See attached.]

EXHIBIT E

DRAW REQUESTS

[See attached.]

SCHEDULE 4.01

Ownership of Buck's County Oncoplastic Institute, LLC

National Oncoplastic Institutes, Inc. 100.00%

Ownership of Developer

Diversified Specialty Institutes, Inc. 100.00%

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 headings "Experts", "Summary Selected Financial Data" and "Selected Financial Data" in the Prospectus.

/s/ KPMG, LLP

September 30, 2005
Birmingham, Alabama

EXHIBIT 23.2

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 (No. 333-121883) of our report dated March 8, 2005, except for Note 11, as to which the date is March 31, 2005, relating to the consolidated financial statements of Vibra Healthcare, LLC and subsidiaries as of December 31, 2004 and for the period from inception (May 14, 2004) through December 31, 2004. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ Parente Randolph, LLC

Parente Randolph, LLC
Harrisburg, Pennsylvania
September 29, 2005

September 30, 2005

VIA EDGAR
United States Securities and Exchange Commission
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: Owen Pinkerton, Senior Counsel

Ladies and Gentlemen:

On behalf of Medical Properties Trust, Inc. (the "Company"), enclosed herewith is Amendment No. 2 to the Company's Registration Statement on Form S-11 (the "Amendment"), as filed with the Securities and Exchange Commission on January 6, 2005, File No. 333-121883 (the "Registration Statement"). The Company has amended the Registration Statement in response to comments contained in the letter from the Staff dated August 12, 2005 (the "Comment Letter"), and addressed to Edward K. Aldag, Jr., Chairman, President and Chief Executive Officer of the Company. We will separately deliver copies of the amended Registration Statement, marked to show changes responsive to the Comment Letter, to members of the Staff specified in the Comment Letter.

The numbered responses below correspond to the numbered paragraphs of the Comment Letter.

Selling Stockholders, page 128

1. We note that the selling stockholders table is incomplete. We may have additional comments once the table is completed.

   RESPONSE: We have included the completed selling stockholders table in the Registration Statement. See pages 115 - 125.

Where You Can Find More Information, page 182

2. Please revise to update the address of the SEC's public reference room to 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

   RESPONSE: We have revised the Registration Statement as requested. See page 168.

Part II - Exhibits

3. Please file your legal and tax opinions.

   RESPONSE: We have filed the legal and tax opinions. See Exhibits 5.1 and 8.1.

Please do not hesitate to contact the undersigned or, in his absence, Thomas O. Kolb (205) 250-8321, if you have any questions or comments relating to the Company's response to the Comment Letter.

Very truly yours,

/s/ B.G. Minisman, Jr.

B. G. Minisman, Jr.
of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC

cc: Andrew Mew
Cicely Luckey
Michael McTiernan
Medical Properties Trust, Inc.