Registration No. 333-121883

As filed with the Securities and Exchange Commission on January 10, 2006.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Post-Effective
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
Matthew S. Heiter
Irene Graves
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: ☑

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: o _____

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: o _____

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: o _____

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

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.

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Filed pursuant to Rule 424(b)(3)
Registration No. 333-121883

PROSPECTUS

25,411,039 Shares of Common Stock

Medical Properties Trust

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 January 6, 2006 was $10.08.

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 are 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 eight tenants, five 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 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 January 10, 2006.

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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. In July 2005 we completed the initial public offering of our common stock in which we raised net proceeds of approximately $125.7 million, after deducting the underwriting discount and offering expenses. Our current portfolio consists of 14 facilities that are in operation and three facilities that are under development.

We focus on acquiring and developing rehabilitation hospitals, long-term acute care hospitals, regional and community hospitals, women's and children's hospitals, 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 17 healthcare facilities, 14 of which are in operation and three 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. Our tenth facility in operation, a long-term acute care hospital, is leased to Gulf States Long Term Acute Care of Denham Springs, L.L.C., or Gulf States of Denham Springs. We refer to this facility in this prospectus as the Denham Springs Facility. Our eleventh facility in operation, a community hospital, is leased to an affiliate of DVH, Veritas Health Services, Inc., or Veritas. We refer to this facility in this prospectus as the Chino Facility. Our twelfth facility in operation, a community hospital, is leased to another affiliate of DVH, Prime Healthcare Services II, LLC, or Prime II. We refer to this facility in this prospectus as the Sherman Oaks Facility. All of the leases for the hospitals described above have initial terms of 15 years.

Our current portfolio of facilities also includes 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, each of which we developed. We refer to the West Houston Hospital and the West Houston MOB together in this prospectus as the West Houston Facilities. The West Houston Facilities are leased to Stealth, L.P., or Stealth, a recently organized healthcare facility operator. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end in November 2020. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end in October 2015.

One 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. Our second facility under development is a community hospital, which we refer to in this prospectus as the Monroe Facility, and is leased to Monroe Hospital, LLC, or Monroe Hospital, a recently organized healthcare facility operator. The initial lease term for the Monroe Facility began when construction commenced in October 2005 and will end 15 years after completion of construction. We target completion of construction for the Monroe Facility for October 2006. With respect to our third facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress Medical Center Operating Company, Ltd., or North Cypress, a recently-organized healthcare facility operator, for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease interest. We refer to this facility in this prospectus as the North Cypress Facility. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, 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 the date of this prospectus, regarding our current portfolio of facilities:

Operating Facilities

Location	Type	Tenant	Number of Beds(1)	2004 Annualized Base Rent	2005 Contractual Base Rent(2)	2006 Contractual Base Rent(2)	Gross Purchase Price or Development Cost(3)	Lease Expiration
Houston, Texas	Community hospital	Stealth, L.P.	105(4)	$ —	$ —(5)	$ 4,749,005(5)	$ 43,099,310(6)	November 2020(7)
Bowling Green, Kentucky	Rehabilitation hospital	Vibra Healthcare, LLC(8)	60	3,916,695	4,294,990	4,790,113	38,211,658	July 2019
Marlton, New Jersey(9)	Rehabilitation (10) hospital	Vibra Healthcare, LLC(8)	76	3,401,791	3,730,354	4,160,390	32,267,622	July 2019
Victorville, California (11)	Community hospital/medical office building	Desert Valley Hospital, Inc.	83	—	2,341,005	2,856,000	28,000,000	February 2020
New Bedford, Massachusetts	Long-term acute care hospital	Vibra Healthcare, LLC(8)	90	2,262,979	2,426,320	2,767,624	22,077,847	August 2019
Chino, California	Community hospital	Veritas Health Services, Inc.	126	—	180,753	2,103,682	21,000,000	November 2020
Houston, Texas	Medical office building	Stealth, L.P.	n/a	—	503,130(5)	2,049,415(5)	20,855,119(6)	October 2015 (7)
Redding, California(12)	Rehabilitation hospital	Vibra Healthcare, LLC(8)	88	—	950,250(13)	1,913,949(13)	20,750,000	June 2020
Sherman Oaks, California	Community hospital	Prime Healthcare Services II, LLC	153	—	—	2,100,000	20,000,000	December 2020
Fresno, California	Rehabilitation hospital	Vibra Healthcare, LLC(8)	62	1,914,829	2,099,773	2,341,835	18,681,255	July 2019
Covington, Louisiana	Long-term acute care hospital	Gulf States Long-Term Acute Care of Covington, L.L.C.	58	—	674,188	1,207,500	11,500,000	June 2020
Thornton, Colorado	Rehabilitation hospital	Vibra Healthcare, LLC(8)	117	870,377	933,200	1,064,471	8,491,481	August 2019
Kentfield, California	Long-term acute care hospital	Vibra Healthcare, LLC(8)	60	783,339	858,998	958,024	7,642,332	July 2019
Denham Springs, Louisiana	Long-term acute care hospital	Gulf States Long Term Acute Care of Denham Springs, L.L.C.	59	—	105,000	645,750	6,000,000	October 2020
Total	—	—	1,137	$ 13,150,010	$ 19,097,961	$ 33,707,758	$ 298,576,624	—

(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) 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.

(5) Based on leases in place as of the date of this prospectus and estimated total development costs. Does not include rents that accrued during the construction period and are payable over the remaining lease term following the completion of construction.

(6) Estimated total development costs.

(7) At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the facility 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.

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

(9) 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.

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

(11) 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.

(12) 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.

(13) 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

Location	Type	Tenant	Number of Beds(1)	2004 Annualized Base Rent	2005 Contractual Base Rent	2006 Contractual Base Rent	Projected Development Cost(2)	Lease Expiration
Houston, Texas	Community hospital	North Cypress Medical Center Operating Company, Ltd.	64	$ —(3)	$ —(3)	$ —(3)	$ 64,028,000	—(4)
Bensalem, Pennsylvania	Women's hospital/medical office building (5)	Bucks County Oncoplastic Institute, LLC	30	—(6)	—(6)	1,627,820(6)	38,000,000	August 2021(7)
Bloomington, Indiana	Community Hospital(8)	Monroe Hospital LLC	32	—(9)	—(9)	954,063	35,500,000	October 2021 (10)
Total	—	—	126	$ —	$ —	$ 2,581,883	$ 137,528,000	—

(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 unde 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 2006.

(6) 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 October 2006.

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

(8) Expected to be completed in October 2006.

(9) 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 October 2006.

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

Our Current Loans and Fees Receivable

On December 23, 2005, we made a $40.0 million mortgage loan to Alliance Hospital, Ltd., or Alliance, an unrelated third party. We refer to this mortgage loan in this prospectus as the Alliance Loan. The Alliance Loan is secured by a community hospital facility located in Odessa, Texas, which is approximately 20 miles from Midland, Texas. The facility is licensed for 78 beds, 28 of which are operated by HEALTHSOUTH Rehabilitation Hospital of Odessa, Inc. The Alliance Loan has a term of 15 years and is payable interest only during the term of the loan, with the full principal amount due at the end of

the 15 year term. The aggregate annual base interest is set at an initial annual rate of ten percent. Beginning on January 1, 2007 and on each January 1 thereafter, Alliance will be required to pay additional interest equal to the greater of (i) 3.5% or (ii) the rate of the CPI increase for the prior year multiplied by the previous year's annualized base interest. As security for Alliance's obligations under the mortgage loan, all principal, base interest and additional interest on the first $30.0 million of the loan amount is guaranteed on a pro rata basis by the shareholders of SRI-SAI Enterprises, Inc., the general partner of Alliance, until such time as Alliance meets certain financial conditions. Additionally, we have received a first mortgage on the facility and a first or second priority security interest in all of Alliance's personal property other than accounts receivable, along with other security. The Alliance Loan is cross-defaulted with all other agreements between us or our affiliates, on one hand, and Alliance or its affiliates on the other hand. The Alliance Loan also contains representations, financial and other affirmative and negative covenants, events of default and remedies typical for this type of loan. As consideration for entering into this arrangement, Alliance paid us a commitment fee equal to one half of one percent of the loan amount on the closing date.

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 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 was held in escrow pending the resolution of certain environmental issues related to the facility. The loan accrued 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 was to be prorated. The loan was 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. On October 31, 2005, upon favorable resolution of the environmental issues related to the facility, we purchased the facility for a purchase price of $6.0 million, which was paid by delivering the note evidencing the loan and releasing to Denham Springs Healthcare Properties. L.L.C. the remaining balance of all funds escrowed under the loan.

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 beginning in November 2005. The commitment fee is based on a percentage of total development costs and may be adjusted upon determination of 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. Stealth has borrowed $1.3 million under this loan as of the date of this prospectus. 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 in November 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.

In connection with our development of the Monroe Facility, Monroe Hospital has agreed to pay us a commitment fee of $177,500. 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. Monroe Hospital is also obligated to pay us a $55,000 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 10.50% per annum. The obligation to pay these fees is unsecured, but the promissory notes evidencing the fees are cross defaulted for our lease with Monroe Hospital.

Our Pending Acquisition

We intend to expand our portfolio by acquiring an additional net-leased healthcare facility that we have under letter of commitment and consider to be a probable acquisition as of the date of this prospectus, which we refer to in this prospectus as our Pending Acquisition Facility. Under the terms of the letter of commitment relating to this facility, we expect the lease for this facility to provide for contractual base rent and an annual rent escalator. Letters of commitment constitute agreements of the parties to consummate the acquisition transactions and enter into leases on the terms set forth in the letters of commitment subject to the satisfaction of certain conditions, including the execution of mutually-acceptable definitive agreements. The following table contains information regarding our Pending Acquisition Facility:

Operating Facility

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

* 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.

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 October 2005, we entered into a credit agreement with Merrill Lynch Capital which replaced the loan agreement dated December 31, 2004 between us and Merrill Lynch Capital. The credit agreement provides for secured revolving loans of up to $100.0 million in aggregate principal amount. The principal amount may be increased to $175.0 million at our request. The amounts borrowed are secured by mortgages on real property owned by certain of our subsidiaries and are guaranteed by us. The facilities that we use to secure the amounts under the credit agreement make up the "borrowing base." The borrowing base, and therefore borrowings, are limited based on (i) the appraised value of the borrowing base and (ii) rent income from and financial performance of the operator lessees of the borrowing base. Interest on borrowings under the credit agreement will accrue monthly at one month LIBOR (4.44% at January 9, 2006), plus a spread which increases as amounts borrowed increase as a percentage of the borrowing base. We must also pay certain fees based on the amount borrowed in any monthly period. The credit agreement expires in October 2009, and may be extended by us for one additional year upon payment of a fee. The credit agreement contains representations, financial and other affirmative and negative covenants, events of default and remedies typical for this type of facility.

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. 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. Construction of the West Houston MOB was completed in October 2005, and construction of the West Houston Hospital was completed in November 2005. We have not yet exercised the option to convert the construction loans to term loans. 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, there is $35.5 million outstanding 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 leas 10 years, provide for annual base rental increases and, in the case of the Vibra Facilities and the Bucks County Facility, 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 the Pending Acquisition Facility 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 $152.7 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 eight tenants, five 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 $143.4 million, approximately $100.5 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 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 fo 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

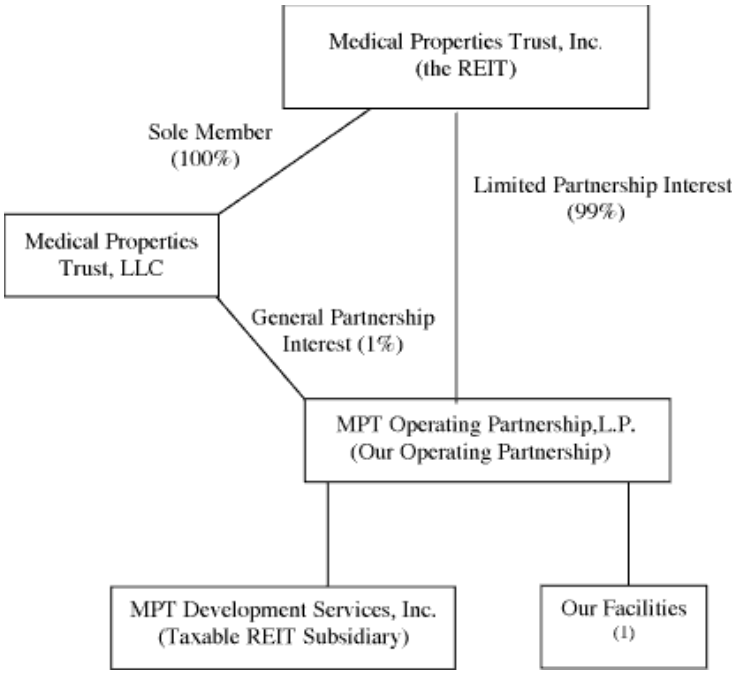
The following is a summary of our formation transactions:

- 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.
- 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.
- The net proceeds of our private placement and initial public offering, together with borrowed funds, have been or will be used to acquire our current portfolio of 17 facilities. Thus far, we have spent approximately $234.6 million for the 12 existing facilities that we acquired, and funded approximately $56.0 million of a projected total of $63.1 million of development costs for the West Houston Facilities, approximately $9.6 million of a projected total of $38.0 million of development costs for the Bucks County Facility, approximately $11.1 million of a projected total of $35.5 million of development costs for the Monroe Facility and approximately $18.7 million pursuant to the North Cypress construction loan. In addition, we have loaned approximately $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.

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:



(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 and Resale Blackout Periods

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. 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 excis tax on our REIT income and to qualify for the tax benefits afforded to REITs under the Code. The actual amount and timing of distributions, if any, will be at the discretion of our board of directors and will depend upon our actual results of operations and a number of other factors discussed in the section "Distribution Policy."

The table below is a summary of our distributions.

Declaration Date	Record Date	Date of Distribution	Distribution per Share of Common Stock
November 18, 2005	December 15, 2005	January 19, 2006	$ 0.18
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 September 30, 2005 and the historical statement of operations and other data for the nine months ended September 30, 2005 have been derived from our unaudited historical balance sheet as of September 30, 2005 and from our unaudited statement of operations for the nine months ended September 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 September 30, 2005 are presented as if completion of our probable acquisition had occurred on September 30, 2005.

The unaudited pro forma consolidated statement of operations and other data for the nine months ended September 30, 2005 are presented as if acquisition of the Desert Valley Facility, the Covington Facility, the Chino Facility, the Denham Springs Facility and the Redding Facility along with the 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, the Chino Facility, the Denham Springs Facility and the Redding Facility), our making of the Vibra loans 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 Nine Months Ended September 30, 2005		For the Year Ended December 31, 2004	
	Pro Forma	Historical	Pro Forma	Historical
Operating information:				
Revenues				
Rent income	$ 26,273,517	$ 18,364,389	$ 32,808,106	$ 8,611,344
Interest income from loans	6,368,607	3,562,857	9,037,049	2,282,115
Total revenues	32,642,124	21,927,246	41,845,155	10,893,459
Operating expenses				
Depreciation and amortization	4,645,242	2,986,790	6,193,653	1,478,470
General and administrative	5,595,416	5,595,416	5,057,284	5,057,284
Total operating expenses	10,357,499	8,699,047	12,023,286	7,214,601
Operating income	22,284,625	13,228,199	29,821,869	3,678,858
Net other income (expense)	(2,132,363)	(32,363)	(1,902,509)	897,491
Net income	20,152,262	13,195,836	27,919,360	4,576,349
Net income per share, basic	0.67	0.44	1.45	0.24
Net income per share, diluted	0.67	0.44	1.45	0.24
Weighted average shares outstanding — basic	29,975,971	29,975,971	19,310,833	19,310,833
Weighted average shares outstanding — diluted	29,999,381	29,999,381	19,312,634	19,312,634

	As of September 30, 2005		As of December 31, 2004
	Pro Forma	Historical	Historical
Balance Sheet information:			
Gross investment in real estate assets	$ 328,342,475	$ 266,106,299	$ 151,690,293
Net investment in real estate	323,877,215	261,641,039	150,211,823
Construction in progress	78,435,280	78,484,104	24,318,098
Cash and cash equivalents	36,896,094	100,826,702	97,543,677
Loans receivable	86,895,611	52,895,611	50,224,069(1)
Total assets	463,898,155	431,592,587	306,506,063
Total debt	80,366,667	40,366,667	56,000,000
Total liabilities	111,633,245	72,133,245	73,777,619
Total stockholders' equity	350,127,410	357,321,842	231,728,444
Total liabilities and stockholders' equity	463,898,155	431,592,587	306,506,063

	For the Nine Months Ended September 30, 2005		For the Year Ended December 31, 2004	
	Pro Forma	Historical	Pro Forma	Historical
Other information:				
Funds from operations(2)	$ 24,797,504	$ 16,182,626	$ 34,113,013	$ 6,054,819
Cash Flows:				
Provided by operating activities		16,094,005		9,918,898
Used for investing activities		(107,692,381)		(195,600,642)
Provided by financing activities		94,881,401		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 fun 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 nine months ended September 30, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	For the Nine Months Ended September 30, 2005		For the Year Ended December 31, 2004	
	2005	2004	2005	2004
Funds from operations:				
Net income	$ 20,152,262	$ 13,195,836	$ 27,919,360	$ 4,576,349
Depreciation and amortization	4,645,242	2,986,790	6,193,653	1,478,470
Funds from operations — FFO	$ 24,797,504	$ 16,182,626	$ 34,113,013	$ 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 Facility, 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 the Pending Acquisition Facility on the terms described, or at all, because the transaction is subject to a variety of conditions, including execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third-party reports, receipt of government and third-party approvals and consents, approval by our board of directors and other customary closing conditions. We have incurred losses of 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 to develop a hospital facility in Oklahoma for an estimated total development cost of $32.5 million, subject to adjustment, and entered into an arrangement to acquire and leaseback a facility in Pennsylvania and to make related loans for certain improvements to the real estate and for working capital purposes for an estimated total cost of $9.2 million, subject to adjustment. Each of these transactions is subject to our completion of due diligence and 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 $152.7 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 $20.0 million credit facility with Merrill Lynch, and that loan is secured by an interest in Vibra's receivables. There was approximately

$12.9 million outstanding under the facility on September 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.

We have also agreed to make a working capital loan to Stealth of up to $1.62 million. Stealth has borrowed $1.3 million under this loan as of the date of this prospectus. 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, $18.7 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. Monroe Hospital owes us commitment and other fees of approximately $232,500.

On December 23, 2005, we made a $40.0 million mortgage loan to Alliance. As security for Alliance's obligations under the mortgage loan, all principal, base interest and additional interest on the first $30.0 million of the loan amount is guaranteed on a pro rata basis by the shareholders of SRI-SAI Enterprises, Inc., the general partner of Alliance, until such time as Alliance meets certain financial conditions. Additionally, we have received a first mortgage on the facility and a first or second priority security interest in all of Alliance's personal property other than accounts receivable, along with other security. We are dependent upon the ability of Vibra, Stealth, North Cypress, BCO, Monroe Hospital and Alliance 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.

Five of our tenants, North Cypress, Stealth, BCO, Monroe Hospital and Vibra are, and some of our prospective tenants may be, newly organized, have limited or no operating history and may be dependent on loans from us to acquire the facility's operations and for initial working capital. Any bankruptcy filings by or relating to one of our tenants could bar us from collecting pre-bankruptcy debts from that tenant or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant bankruptcy could delay our efforts to collect past due balances under our leases and loans, and could ultimately preclude collection of these sums. If a lease is assumed by a tenant in bankruptcy, we expect

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

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

Our existing facilities and the properties we have under development are currently leased to Vibra, Prime Healthcare Services, Inc., or Prime, Gulf States, North Cypress, BCO, Monroe Hospital and Stealth or their subsidiaries or affiliates. If any of our tenants were to experience financial difficulties, the tenant may not be able to pay its rent. Vibra, North Cypress, BCO, Monroe Hospital 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 September 30, 2005, Vibra had total assets of approximately $84.4 million (of which approximately $29.7 million was goodwill and other intangible assets), total liabilities of approximately $92.6 million, a deficit in owner's capital of approximately $8.2 million, and for the nine months ended September 30, 2005 had a loss from operations of approximately $6.0 million and a net loss of approximately $4.4 million. 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.

Stealth has provided to us unaudited financial statements reflecting that, as of September 30, 2005, it had tangible assets of approximately $7.7 million, including cash of approximately $4.7 million, liabilities of approximately $1.7 million and owners' equity of approximately $6.0 million. Stealth incurred 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.

The lease for the Desert Valley Facility is guaranteed by Prime, Desert Valley Medical Group, Inc., or DVMG, and Prime A Investments, LLC, or Prime A. The Chino Facility lease is guaranteed by Prime, Prime Healthcare Services, LLC, DVH and DVMG. The Sherman Oaks Facility lease is fully guaranteed by Prime, DVH, DVMG and Prime A until two years after the commencement of the lease term, at which time the guarantee will be limited to $5.0 million. This guaranty will be terminated if Prime II achieves certain financial targets for two consecutive fiscal years. DVH has provided to us unaudited financial statements reflecting that, as of September 30, 2005, it had tangible assets of approximately $20.1 million, liabilities of approximately $19.4 million and stockholders' equity of approximately $0.7 million, and for the nine months ended September 30, 2005, had net income of approximately $14.1 million. Prime has provided to us unaudited financial statements showing that, as of September 30, 2005, it had consolidated tangible assets of approximately $53.8 million, consolidated liabilities of approximately $23.2 million, and consolidated tangible net worth of approximately $30.6 million and for the nine months ended September 30, 2005, had consolidated net income of approximately $15.1 million.

The leases for the Covington Facility and the Denham Springs Facility are 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 September 30, 2005, it had tangible assets of approximately $19.1 million, liabilities of approximately $9.9 million and stockholders' equity of approximately $9.2 million, and for the nine months ended September 30, 2005 had net income of approximately $0.8 million. Team Rehab has provided to us unaudited financial statements reflecting that, as of September 30, 2005, it had tangible assets of approximately $13.5 million, liabilities of approximately $3.1 million and owner's equity of approximately $10.4 million, and for the nine months ended September 30, 2005 had net income of approximately $7.3 million. 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. 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. The guarantors have delivered financial statements which we believe reflect the necessary financial wherewithal to satisfy their guaranty obligations. Monroe Hospital has provided to us unaudited financial statements reflecting that, as of September 30, 2005, it had tangible assets of $12.2 million, including cash of approximately $3.2 million, liabilities of approximately $3.4 million and owners' equity of approximately $8.9 million. The treasurer of Monroe Hospital also certified at closing that the equity owners of Monroe Hospital contributed to Monroe Hospital cash or cash equivalents in a total amount of $9.75 million.

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 October 2005 we entered into a $100.0 million credit agreement with Merrill Lynch Capital, the principal amount of which may be increased to $175.0 million at our request. 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 $100.5 million of long-term debt outstanding.

We may borrow from other lenders in the future, or we may issue corporate debt securities in public or private offerings. The loans from Merrill Lynch Capital and Colonial Bank are secured by the Vibra Facilities and 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 $100.5 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 or the Denham Springs Facility (i) at the expiration of the initial term and each extension term of the respective 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 respective lease. The purchase price for either of the Covington Facility or the Denham Springs 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 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%. At the expiration of the lease for the Monroe Facility, 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. At any time after November 30, 2008, so long as Veritas and its affiliates are not in default under any lease with us or any of the leases with its

subtenants, Veritas or Prime Healthcare Services, LLC will have the option, upon 90 days' prior written notice, to purchase the Chino 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 11% per year, taking into account all payments of base rent received by us. In addition, if we receive notice that the lease for the parking lot adjacent to the Chino Facility will not be renewed beyond December 2013, that our rights under the parking lot lease are or will be terminated, or that the parking lot may not be used for parking for the facility, we have the right, upon 90 days' prior written notice, or the put notice, to cause Veritas to purchase the Chino Facility and our interest in the parking lot lease 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 11% per year, taking into account all payments of base rent received by us. Upon receipt of the put notice, however, Veritas has the right, within 30 days following the put notice, to substitute one or more properties to be used for parking for the facility. We are not obligated to accept any substitute property which does not satisfy applicable zoning and use laws, ordinances, rules or regulations or which, in our sole discretion, would create an undue burden or inconvenience for parking at the facility. At any time after the tenth anniversary of the commencement of the lease term for the Sherman Oaks Facility, so long as Prime II and its affiliates are not in default under any lease with us or any of the leases with its subtenants, Prime A 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 (including any additional financing by us) and (ii) that amount determined under a formula that would provide us an internal rate of return of 11% per year, taking into account all payments of base rent received by us, but in no event would this amount be less than the purchase price. Prime A also has the right at any time while the guaranty is outstanding to petition to purchase the facility for the same purchase price, and we would then have the option to release the guaranty or sell the property. Finally, if there is a non-monetary default, other than an intentional default, that occurs before the tenth anniversary of the lease date, and we desire to terminate the lease, Prime A would also have the option to purchase the facility, but at an internal rate of return to us of 12.5%.

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 women's hospital and integrated medical office building in Bensalem, Pennsylvania which we expect to be completed in August 2006, developing a community hospital in Bloomington, Indiana which we expect to be completed in October 2006 and financing the development of a community hospital in Houston, Texas which we expect to be completed in December 2006. We expect to develop additional facilities in the future. Our development and related construction activities may subject us to the following risks:

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

We expect to fund our development projects over time. 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.

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

Maryland law, our charter and our bylaws contain provisions which may prevent or deter changes in management and third-party acquisition proposals that you may believe to be in your best interest, depress 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 or greater scrutiny 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.

The MGCL provides that a transaction between a corporation and any of its directors is not void solely because of a conflict of interest so long as (i) the material facts are made known to the other directors and the transaction is approved by a majority of disinterested directors, even if less than a quorum; (ii) the material facts are made known to stockholders and the transaction is approved by a majority of votes cast by disinterested stockholders; or (iii) the transaction is fair and reasonable to the corporation.

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.

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 September 30, 2005; and
- our pro forma capitalization, as adjusted to give effect to (i) a distribution of $0.18 per share declared on November 18, 2005 and payable on January 19, 2006 to stockholders of record on December 15, 2005; and (ii) a loan funded through the Company's revolving credit facility which was entered into in October 2005.

	As of September 30, 2005	
	Historical	Pro Forma, As Adjusted
Long term debt	$ 40,366,667	$ 80,366,667
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; 39,292,885 shares issued and outstanding at September 30, 2005	39,293	39,293(1)
Additional paid in capital	359,866,949	359,866,949
Accumulated deficit	(2,584,400)	(9,778,832)
Total stockholders' equity	357,321,842	350,127,410
Total capitalization	$ 399,826,009	$ 432,631,577

(1) Excludes (i) 79,500 shares of restricted common stock awarded to one of our executive officers and employees in April 2005, 106,000 shares of restricted common stock awarded to our founders in July 2005 and 490,680 shares of restricted common stock awarded to our executive officers and directors in August 2005, all such awards under our equity incentive plan; (ii) 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; (iii) 5,000 shares of common stock issuable in October 2007, 7,500 shares of common stock issuable in March 2008 and 10,000 shares of common stock issuable in October 2008 pursuant to deferred stock units awarded under our equity incentive plan to our independent directors; and (iv) 3,891,831 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."

Declaration Date	Record Date	Date of Distribution	Distribution per Share of Common Stock
November 18, 2005	December 15, 2005	January 29, 2006	$ 0.18
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 September 30, 2005 and the historical statement of operations and other data for the nine months ended September 30, 2005 have been derived from our unaudited historical balance sheet as of September 30, 2005 and from our unaudited statement of operations for the nine months ended September 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 September 30, 2005, are presented as if completion of our probable acquisition had occurred on September 30, 2005.

The unaudited pro forma consolidated statement of operations and other data for the nine months ended September 30, 2005 are presented as if our acquisition of the Desert Valley Facility, the Covington Facility, the Chino Facility, the Denham Springs Facility and the Redding Facility along with the 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, the Chino Facility, the Denham Springs Facility and the Redding Facility), our making of the Vibra loans 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 Nine Months Ended September 30, 2005		For the Year Ended December 31, 2004	
	Pro Forma	Historical	Pro Forma	Historical
Operating information:				
Revenues				
Rent income	$ 26,273,517	$ 18,364,389	$ 32,808,106	$ 8,611,344
Interest income from loans	6,368,607	3,562,857	9,037,049	2,282,115
Total revenues	32,642,124	21,927,246	41,845,155	10,893,459
Operating expenses				
Depreciation and amortization	4,645,242	2,986,790	6,193,653	1,478,470
General and administrative	5,595,416	5,595,416	5,057,284	5,057,284
Total operating expenses	10,357,499	8,699,047	12,023,286	7,214,601
Operating income	22,284,625	13,228,199	29,821,869	3,678,858
Net other income (expense)	(2,132,363)	(32,363)	(1,902,509)	897,491
Net income	20,152,262	13,195,836	27,919,360	4,576,349
Net income per share, basic	0.67	0.44	1.45	0.24
Net income per share, diluted	0.67	0.44	1.45	0.24
Weighted average shares outstanding — basic	29,975,971	29,975,971	19,310,833	19,310,833
Weighted average shares outstanding — diluted	29,999,381	29,999,381	19,312,634	19,312,634

	As of September 30, 2005		As of December 31, 2004
	Pro Forma	Historical	Historical
Balance Sheet information:			
Gross investment in real estate assets	$ 328,342,475	$ 266,106,299	$ 151,690,293
Net investment in real estate	323,877,215	261,641,039	150,211,823
Construction in progress	78,435,280	78,484,104	24,318,098
Cash and cash equivalents	36,896,094	100,826,702	97,543,677
Loans receivable	86,895,611	52,895,611	50,224,069(1)
Total assets	463,898,155	431,592,587	306,506,063
Total debt	80,366,667	40,366,667	56,000,000
Total liabilities	111,633,245	72,133,245	73,777,619
Total stockholders' equity	350,127,410	357,321,842	231,728,444
Total liabilities and stockholders' equity	463,898,155	431,592,587	306,506,063

	For the Nine Months Ended September 30, 2005		For the Year Ended December 31, 2004	
	Pro Forma	Historical	Pro Forma	Historical
Other information:				
Funds from operations(2)	$ 24,797,504	$ 16,182,626	$ 34,113,013	$ 6,054,819
Cash Flows:				
Provided by operating activities		16,094,005		9,918,898
Used for investing activities		(107,692,381)		(195,600,642)
Provided by financing activities		94,881,401		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 nine months ended September 30, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	For the Nine Months Ended September 30, 2005		For the Year Ended December 31, 2004	
	Pro Forma	Historical	Pro Forma	Historical
Funds from operations:				
Net income	$ 20,152,262	$ 13,195,836	$ 27,919,360	$ 4,576,349
Depreciation and amortization	4,645,242	2,986,790	6,193,653	1,478,470
Funds from operations — FFO	$ 24,797,504	$ 16,182,626	$ 34,113,013	$ 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 across the United States. We also make real estate mortgage loans and other loans to our tenants. We have operated as a real estate investment trust ("REIT") since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of our calendar year 2004 Federal income tax return. Our existing tenants are, and our prospective tenants will generally be, healthcare operating companies and other healthcare providers that use substantial real estate assets in their operations. We offer financing for these operators' real estate through 100% lease and mortgage financing and generally seek lease and loan terms of at least 10 years with a series of shorter renewal terms at the option of our tenants and borrowers. We also have included and intend to include annual contractual 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 require our tenants to pay all operating costs and expenses associated with the facility.

We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases. We also make mortgage loans to healthcare operators secured by their real estate assets. We selectively make loans to certain of our operators through our taxable REIT subsidiary, the proceeds of which are used for acquisitions and working capital. We consider our lending business an important element of our overall business strategy for two primary reasons: (1) it provides opportunities to make income-earning investments that yield attractive risk-adjusted returns in an industry in which our management has expertise, and (2) by making debt capital available to certain qualified operators, we believe we create for our company a competitive advantage over other buyers of, and financing sources for, healthcare facilities. For purpose of Statement of Financial Accounting Standard No. 131, *Disclosures about Segments of an Enterprise and Related Information*, we conduct business operations in one segment.

At September 30, 2005, we owned nine operating healthcare facilities and held a mortgage loan secured by another. In addition, we were in the process of developing four additional healthcare facilities that were not yet in operation. We had one acquisition loan outstanding, the proceeds of which our tenant used for the acquisition of six hospital operating companies. The 13 facilities we owned and the one facility on which we had made a mortgage loan were in nine states, had a carrying cost of approximately $267.6 million and comprised approximately 62.0% of our total assets. Our acquisition and other loans of approximately $46.9 million represented approximately 10.9% of our total assets. We do not expect such loan assets at any time to exceed 20% of our total assets. We also had cash and temporary investments of approximately $100.8 million that represented approximately 23.4% of our assets. Subsequent to September 30, 2005, we used $25.7 million of cash to pay down debt and approximately $13.8 million for development expenditures. We expect to use a significant amount of additional cash to acquire properties in the fourth quarter of 2005 and the first quarter of 2006, after which we intend to utilize borrowings under our existing revolving credit facility and construction loan for additional acquisitions and development expenditures.

Our revenues are derived from rents we earn pursuant to the lease agreements with our tenants and from interest income from loans to our tenants and other facility owners. Our tenants operate in the healthcare industry, generally providing medical, surgical and rehabilitative care to patients. The capacity of our tenants to pay our rents and interest is dependent upon their ability to conduct their operations at profitable levels. We believe that the business environment of the industry segments in which our tenants operate is generally positive for efficient operators. However, our tenants' operations are subject to

economic, regulatory and market conditions that may affect their profitability. Accordingly, we monitor certain key factors, changes to which we believe may provide early indications of conditions that may affect the level of risk in our lease and loan portfolio.

Key factors that we consider in underwriting prospective tenants and 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 both 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, managed care, commercial insurance, and private pay patients; and
- 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 of financing their real estate assets through lease structures;
- unforeseen changes in healthcare regulations that may limit the opportunities for physicians to participate in the ownership of healthcare providers and healthcare real estate;
- reductions in reimbursements from Medicare, state healthcare programs, and commercial insurance providers that may reduce our tenants' profitability and our lease rates, and;
- competition from other financing sources.

At December 31, 2005, we had 18 employees. Over the next 12 months, we expect to add five to 10 additional employees as we acquire new properties and manage our existing properties and loans.

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 subjective judgments. We intend to rely on our experience, collect historical data and current market data, and develop relevant assumptions to arrive at what we believe to be reasonable estimates. Under different conditions or assumptions, materially different amounts could be reported related to the accounting policies described below. In addition, application of these accounting policies involves the exercise of judgment on the use of assumptions as to future uncertainties and, as a result, actual results could materially differ from these estimates. Our accounting estimates 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, straight-line rent that we will only receive if the tenant makes all rent payments required through the expiration of the term of the lease.

Accordingly, our management must determine, in its judgment, to what extent the straight-line rent receivable applicable to each specific tenant is collectible. We review each tenant's straight-line rent

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

Our development projects normally allow for us to earn what we term "construction period rent". Construction period rent accrues to us during the construction period based on the funds which we invest in the facility. During the construction period, the unfinished facility does not generate any earnings for the lessee/operator which can be used to pay us for our funds used to build the facility. In such cases, the lessee/operator pays the accumulated construction period rent over the term of the lease beginning when the lessee/operator takes physical possession of the facility. We record the accrued construction period rent as deferred revenue during the construction period, and recognize earned revenue as the construction period rent is paid to us by the lessee/operator.

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, the equity interests of a tenant, or corporate and individual guarantees. As with straight-line rent receivables, our management must also periodically evaluate loans to determine what amounts may not be collectible. Accordingly, a provision for losses on loans receivable is recorded when it becomes probable that the loan will not be collected in full. The provision is an amount which reduces the loan to its estimated net receivable value based on a determination of the eventual amounts to be collected either from the debtor or from the collateral, if any. At that time, we discontinue recording interest income on the loan to the tenant.

Investments in Real Estate. We record investments in real estate at cost, and we capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. While our tenants are generally responsible for all operating costs at a facility, to the extent that we incur costs of repairs and maintenance, we expense those costs as incurred. We compute depreciation using the straight-line method over the estimated useful life of 40 years for buildings and improvements, five to seven years for equipment and fixtures, and the shorter of the useful life or the remaining lease term for tenant 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 review the recoverability of the facility's carrying value. The review of recoverability is based on our estimate of the future undiscounted cash flows, excluding interest charges, from the facility's use and eventual disposition. Our forecast of these cash flows considers factors such as expected future operating income, market and other applicable trends, and residual value, as well as the effects of leasing

demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a facility, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the facility. We are required to make subjective assessments as to whether there are impairments in the values of our investments in real estate.

Purchase Price Allocation. We record above-market and below-market in-place lease values, if any, for the facilities we own which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. We amortize any resulting capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. 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 leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are made using methods similar to those used by independent appraisers (*e.g.*, discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. We also consider information obtained about each targeted facility as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management also includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which we expect to range primarily from three to 18 months, depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal costs, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

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

We amortize the value of in-place leases to expense over the initial term of the respective leases, which 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, which we expect to affect the Company primarily in the form of interest rate risk or variability of interest rates, are considered fair value hedges under SFAS No. 133. We are not currently a party to any derivatives contracts.

Variable Interest Entities. In January 2003, the FASB issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities.* In December 2003, the FASB issued a revision to FIN 46, which is termed FIN 46(R). FIN 46(R) clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, and provides guidance on the identification of entities for which control is achieved through means other than voting rights, guidance on how to determine which business enterprise should consolidate such an entity, and guidance on when it should do so. This model for consolidation applies to an entity in which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. An entity meeting either of these two criteria is a variable interest entity, or VIE. A VIE must be consolidated by any entity which is the primary beneficiary of the VIE. If an entity is not the primary beneficiary of the VIE, the VIE is not consolidated. We periodically evaluate the terms of our relationships with our tenants and borrowers to determine whether we are the primary beneficiary and would therefore be required to consolidate any tenants or borrowers that are VIEs. Our evaluations of our transactions indicate that we have loans receivable from two entities which we classify as VIEs. However, because we are not the primary beneficiary of these VIEs, we do not consolidate these entities in our financial statements.

Stock-Based Compensation. 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 accounting for transactions in which an entity exchanges its equity instruments for goods or services. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. 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. Prior to SFAS No. 123(R), only certain pro forma disclosures of fair value were required, which primarily applies to stock options granted at the then current market price per share of stock. 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. Currently, we expect that our board of directors will make awards in the form of restricted stock, restricted stock units and deferred stock units. The SEC has ruled that both SFAS No. 123 and SFAS 123(R) are acceptable GAAP until SFAS No. 123(R) becomes effective for our annual and interim periods beginning January 1, 2006. However, we have elected to continue following the guidelines of SFAS No. 123 to account for our awards of restricted stock. During the three and nine month periods ended September 30, 2005, we recorded $555,409 and $602,403 of expense for restricted shares issued to employees, officers and directors.

Liquidity and Capital Resources

As of November 30, 2005, after the loan transactions described below, we have approximately $38.2 million in cash and temporary liquid investments. In October 2005, we entered into a four-year $100.0 million secured revolving credit facility, using proceeds to replace our existing $75.0 million term loan, which had a balance of approximately $40.0 million. We have borrowed approximately $65.0 million under the revolving credit facility. The loan is secured by a collateral pool comprised of several of our properties. The six properties currently in the collateral pool provide available borrowing capacity of approximately $68.5 million. We believe we have sufficient value in our other properties to increase the availability under the credit facility to its present maximum of $100.0 million. Under the terms of the credit agreement, we may increase the maximum commitment to $175.0 million subject to adequate collateral valuation and payment of customary commitment fees. In addition to availability under the revolving credit facility, we have approximately $43.0 million available under a construction/term facility with a bank.

At September 30, 2005, we had remaining commitments to complete the funding of four development projects aggregating approximately $123.5 million as described below (in millions):

	Original Commitment	Cost Incurred	Remaining Commitment
North Cypress community hospital	$ 64.0	$ 12.2	$ 51.8
West Houston community hospital and medical office building	64.0	54.2	9.8
Bucks County women's hospital and medical office building	38.0	11.4	26.6
Monroe County community hospital	35.5	0.2	35.3
Total	$ 201.5	$ 78.0	$ 123.5

We also have commitments of approximately $52.0 million to purchase an existing healthcare facility, to purchase another existing healthcare facility and make related loans and to develop a healthcare facility. Although these commitments are not binding on us and closing of the transactions is subject to certain conditions, we expect to complete these transactions during the first and second quarters of 2006. These possible transactions are subject to various contingencies that must be satisfied before definitive agreements are executed. Accordingly, there is no assurance that these transactions will be consummated.

We believe that our existing cash and temporary investments, funds available under our existing loan agreements and cash flow from operations will be sufficient for us to complete the acquisitions and developments described above, provide for working capital, and make distributions to our stockholders. We also believe that additional capital resources will be available to us to continue to execute our business plan of increasing our healthcare real estate assets. We expect these resources will include various types of additional debt, including long-term, fixed-rate mortgage loans, variable-rate term loans, and construction financing facilities. Generally, we believe we will be able 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.

Financing Activities

In the first nine months of 2005, we raised $126.2 million, net of offering costs and expenses, from our IPO. We also borrowed an additional $19.0 million on our term loan, for a total of $75.0 million of loan proceeds on the term loan, and subsequently repaid the term loan with proceeds from our recently executed $100.0 million secured revolving credit facility. The facility, and our expectations concerning future financing activities are further described above under Liquidity and Capital Resources. We also sold $1.1 million in limited partnership units in our West Houston medical office building partnership (a subsidiary of our Operating Partnership). Our sale of such interests in certain of our healthcare facilities is based on a strategy of encouraging physicians and other parties to locate their practices in or near our healthcare facilities; however, we do not consider this strategy integral to our capital raising process.

Investing Activities

In the first nine months of 2005, we made investments in four existing healthcare facilities with an aggregate investment value of $66.3 million, and net cash outlays of $61.4 million, after subtracting contingent payments and facility improvement reserves, and including a $6.0 million first mortgage loan that was converted to a sale-leaseback arrangement subsequent to September 30, 2005. We also invested $53.8 million in our development projects. In February 2005, Vibra reduced the principal amount of its loans by $7.7 million. Our expectations about future investing activities are described above under Liquidity and Capital Resources.

Results of Operations

Our historical operations are generated substantially by investments we have made since we completed our private offering and raised approximately $233.5 million in common equity in the second quarter of 2004 and since we completed our IPO and raised approximately $125.6 million in common equity in the third quarter of 2005. We also are 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 September 30, 2005 Compared to Three Months Ended September 30, 2004

Net income for the three months ended September 30, 2005, was $5,256,091 compared to net income of $2,628,938 for the three months ended September 30, 2004, a 99.9% increase. 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 September 30, 2004, we had six operating properties, one development property in the early stages of construction and 10 employees. At September 30, 2005, we had nine operating properties, three development properties (the Monroe County development project commenced in October, 2005), and 17 employees.

A comparison of revenues for the three month periods ended September 30, 2005 and 2004, is as follows:

	2005		2004		Change
Base rents	$ 5,320,454	64.8%	$ 2,874,033	57.0%	$ 2,446,421
Straight-line rents	1,007,062	12.3%	1,142,186	22.7%	(135,124)
Percentage rents	643,757	7.9%	—	—	643,757
Interest from loans	1,218,785	14.8%	1,022,853	20.3%	195,932
Fee income	14,883	0.2%	—	—	14,883
Total revenue	$ 8,204,941	100.0%	$ 5,039,072	100.0%	$ 3,165,869

Revenue of $8,204,941 in the three months ended September 30, 2005, was comprised of rents (85.0%) and interest and fee income from loans (15.0%). All of this revenue was derived from properties that we have acquired since July 1, 2004. During the three month period ended September 30, 2005, we received percentage rents of approximately $644,000 from Vibra pursuant to provisions in our leases that did not become effective until January 2005. Also, the Desert Valley — Victorville, Vibra — Redding and Gulf States — Covington facilities, which we acquired in the first six months of 2005, provided three months of base rent revenue as compared to no revenue in 2004. Straight-line rents decreased by approximately $135,000 in the three months ended September 30, 2005 compared to the same period of 2005 as a result of scheduled base rent increases related to six Vibra properties. Interest income from loans in the three months ended September 30, 2005 compared to the same period in 2004 increased due to the Denham Springs mortgage loan, which originated in the second quarter of 2005. Vibra accounted for 83.8% and 100.0% of our gross revenues during the three months ended September 30, 2005 and 2004,

respectively. The relative size of our Vibra revenue decreased as a result of our diversification of tenants and will continue to decrease as we acquire additional properties and lease them to other tenants.

We expect our revenue to continue to increase in future quarters as a result of expected acquisitions, completion of projects currently under development, and lease rate escalations that will become effective on January 1, 2006. We also expect that the relative portion of our revenue that is paid by Vibra will continue to decline as a result of continued tenant diversification. Of the expected rental and other revenue increases, none other than a 2.5% increase in Vibra's rental rate is expected from Vibra.

Depreciation and amortization during the three months ended September 30, 2005, was $1,170,387, compared to $928,356, during the three months ended September 30, 2004, a 26.1% increase. All of the increased depreciation and amortization is related to property acquisitions. We expect our depreciation and amortization expense to continue to increase commensurate with our acquisition and development activity.

General and administrative expenses in the three months ended September 30, 2005 and 2004 totaled $1,990,971, and $1,631,600, respectively, an increase of 22.0%. The increase is due primarily to an increase in general office expenses as the number of employees increased from ten to 17 since September 30, 2004. We do not expect our general and administrative expense to increase commensurate with our asset growth. All of our leases are structured as net leases, such that we are not responsible for property management or maintenance. Accordingly, we believe that subsequent to our adding five to ten employees over the next 12 months, we will have sufficient human resources to sustain substantial additional asset growth. During the three months ended September 30, 2005, we also recorded $555,409 of share based compensation expense related to restricted shares granted to employees, officers and directors during the second and third quarters of 2005.

Interest income (other than from loans) for the three months ended September 30, 2005 and 2004, totaled $767,917 and $188,568, respectively. Interest income increased primarily due to higher cash balances in the three months ended September 30, 2005, as a result of temporary investment of proceeds from our IPO which closed in July, 2005, and the underwriters' exercise of their over-allotment option in August, 2005. We expect earnings on our temporary investments to decline substantially as we invest these proceeds in real estate and other assets.

We recorded no interest expense in the three months ended September 30, 2005, because the capitalized cost of our developments exceeded our outstanding loan balances during the period. Capitalized interest was approximately $915,000 during the three months ended September 30, 2005.

Nine Months Ended September 30, 2005 Compared to the Nine Months Ended September 30, 2004

Net income for the nine months ended September 30, 2005, was $13,195,836 compared to net income of $1,065,322 for the nine months ended September 30, 2004.

A comparison of revenues for the nine month periods ended September 30, 2005 and 2004, is as follows:

	2005		2004		Change
Base rents	$ 12,936,876	59.0%	$ 2,874,033	57.0%	$ 10,062,843
Straight-line rents	3,784,801	17.3%	1,142,186	22.7%	2,642,615
Percentage rents	1,642,712	7.5%	—	—	1,642,712
Interest from loans	3,463,894	15.8%	1,022,853	20.3%	2,441,041
Fee income	98,963	0.4%	—	—	98,963
Total revenue	$ 21,927,246	100.0%	$ 5,039,072	100.0%	$ 16,888,174

Revenue of $21,927,246 in the nine months ended September 30, 2005, was comprised of rents (83.8%) and interest and fee income from loans (16.2%). All of this revenue was derived from properties that we have acquired since July 1, 2004. Our base and straight-line rents increased in 2005 due to owning

the initial six Vibra properties for a full nine months of 2005, plus the addition of the three new facilities in 2005. During the nine month period ended September 30, 2005, we received percentage rents of approximately $1.6 million. Pursuant to our lease terms with Vibra, we were not eligible to receive percentage rent in 2004. Interest income from loans in the nine month period ended September 30, 2005, increased based on the timing and amount of Vibra loan advances and repayments in 2004 and 2005, and on the origination of the Denham Springs loan in 2005. Vibra accounted for 88.4% and 100.0% of our gross revenues during the nine months ended September 30, 2005 and 2004, respectively. See the discussion of future expected results under the three month comparison above.

Depreciation and amortization during the nine months ended September 30, 2005, was $2,986,790, compared to $928,356, during the nine months ended September 30, 2004. All of the increased depreciation and amortization is related to property acquisitions. We expect our depreciation and amortization expense to continue to increase commensurate with our acquisition and development activity.

General and administrative expenses in the nine months ended September 30, 2005, and 2004 totaled $5,109,854, and $3,329,559, respectively, an increase of 53.5%. The increase is due primarily to an increase in general office and compensation expenses as the number of employees has increased from ten to 17 since September 30, 2004. See the discussion of future expected results under the three month comparison above. During the nine months ended September 30, 2005, we also recorded $602,403 of share based compensation expense as a result of restricted shares granted to employees, officers and directors during the second and third quarters of 2005.

Interest income (other than from loans) for the nine months ended September 30, 2005, and 2004, totaled $1,509,903 and $667,857, respectively. Interest income increased due to the amount of offering proceeds temporarily invested in short term, cash equivalent instruments and to higher interest rates in 2005.

Reconciliation of Non-GAAP Financial Measures

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

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

The following table presents a reconciliation of FFO to net income for the three and nine months ended September 30, 2005 and 2004.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
Net income	$ 5,256,091	$ 2,628,938	$ 13,195,836	$ 1,065,322
Depreciation and amortization	1,170,387	928,356	2,986,790	928,356
Funds from operations — FFO	$ 6,426,478	$ 3,557,294	$ 16,182,626	$ 1,993,678

Per diluted share amounts:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
Net income	$ .14	$ .10	$ .44	$ .06
Depreciation and amortization	.03	.04	.10	.06
Funds from operations — FFO	$ .17	$ .14	$ .54	$ .12

Distribution Policy

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

The table below is a summary of our distributions paid or declared in the nine months ended September 30, 2005:

Declaration Date	Record Date	Date of Distribution	Distribution per Share
August 18, 2005	September 15, 2005	September 29, 2005	$ .17
May 19, 2005	June 20, 2005	July 14, 2005	$ .16
March 4, 2005	March 16, 2005	April 15, 2005	$ .11
November 11, 2004	December 16, 2004	January 11, 2005	$ .11

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

Quantitative and Qualitative Disclosures about Market Risk

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

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

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $1,005,000 per year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately $1,005,000 per year. This assumes that the amount outstanding under our variable rate debt remains approximately $100.5 million, the balance as of the date of this prospectus.

We currently have no assets denominated in a foreign currency, nor do we have any assets located outside of the United States. We also have no exposure to derivative financial instruments.

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 17 facilities, consisting of 14 facilities that are in operation and three facilities that are under development. Five of the facilities that are in operation are rehabilitation hospitals, four are long-term acute care hospitals, one is a community hospital with an integrated medical office building, one is a community hospital with an adjacent medical office building and two are community hospitals. One facility under development is a women's hospital with an integrated medical office building. Our second facility under development is a community hospital. With respect to our third facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress for the development of a community hospital. The facility will be developed on

property in which we currently have a ground lease interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, 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.

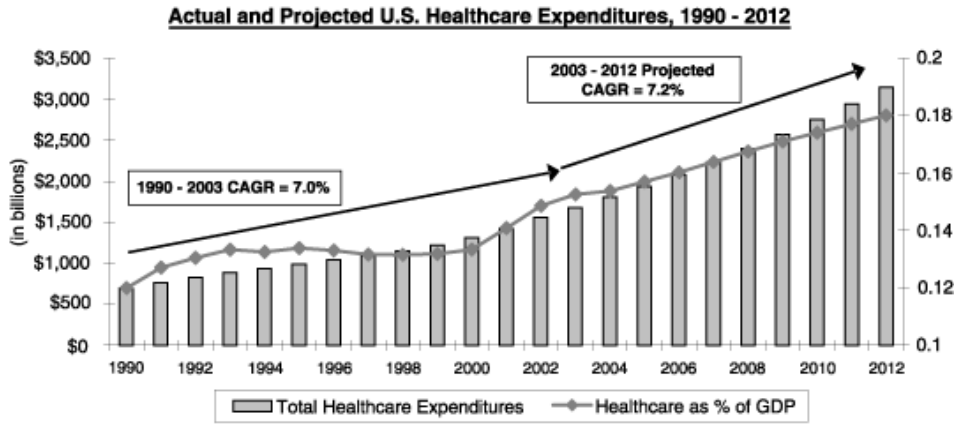
In October 2005, we entered into a credit agreement with Merrill Lynch Capital which replaced the loan agreement dated December 31, 2004 between us and Merrill Lynch Capital. The credit agreement provides for secured revolving loans of up to $100.0 million in aggregate principal amount. The principal amount may be increased to $175.0 million at our request. The amounts borrowed are secured by mortgages on real property owned by certain of our subsidiaries and are guaranteed by us. The facilities that we use to secure the amounts under the credit agreement make up the “borrowing base.” The borrowing base, and therefore borrowings, are limited based on (i) the appraised value of the borrowing base and (ii) rent income from and financial performance of the operator lessees of the borrowing base. Interest on borrowings under the credit agreement will accrue monthly at one month LIBOR (4.44% at January 9, 2006), plus a spread which increases as amounts borrowed increase as a percentage of the borrowing base. We must also pay certain fees based on the amount borrowed in any monthly period. The credit agreement expires in October 2009, and may be extended by us for one additional year upon payment of a fee. The credit agreement contains representations, financial and other affirmative and negative covenants, events of default and remedies typical for this type of facility.

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. Construction of the West Houston MOB was completed in October 2005, and construction of the West Houston Hospital was completed in November 2005. We have not yet exercised the option to convert the construction loans to term loans. 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, there is $35.5 million outstanding 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.

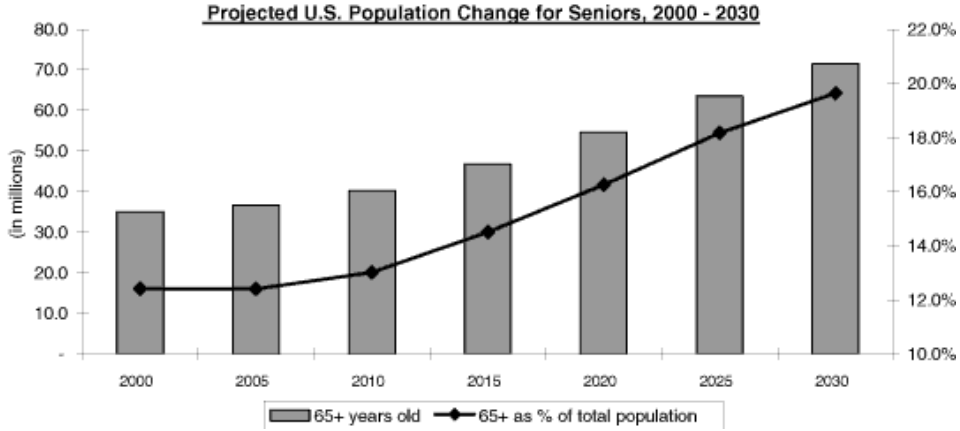
Market Opportunity

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.



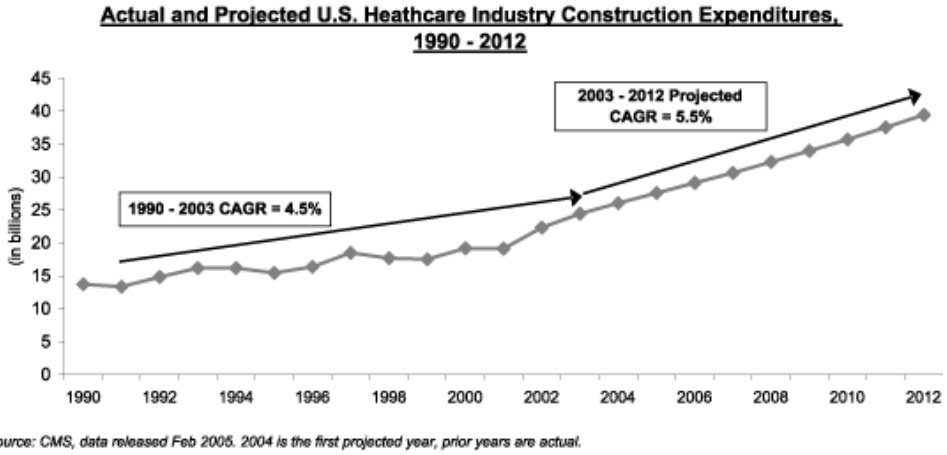
Source: Healthcare Expenditure data released Feb 2005 from CMS (2004 is the first projected year, prior years are actual); GDP data from U.S. Department of Commerce, Bureau of Economic Analysis (1990-2004). GDP projected at 5.1% growth rate (10-year hist. average).

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



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:



Source: CMS, data released Feb 2005. 2004 is the first projected year, prior years are actual.

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

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

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

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

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

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

Our Target Facilities

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

- *Rehabilitation Hospitals:* Rehabilitation hospitals provide inpatient and outpatient rehabilitation services for patients recovering from multiple traumatic injuries, organ transplants, amputations, cardiovascular surgery, strokes, and complex neurological, orthopedic, and other conditions. 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.

- 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.
- The net proceeds of our private placement and initial public offering, together with borrowed funds, have been or will be used to acquire our current portfolio of 17 facilities. Thus far, we have spent approximately $234.6 million for the 12 existing facilities that we acquired, and funded approximately $56.0 million of a projected total of $63.1 million of development costs for the West Houston Facilities, approximately $9.6 million of a projected total of $38.0 million of development costs for the Bucks County Facility, approximately $11.1 million of a projected total of $35.5 million of development costs for the Monroe Facility and approximately $18.7 million pursuant to the North Cypress construction loan. In addition, we have loaned approximately $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.

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 West Houston MOB and the West Houston Hospital. 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 West Houston Hospital 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 $46.7 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. §1320a-7b(b), or the Anti-Kickback Statute, prohibits, among other things, the offer, payment, solicitation or acceptance of remuneration directly or indirectly in return for referring an individual to a provider of services for which payment may be made in whole or in part under a federal healthcare program, including the Medicare or Medicaid programs. Violation of the Anti-Kickback Statute is a crime and is punishable by criminal fines of up to $25,000 per violation, five years imprisonment or both. Violations may also result in civil sanctions, including civil penalties of up to $50,000 per violation, exclusion from participation in federal healthcare programs, including Medicare and Medicaid, and additional monetary penalties in amounts treble to the underlying remuneration.

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

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

The Stark Law as originally enacted in 1989 only applied to referrals for clinical laboratory tests reimbursable by Medicare. However, the law was amended in 1993 and 1994 and, effective January 1,

1995, became applicable to referrals for an expanded list of designated health services reimbursable under Medicare or Medicaid.

The Stark Law specifies a number of substantial sanctions that may be imposed upon violators. Payment is to be denied for Medicare claims related to designated health services referred in violation of the Stark Law. Further, any amounts collected from individual patients or third-party payors for such designated health services must be refunded on a timely basis. A person who presents or causes to be presented a claim to the Medicare program in violation of the Stark Law is also subject to civil monetary penalties of up to $15,000 per claim, civil 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 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. The bill was referred to the Senate Committee on Finance on July 14, 2005. The Budget Reconciliation Conference Agreement, which was approved by the Senate on December 22, 2005 and which will be considered for final passage by the House following its return from recess on or about January 31, 2006, contains a provision that would extend the phase-in period of the “75 percent rule” for one additional year. The bill would require facilities to meet a 60% threshold starting in fiscal year 2006, 65% in fiscal year 2007 and 75% in fiscal year 2008. 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. § 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.

The Budget Reconciliation Conference Agreement requires the Secretary of Health and Human Services to develop and implement a plan within eight months of passage to address issues regarding physician investment in specialty hospitals including concerns with proportionality of investment return, bona fide investment, annual disclosure of investment information, and the appropriate care of Medicare and charity care patients. In addition, the agreement continues the CMS suspension of enrollment of new specialty hospitals until the issuance of the mandated report. 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 Budget Reconciliation Conference Agreement. CMS may clarify or modify its definition of specialty hospital, which may result in physicians who own interests in our tenants being forced to divest their ownership or the enrollment of the hospital for participation in the Medicare Program may be delayed. Although the specialty hospital moratorium under the Act limited, and the proposed Budget Reconciliation Conference Agreement would limit physician ownership or investment in "specialty hospitals" as defined by CMS, they do not limit a physician's ability to hold an ownership or investment interest in facilities which may be leased to hospital operators or other healthcare providers, assuming the lease arrangement conforms to the requirements of

an applicable exception under the Stark Law. We intend to structure all of our leases, including leases containing percentage rent arrangements, to comply with applicable exceptions under the Stark Law and to comply with the Anti-Kickback Statute. We believe that strong arguments can be made that percentage rent arrangements, when structured properly, should be permissible under the Stark Law and the Anti-Kickback Statute; however, these laws are subject to continued regulatory interpretation and there can be no assurance that such arrangements will continue to be permissible. Accordingly, although we do not currently have any percentage rent arrangements where physicians own an interest in our facilities, we may be prohibited from entering into percentage rent arrangements in the future where physicians own an interest in our facilities. In the event we enter into such arrangements at some point in the future and later find the arrangements no longer comply with the Stark Law or Anti-Kickback Statute, we or our tenants may be subject to penalties under the statutes.

The California Department of Health Services recently adopted regulations, codified as Sections 70217, 70225 and 70455 of Title 22 of the California Code of Regulations, or CCR, which establish minimum, specific, numerical licensed nurse-to-patient ratios for specified units of general acute care hospitals. These regulations are effective January 1, 2004. The minimum staffing ratios set forth in 22 CCR 70217(a) co-exist with existing regulations requiring that hospitals have a patient classification system in place. 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 appealed that ruling; however, the Governor withdrew the appeal in November 2005.

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 17 healthcare facilities, 14 of which are in operation and three of which are under development. The Vibra Facilities consist of four rehabilitation hospitals and two long-term acute care hospitals. The Desert Valley Facility is a community hospital with an integrated medical office building. The Covington Facility is a long-term acute care hospital facility. The Redding Facility is a rehabilitation hospital. The Denham Springs Facility is a long-term acute care hospital. The Chino Facility is a community hospital. The Sherman Oaks Facility is a community hospital. All of the leases for the hospitals described above have initial terms of 15 years. Our current portfolio of facilities also includes the West Houston Hospital and the adjacent West Houston MOB, each of which we developed. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end in November 2020. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end in October 2015. One 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. Our second facility under development is the Monroe Facility. The initial lease term for the Monroe Facility began when construction commenced in October 2005 and will end 15 years after completion of construction. We target completion of construction for the Monroe Facility for

October 2006. With respect to the third facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, 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 the date of this prospectus regarding our current portfolio of facilities:

Operating Facilities

Location	Type	Tenant	Number of Beds(1)	2004 Annualized Base Rent	2005 Contractual Base Rent(2)	2006 Contractual Base Rent(2)	Gross Purchase Price or Development Cost(3)	Lease Expiration
Houston, Texas	Community hospital	Stealth, L.P.	105(4)	$ —	$ —(5)	$ 4,749,005(5)	$ 43,099,310(6)	November 2020(7)
Bowling Green, Kentucky	Rehabilitation hospital	Vibra Healthcare, LLC(8)	60	3,916,695	4,294,990	4,790,113	38,211,658	July 2019
Marlton, New Jersey(9)	Rehabilitation (10) hospital	Vibra Healthcare, LLC(8)	76	3,401,791	3,730,354	4,160,390	32,267,622	July 2019
Victorville, California(11)	Community hospital/medical office building	Desert Valley Hospital, Inc.	83	—	2,341,005	2,856,000	28,000,000	February 2020
New Bedford, Massachusetts	Long-term acute care hospital	Vibra Healthcare, LLC(8)	90	2,262,979	2,426,320	2,767,624	22,077,847	August 2019
Chino, California	Community hospital	Veritas Health Services, Inc.	126	—	180,753	2,103,682	21,000,000	November 2020
Houston, Texas	Medical office building	Stealth, L.P.	n/a	—	503,130(5)	2,049,415(5)	20,855,119(6)	October 2015 (7)
Redding, California(12)	Rehabilitation hospital	Vibra Healthcare, LLC(8)	88	—	950,250(13)	1,913,949(13)	20,750,000	June 2020
Sherman Oaks, California	Community hospital	Prime Healthcare Services II, LLC	153	—	—	2,100,000	20,000,000	December 2020
Fresno, California	Rehabilitation hospital	Vibra Healthcare, LLC(8)	62	1,914,829	2,099,773	2,341,835	18,681,255	July 2019
Covington, Louisiana	Long-term acute care hospital	Gulf States Long-Term Acute Care of Covington, L.L.C.	58	—	674,188	1,207,500	11,500,000	June 2020
Thornton, Colorado	Rehabilitation hospital	Vibra Healthcare, LLC(8)	117	870,377	933,200	1,064,471	8,491,481	August 2019
Kentfield, California	Long-term acute care hospital	Vibra Healthcare, LLC(8)	60	783,339	858,998	958,024	7,642,332	July 2019
Denham Springs, Louisiana	Long-term acute care hospital	Gulf States Long Term Acute Care of Denham Springs, L.L.C.	59	—	150,000	645,750	6,000,000	October 2020
Total	—	—	1,137	$ 13,150,010	$ 19,097,961	$ 33,707,758	$ 298,576,624	—

(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) 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.

(5) Based on leases in place as of the date of this prospectus and estimated total development costs. Does not include rents that accrued during the construction period and are payable over the remaining lease term following the completion of construction.

(6) Estimated total development costs.

(7) At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the facility 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.

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

(9) 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.

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

(11) 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.

(12) 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.

(13) 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.

Location	Type	Tenant	Number of Beds(1)	2004 Annualized Base Rent
Houston, Texas	Community hospital	North Cypress Medical Center Operating Company, Ltd.	64	$ —
Bensalem, Pennsylvania	Women's hospital/medical office building (5)	Bucks County Oncoplastic Institute, LLC	30	—
Bloomington, Indiana	Community hospital(8)	Monroe Hospital, LLC	32	—(9)
Total	—	—	126	$ —

[Additional columns below]

[Continued from above table, first column(s) repeated]

Location	2005 Contractual Base Rent	2006 Contractual Base Rent	Projected Development Cost(2)	Lease Expiration
Houston, Texas	$ —(3)	$ —(3)	$ 64,028,000	—(4)
Bensalem, Pennsylvania	—(6)	1,627,820(6)	38,000,000	August 2021(7)
Bloomington, Indiana	—(9)	954,063	35,500,000	October 2021(10)
Total	$ —	$ 2,581,883	$ 137,528,000	—

(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 2006.

(6) 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 October 2006.

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

(8) Expected to be completed in October 2006.

(9) 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 October 2006.

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

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 $20.0 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 $12.9 million outstanding under the facility on September 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. The percentage rent will be paid on a quarterly basis. 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 as of and for the year ended December 31, 2004 and as of and for the nine months ended September 30, 2005. We believe that the financial statements of Vibra 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:

	Federal Tax Basis		Depreciation			2004 Real Estate	
	Land	Buildings	Annual Rate	Method	Life in Years	Taxes	Rate
Bowling Green, KY	$ 3,070,000	$ 35,141,658	2.5%	Straight-line	40	$ 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%.

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. GPMV completed development of the 105 bed, 121,884 gross square foot West Houston Hospital in November 2005. Seventy-one beds are acute care beds operated by Stealth and 34 are long-term acute care beds operated by Triumph Southwest, L.P., or Triumph, a tenant of Stealth. A third-party developer completed development of the adjacent 120,000 gross square foot West Houston MOB on the property in October 2005. Pursuant to the agreements with Stealth and GPMV, we have formed two Delaware limited partnerships, MPT West Houston Hospital, or the hospital limited partnership, which owns the West Houston Hospital, and MPT West Houston MOB, L.P., or the MOB limited partnership, which owns 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 land on which the facilities were 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, which amount will be payable over such period as may be requested by Stealth. Any additional amounts paid will be included in total development costs, will increase the rental payable to us and will be added to the purchase price if Stealth elects to purchase the parcel. 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 in December 2005.

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. Stealth has borrowed $1.3 million under this loan as of the date of this prospectus. 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 $6.0 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 $6.0 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. We do not expect this transaction to be necessary.

Development Agreements. The hospital limited partnership has paid GPMV $542,480 of a development fee of approximately $700,000 and $175,223 of a construction management fee of approximately $200,000. The hospital limited partnership has also agreed to pay GPMV a contingent funds fee of approximately $450,000. The MOB limited partnership has paid the developer $440,000 of a development fee of approximately $550,000 and $240,000 of a construction management fee of approximately $300,000. The MOB limited partnership has also agreed to pay the developer a contingent funds fee of approximately $350,000.

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 being paid, with interest at the rate of 10.75% per year, over a 15 year period beginning in November 2005. 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. During the construction period, we advanced 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. The facilities were leased 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. 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 obtained a certificate of deposit in the amount of $1,905,234; however, Stealth did not execute or deliver the documents required by us to perfect our security interest in the certificate of deposit. The certificate of deposit matured in July 2005 and has not been renewed. 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 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 two 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 September 30, 2005, it had tangible assets of approximately $7.7 million, including cash of approximately $4.7 million, liabilities of approximately $1.7 million and owners' equity of approximately $6.0 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 is required to make monthly deposits into a capital improvement reserve in the amount of $3,000 per year in the case of the West Houston MOB and $2,500 per bed per annum in the case of the West Houston Hospital. On each January 1 thereafter, the payment into the capital improvement reserve will be increased by 2.0% in the case of the West Houston MOB and by 2.25% in the case of the West Houston Hospital. All capital expenditures made in each year during the term of the lease will be funded first from the capital improvement reserve, and the tenant will pay into its respective capital improvement reserve such funds as necessary for all replacements and repairs.

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

	Estimated Federal Tax Basis		Depreciation			Estimated 2005 Real Estate	
	Land	Buildings	Annual Rate	Method	Life in Years	Taxes	Rate
West Houston Hospital	$ 8,400,000	$ 34,200,000	2.5%	Straight-line	40	$ 1,324,860	3.11%
West Houston MOB	1,800,000	18,700,000	2.5	Straight-line	40	637,550	3.11

Chino Facility

General. On November 30, 2005, Prime Healthcare Services, LLC exercised a purchase option assigned to it by Veritas, and purchased a fee simple interest in the Chino Facility from Kasirer Family Holdings #4, LLC, or KFH. On the same date, Prime Healthcare Services, LLC sold the Chino Facility to us for a purchase price of approximately $21.0 million. The purchase price for the facility was determined through arms-length negotiations with Prime 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. Also on November 30, 2005, Prime Healthcare Services, LLC assigned to us all of its right, title and interest in a lease for a parking lot adjacent to the facility, or the parking lot lease. The parking lot lease expires in December 2013.

The Chino Facility, located in Chino, California, which is approximately 35 miles from Los Angeles, California, is an approximately 113,388 square foot community hospital facility, built in 1972. The facility is currently licensed for 126 beds.

Lease. This facility is 100% leased to Veritas, an affiliate of Prime, and the prior operator of the facility. The principals of Prime have experience in developing, acquiring, managing and operating 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. Veritas 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 $2.1 million. On January 1, 2007, 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 Veritas to carry customary insurance which is adequate to satisfy our underwriting standards.

Lease Guaranties and Security. The Chino Facility lease is guaranteed by Prime, Prime Healthcare Services, LLC, DVH and DVMG. The guaranty is an absolute and irrevocable guaranty. The lease is cross-defaulted with any other leases or other agreements between us or any of our affiliates and Veritas, any guarantor and any of their affiliates, excluding any lease related to the Sherman Oaks facility. In addition, as security for the lease, Veritas has granted us a security interest in all personal property, other than receivables, located at the Chino Facility, subject to purchase money liens on equipment. Prime

Healthcare Services, LLC has also granted us a security interest in certain of its personal property leased or subleased to Veritas and located at the Chino facility. Prime, an affiliate of Veritas and a guarantor of the lease, has provided to us unaudited financial statements showing that, as of September 30, 2005, it had consolidated tangible assets of approximately $53.8 million, consolidated liabilities of approximately $23.2 million, and consolidated tangible net worth of approximately $30.6 million and for the nine months ended September 30, 2005, had consolidated net income of approximately $15.1 million.

Reserve for Extraordinary Repairs. Veritas 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. Veritas is required to make quarterly deposits into a reserve account in the amount of $2,500 per bed per year. Beginning on January 1, 2007 and on each January 1 thereafter, the payment of $2,500 per bed per year into the improvement reserve will be increased by 2%. Amounts drawn from the reserve are to be replenished at the rate of 1/12th of the total drawn per month until completely replenished.

Purchase Options. At any time after November 30, 2008, so long as Veritas and its affiliates are not in default under any lease with us or any of the leases with its subtenants, Veritas or Prime Healthcare Services, LLC 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 11% per year, taking into account all payments of base rent received by us.

If we receive notice that the parking lot lease will not be renewed beyond December 2013, that our rights under the parking lot lease are or will be terminated, or that the parking lot may not be used for parking for the facility, we have the right, upon 90 days' prior written notice, or the put notice, to cause Veritas to purchase the Chino Facility and our interest in the parking lot lease 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 11% per year, taking into account all payments of base rent received by us. Upon receipt of the put notice, however, Veritas has the right, within 30 days following the put notice, to substitute one or more properties to be used for parking for the facility. We are not obligated to accept any substitute property which does not satisfy applicable zoning and use laws, ordinances, rules or regulations or which, in our sole discretion, would create an undue burden or inconvenience for parking at the facility.

Commitment Fee. We were paid a commitment fee of $105,000 in connection with this transaction.

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 Chino Facility:

	Federal Tax Basis		Depreciation			2004 Real Estate	
	Land	Buildings	Annual Rate	Method	Life in Years	Taxes	Rate
Chino, California	$ 2,220,000	$ 18,780,000	2.5%	Straight-line	40	$ 103,927	1.05%

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	
	Land	Buildings	Annual Rate	Method	Life in Years	Taxes	Rate
Redding, California	$ —	$ 20,750,000	2.5%	Straight-line	40	$ 49,681	1.1%

Sherman Oaks Facility

General. On December 30, 2005, we acquired a fee simple interest in the Sherman Oaks Facility from Prime II and Prime A for a purchase price of approximately $20.0 million. The purchase price for the facility was determined through arms-length negotiations with Prime and its affiliates 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 Sherman Oaks Facility is located in Sherman Oaks, California, which is approximately 14 miles from Los Angeles, California. The facility is an approximately 135,000 square foot community hospital facility, currently licensed for 153 beds. Construction of the original facility was completed in 1956 with additions completed as recently as 1980. Also on December 30, 2005, Prime A assigned to us all of its right, title and interest in an air rights agreement which gave G&L Realty Partnership, L.P., an unrelated third party, air rights, support rights, access rights and other rights for the construction, use and maintenance of a parking structure building adjacent to the Sherman Oaks Facility. The air rights agreement gives us the right to use a portion of the parking areas on the parking structure.

Lease. The facility is 100% leased to Prime II, an affiliate of Prime. The principals of Prime have experience in developing, acquiring, managing and operating 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. Prime II has three options to renew for five years each. The initial annual base rent is equal to 10.5% of the purchase price, or the annual rate of $2.1 million. On January 1, 2007, 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 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 Prime II to carry customary insurance which is adequate to satisfy our underwriting standards.

Lease Guaranties and Security. The Sherman Oaks Facility lease is unconditionally and irrevocably guaranteed by Prime, DVH, DVMG and Prime A until two years after the commencement of the lease term, and that after that date, Prime, DVH, DVMG and Prime A will guaranty the obligations under the Sherman Oaks lease for up to $5.0 million. When Prime II satisfies certain financial conditions under the lease, the lease guaranty will terminate. As security for the lease, Prime II has granted us a security interest in all personal property, other than receivables and inventory located at the Sherman Oaks Facility, subject to purchase money liens on equipment. Prime has provided to us unaudited financial statements showing that, as of September 30, 2005, it had consolidated tangible assets of approximately $53.8 million, consolidated liabilities of approximately $23.2 million, and consolidated tangible net worth of approximately $30.6 million and for the nine months ended September 30, 2005, had consolidated net income of approximately $15.1 million.

Reserve for Extraordinary Repairs. Prime II 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. Prime II is required to make quarterly deposits into a reserve account in the amount of $2,500 per bed per year. Beginning on January 1, 2007 and on each January 1 thereafter, the payment of $2,500 per bed per year into the improvement reserve will be increased by 2%, and that amounts drawn from the reserve are to be replenished at the rate of 1/12th of the total drawn per month until completely replenished.

Purchase Options. The letter of commitment provides that at any time after the tenth anniversary of the commencement of the lease term, so long as Prime II and its affiliates are not in default under any lease with us or any of the leases with its subtenants, Prime A 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 (including any additional financing by us), and (ii) that amount determined under a formula that would provide us an internal rate of return of 11% per year, taking into account all payments of base rent received by us, but in no event would this amount be less than the purchase price (including any additional financing by us). Prime A also has the right at any time while the guaranty is outstanding, and providing there is no existing default, to petition to purchase the facility for the same purchase price, and we would then have the option to release the guaranty or sell the property. Finally, if there is a non-monetary default, other than an intentional default, that occurs before the tenth anniversary of the lease date, and we desire to terminate the lease, Prime A would also have the option to purchase the facility, but at an internal rate of return to us of 12.5%.

Commitment Fee. We have been paid a commitment fee of $100,000 in connection with this transaction.

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 Sherman Oaks Facility:

	Federal Tax Basis		Depreciation			2005 Real Estate	
	Land	Buildings	Annual Rate	Method	Life in Years	Taxes	Rate
Sherman Oaks, California	$ 1,785,714	$ 18,214,286	2.5%	Straight-line	40	$ 210,200	1.05%

Facility Expansion. We have agreed to fund up to $5.0 million for the purpose of expanding our Sherman Oaks Facility. The lease provides that the parties will use their commercially reasonable efforts to enter into an agreement respecting the timing and terms of this funding. Upon execution of a definitive development agreement,, Prime II will be obligated to pay us a fee in cash equal to 0.5% of the maximum amount that can be funded. The 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. We will not generate any revenues from this transaction until Prime II begins drawing the committed funds.

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, an unaffiliated third party but an affiliate of Prime, for a purchase price of approximately $28.0 million. The purchase price was determined through arms-length negotiations with Prime 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. 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, Prime and DVMG. 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 September 30, 2005, it had tangible assets of approximately $20.1 million, liabilities of approximately $19.4 million and stockholders' equity of approximately $0.7 million, and for the three months ended September 30, 2005, had net income of approximately $14.1 million.

Prime, the parent of DVH and a guarantor of the lease, has provided to us unaudited financial statements showing that, as of September 30, 2005, it had consolidated tangible assets of approximately $53.8 million, consolidated liabilities of approximately $23.2 million, and consolidated tangible net worth of approximately $30.6 million and for the nine month period ended September 30, 2005, had consolidated net income of approximately $15.1 million.

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

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

willing to accept the offer, so long as DVH and its affiliates are not in default under any lease with us or any of the subleases with its subtenants, we must first present the offer to DVH and allow DVH the right to purchase the facility upon the same price, terms and conditions as set forth in the offer; however, if the offer is made after February 28, 2007, in lieu of exercising its right of first refusal, DVH may exercise its option to purchase as provided above.

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

	Federal Tax Basis		Depreciation			2004 Real Estate	
	Land	Buildings	Annual Rate	Method	Life in Years	Taxes	Rate
Victorville, California	$ 2,000,000	$ 26,000,000	2.5%	Straight-line	40	$ 289,905	1.07%

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

Covington, Louisiana

General. On June 9, 2005, we acquired a fee simple interest in a long-term acute care facility located in Covington, Louisiana, which is approximately 35 miles from New Orleans, Louisiana. The purchase agreement also provided for us to make a $6.0 million loan to Denham Springs Healthcare Properties, L.L.C., as well as our prospective purchase of a long-term acute facility in Denham Springs, Louisiana. We acquired the facility in Covington, Louisiana, which we refer to as the Covington Facility, from Covington Healthcare Properties, L.L.C., an unaffiliated third party. The Covington Facility contains approximately 43,250 square feet of space and is licensed for 58 beds.

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

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

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

Lease Guaranty and Security. The lease is guaranteed by Gulf States and Team Rehab. The lease is cross-defaulted with our loan agreement with Denham Springs Healthcare Properties, L.L.C. and will be cross-defaulted with our lease of the Denham Springs Facility if we purchase that facility. In addition, as security for the lease, the tenant has granted us a security interest in all personal property, other than receivables and operating licenses, located and to be located at the facility. Pursuant to the lease, the tenant has obtained and delivered to us an unconditional and irrevocable letter of credit, naming us beneficiary, in an amount equal to $598,500. At 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 September 30 2005, it had tangible assets of approximately $19.1 million, liabilities of approximately $9.9 million and stockholders' equity of approximately $9.2 million, and for the year ended September 30, 2005 had net income of approximately $0.8 million. Team Rehab has provided to us unaudited financial statements reflecting that, as of September 30, 2005, it had tangible assets of approximately $13.5 million, liabilities of approximately $3.1 million and owner's equity of approximately $10.4 million, and for the year ended September 30, 2005 had net income of approximately $7.3 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, 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 provided 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. 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.

On June 9, 2005 we made a loan of $6.0 million to Denham Springs Healthcare Properties, L.L.C., $500,000 of which was held in escrow pending the resolution of certain environmental issues related to the facility. The loan accrued 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 was to be prorated. The loan was 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 could be prepaid at any time without penalty.

On October 31, 2005, upon favorable resolution of the environmental issues related to the facility, we purchased the facility for a purchase price of $6.0 million, which was paid by delivering the note evidencing the loan and releasing to Denham Springs Healthcare Properties. L.L.C. the remaining balance of all funds escrowed under the loan. 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 owns the Denham Springs Facility. Our operating partnership currently owns all of the membership interests in this limited liability company; however, 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 purchased the Denham Springs Facility, we leased 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 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. The lease requires 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. The lease is guaranteed by Gulf States and Team Rehab. 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. The lease is cross-defaulted with the lease for the Covington Facility. The lease also required 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 provides 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.

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 lease required the tenant, on the commencement date of the lease, to deposit $56,000 into a reserve account as security for the tenant's obligation to make certain repairs 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. The tenant was 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.

Purchase Options. The lease provides 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.

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

Depreciation and Real Estate Taxes. The following table sets forth information, as of November 30, 2004, regarding the depreciation and real estate taxes for the Denham Springs Facility:

	Federal Tax Basis		Depreciation			2004 Real Estate	
	Land	Buildings	Annual Rate	Method	Life in Years	Taxes	Rate
Denham Springs, Louisiana	$ 428,571	$ 5,571,429	2.5%	Straight-line	40	$ 24,720	0.41%

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.

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. The guarantors have delivered financial statements which we believe reflect the necessary financial resources 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.

Bloomington, Indiana

General. On October 7, 2005, we purchased 12 acres of land in Bloomington, Indiana, which is approximately 50 miles from Indianapolis, Indiana, from SIMP II. As an accommodation to SIMP II, we also agreed to hold title to an additional 34 acres to be retransferred to SIMP II for nominal consideration upon the approval of the subdivision of the land. That land has now been retransferred. We also entered into funding and development agreements with Monroe Hospital, LLC, or Monroe Hospital, and Monroe Hospital Development, LLC, or Monroe Development, an affiliate of Surgical Development Partners, LLC, to develop a community hospital on the 12 acre parcel. The total development costs to develop the facility, including the cost of the land, will be approximately $35.5 million. To date, including the acquisition costs of the land, we have incurred approximately $11.1 million of the total development costs.

Lease. We have formed a Delaware limited liability company, MPT of Bloomington, LLC, to own the facility. We are leasing 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 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. The lease requires 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 funding and development agreements. During the construction period, the rent will be deferred and will be paid after the construction period over the 15 year lease term. 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 lease also requires the tenant to carry customary insurance which is adequate to satisfy our underwriting standards. The lease requires the tenant to pay, on the commencement date and on each January 1 thereafter, 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. In addition, to the inspection fee, we are entitled to a fee equal to $50,000 to cover our inspection of the facility during the construction period. We loaned Monroe Hospital the $55,000 for these inspection fees, which loan bears interest at a rate of 10.5% per annum, is payable interest only following the completion date and matures 15 years thereafter.

Repair and Replacement Reserve. The lease requires Monroe Hospital 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 also requires that the tenant, beginning on the completion of construction of the facility, to make annual deposits into a reserve account in the amount of $2,500 per bed per year. The lease also provides 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%.

Development Agreements. We have agreed to pay Monroe Development a developer fee of $750,000 and an additional fee of $250,000 for post-construction services.

Security. As security for the lease, Monroe Hospital has granted us a security interest in all personal property, other than receivables, located and to be located at the facility. As further security for the Lease, Monroe Hospital has caused its wholly owned subsidiary, Monroe Hospital Outpatient ASC, LLC to grant

us a security interest in all its personal property, other than receivables, located or to be located at the facility. The tenant also obtained and delivered 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. Monroe Hospital is newly formed and has had no significant operations to date. As a condition to closing, Monroe Hospital was required to achieve, and as a continuing covenant under the lease Monroe Hospital is required to maintain, a tangible net worth of $6.0 million. Monroe Hospital has provided to us unaudited financial statements reflecting that, as of September 30, 2005, it had tangible assets of $12.2 million, including cash of approximately $3.2 million, liabilities of approximately $3.4 million and owners' equity of approximately $8.9 million. The treasurer of Monroe Hospital also certified at closing that the equity owners of Monroe Hospital contributed to Monroe Hospital cash or cash equivalents in a total amount of $9.75 million.

Management Agreement. 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 made a $3.0 million cash equity investment in Monroe Hospital. We have the right to require Monroe Hospital to replace the management company under certain conditions.

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

Commitment Fee. At closing, Monroe Hospital executed a promissory note in favor of us for $177,500 commitment fee, which note bears interest at a rate of 10.5% and is payable interest only with a balloon payment approximately 15 years following completion of construction.

Our Current Loan

On December 23, 2005, we made a $40.0 million mortgage loan to Alliance, an unrelated third party. We refer to this mortgage loan in this prospectus as the Alliance Loan. The Alliance Loan is secured by a community hospital facility located in Odessa, Texas, which is approximately 20 miles from Midland, Texas. The facility is licensed for 78 beds, 28 of which are operated by HEALTHSOUTH Rehabilitation Hospital of Odessa, Inc. The Alliance Loan has a term of 15 years and is payable interest only during the term of the loan, with the full principal amount due at the end of the 15 year term. The aggregate annual base interest is set at an initial annual rate of ten percent. Beginning on January 1, 2007 and on each January 1 thereafter, Alliance will be required to pay additional interest equal to the greater of (i) 3.5% or (ii) the rate of the CPI increase for the prior year multiplied by the previous year's annualized base interest. Absent a third party's bona fide offer to acquire a majority of Alliance's equity interest or substantially all of Alliance's assets, Alliance may not prepay the Alliance Loan prior to the eighth loan year. In the event that Alliance prepays the Alliance Loan following such a bona fide offer or during the eight, ninth, or tenth loan years, Alliance must pay us a yield maintenance premium. Following the tenth loan year, Alliance may prepay the Alliance Loan without penalty or premium. As security for Alliance's obligations under the mortgage loan, all principal, base interest and additional interest on the first $30.0 million of the loan amount is guaranteed on a pro rata basis by the shareholders of SRI-SAI Enterprises, Inc., the general partner of Alliance, until such time as Alliance meets certain financial conditions. SRI-SAI Enterprises, Inc. also pledged all of its general partnership interest in Alliance to us as security for Alliance's obligations. Additionally, we have received a first mortgage on the facility and a first or second priority security interest in all of Alliance's personal property other than accounts receivable, along with other security. The Alliance Loan is cross-defaulted with all other agreements between us or our affiliates, on one hand, and Alliance or its affiliates on the other hand. The Alliance Loan also contains representations, financial and other affirmative and negative covenants, events of default and remedies

typical for this type of loan. As consideration for entering into this arrangement, Alliance paid us a commitment fee equal to one half of one percent of the loan amount on the closing date.

Our Pending Acquisition

We intend to expand our portfolio by acquiring our Pending Acquisition Facility, which we consider to be a probable acquisition as of the date of this prospectus, under the terms of the letter of commitment relating to this facility. The lease for this facility will provide for contractual base rent and an annual rent escalator. Letters of commitment constitute agreements of the parties to consummate the acquisition transactions and enter into leases on the terms set forth in the letters of commitment subject to the satisfaction of certain conditions, including the execution of mutually-acceptable definitive agreements. The following table contains information regarding our Pending Acquisition Facility as of the date of this prospectus:

Operating Facility

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

* 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.

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.

We cannot assure you that we will acquire or develop the Pending Acquisition Facility on the terms described in this prospectus or at all, because the transaction 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 commitment letter and other third party reports, obtaining of government and third party approvals and consents and approval by our board of directors, 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 February 28, 2006.

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 November 17, 2005, we entered into a letter of commitment to develop a hospital facility in Oklahoma for an estimated total development cost of $32.5 million, subject to adjustment. On December 27, 2005, we entered into a letter of commitment to acquire and leaseback a facility in Pennsylvania and to make related loans for certain improvements to the real estate and for working capital purposes for an estimated total cost of $9.2 million, subject to adjustment. These transactions are subject to our completion of due diligence.

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 2006 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

* 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	2003	145,833(3)	145,833	10,492(4)	9,249(5)
Officer and President					
Emmett E. McLean	2004	$ 250,000	$ 250,000	$ 24,385(6)	$ 15,385(2)
Executive Vice President,	2003	104,167(3)	104,167	—	10,896(7)
Chief Operating Officer, Treasurer and Assistant Secretary					
R. Steven Hamner	2004	$ 250,000	$ 250,000	$ 24,385(6)	$ 15,385(2)
Executive Vice President	2003	104,167(3)	104,167	—	5,918(8)
and Chief Financial Officer					
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,	2003	—	—	—	—
Secretary and General Counsel					

(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 adopted in 2005.

(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 4,691,180. 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 in the third quarter of 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%. On October 12, 2005, our compensation committee awarded 10,000 deferred stock units to our independent directors. As of the date of this prospectus, there remain 3,891,831 shares available for awards under the equity incentive 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 30, 2005	$ 11.20	$ 9.62
October 1, 2005 to December 30, 2005	$ 10.09	$ 7.60
January 3, 2006 to January 6, 2006	$ 10.10	$ 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, 2004	10.00	10.00
October 1, 2004 to December 31, 2004	10.25	10.00
January 1, 2005 to March 31, 2005	10.25	10.00
April 1, 2005 to May 25, 2005	10.25	10.00

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of December 31, 2005, unless otherwise indicated, 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%
Jeffrey L. Feinberg	2,399,300(10)	6.00%
c/o JLF Asset Management, L.L.C.		
2775 Via de la Valle, Suite 204		
Del Mar, CA 92014		

* 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 December 31, 2005. Shares of common stock that are deemed to be beneficially owned by a stockholder within 60 days after December 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) 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 December 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.

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
Unaffiliated(3)					
3M(4)	265,225	265,225	*	0	*
Aetna Services, Inc. Small Cap Equity (5)	25,800	25,800	*	0	*
AG Arb Partners, L.P.(6)(7)	88,000	88,000	*	0	*
AG CNG Fund, L.P.(6)(7)	45,000	45,000	*	0	*
AG Funds, L.P.(6)(7)	50,000	50,000	*	0	*
AG MM, L.P.(6)(7)	28,000	28,000	*	0	*
AG Princess, L.P.(6)(7)	22,000	22,000	*	0	*
AG Super Fund, L.P.(6)(7)	275,000	275,000	*	0	*
Allan Rothstein	5,000	5,000	*	0	*
Atlas Capital(8)	150,000	150,000	*	0	*

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
Anita U. Schorsch(6)	1,000	1,000	*	0	*
Alpha US Sub Fund I, LLC(10)	8,254	8,254	*	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 (5)	45,000	45,000	*	0	*
Augustus V.L. Brokaw III TTEE Augustus V.L. Brokaw III Revocable Trust Dated 10/14/1993(13)	1,300	1,300	*	0	*
Australian Retirement Fund — Global Small Companies Portfolio(9)	42,300	42,300	*	0	*
Axia Offshore Partners, Ltd.(10)	31,874	31,874	*	0	*
Axia Partners, L.P.(10)	16,460	16,460	*	0	*
Axia Partners Qualified, L.P.(10)	66,412	66,412	*	0	*
Bel Air Opportunistic Fund, L.P.(11)	40,000	40,000	*	0	*
Bert Fingerhut Roth IRA(12)	5,000	5,000	*	0	*
Bill Ham(13)	20,000	20,000	*	0	*
Bill Ham — IRA Rollover(13)	8,000	8,000	*	0	*
Black Foundation(13)	1,800	1,800	*	0	*
Bonnie Paley Minzer Revocable Trust (14)	1,000	1,000	*	0	*
Brian C. Porter(15)	334	334	*	0	*
Brunswick Master Trust(4)	33,150	33,150	*	0	*
Burke F. Hayes(15)	334	334	*	0	*
Caroline Hicks Roth IRA(16)	2,500	2,500	*	0	*
Carrhae & Co.(19)	36,250	36,250	*	0	*
Case Western Reserve University(9)	16,200	16,200	*	0	*
Central States Southeast & Southwest Areas Pension Fund(19)	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.(18)	525,500	525,500	1.3%	0	*
Connection Machine Services, Inc.(11)	4,000	4,000	*	0	*
Continental Casualty Company(6)(20)	100,000	100,000	*	0	*
Cotran Investments, Ltd.(21)	50,000	50,000	*	0	*
Cynthia Rothstein	5,000	5,000	*	0	*
Daniel W. Huthwaite & Constance R. Huthwaite	2,250	2,250	*	0	*
David M. Golush	4,600	4,600	*	0	*
David A. Todd(13)	5,200	5,200	*	0	*

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
Delaware Dividend Income Fund, a Series of Delaware Group Equity Funds(6)(17)	19,700	19,700	*	0	*
Delaware Investments Dividend and Income Fund, Inc.(6)(17)	35,000	35,000	*	0	*
Delaware Investments Global Dividend and Income Fund, Inc.(6)(17)	9,400	9,400	*	0	*
Dennis M. Langley	50,000	50,000	*	0	*
DNB NOR Globalspar (I)(22)	172,105	172,105	*	0	*
DNB NOR Globalspar (II)(22)	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(9)	29,300	29,300	*	0	*
Emerson Electric(4)	45,500	45,500	*	0	*
Emily L. Todd(13)	6,500	6,500	*	0	*
Endeavor Capital Offshore Fund, Ltd. (18)	180,700	180,700	*	0	*
Endeavor Capital Partners, L.P.(18)	60,700	60,700	*	0	*
Endeavor Capital Partners II, L.P. (18)	12,300	12,300	*	0	*
Eric J. Gaaserud(15)	334	334	*	0	*
Evan L. Julber	14,900	14,900	*	0	*
Evelyn Berry Spousal Rollover IRA(19)	1,525	1,525	*	0	*
First Financial Fund, Inc.(9)	419,500	419,500	1.0%	0	*
Francesca V. Ozdoba Pension & Profit Sharing Plan(23)	1,000	1,000	*	0	*
Francis and Cynthia O'Connor(15)	7,214	7,214	*	0	*
Fred G. Neuwirth	2,500	2,500	*	0	*
Friedman, Billings, Ramsey & Co., Inc. (24)	52,388	52,388	*	0	*
FBR Ashton Income Fund, LLC(25)	50,000	50,000	*	0	*
FBR Ashton Limited Partnership(25)	500,000	500,000	1.25%	0	*
FBR Ashton Special Situations Fund, L.P.(25)	445,000	445,000	1.11%	0	*
Friedman Billings Ramsey Group, Inc. (25)	1,795,571	1,795,571	4.5%	0	*
Frorer Partners, L.P.(26)	25,000	25,000	*	0	*
GLG North American Opportunity Fund (27)	300,000	300,000	*	0	*
GLG Partners (Financials Fund)(28)	290,000	220,000	*	70,000	*
GMI Investment Trust(4)	47,075	47,075	*	0	*

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
Goldman Sachs Asset Management Foundation(19)	3,175	3,175	*	0	*
Goldman Sachs Asset Management, L.P. (9)	112,000	112,000	*	0	*
Goldman Sachs JB Were Investment Management Pty., Ltd.(9)	3,000	3,000	*	0	*
Greenlight Capital, L.P.(29)	165,600	165,600	*	0	*
Greenlight Capital Offshore, Ltd.(29)	598,000	598,000	1.5%	0	*
Greenlight Capital Qualified, L.P. (29)	469,600	469,600	1.2%	0	*
Greenlight Reinsurance, Ltd.(29)	185,000	185,000	*	0	*
Guggenheim Portfolio Company III, LLC (6)(18)	33,100	33,100	*	0	*
Henry Ripp IRA(30)	2,000	2,000	*	0	*
Hillel & Elaine Weinberger	10,000	10,000	*	0	*
Indiana State Teachers Retirement Fund (5)	41,900	41,900	*	0	*
Iprofile — US Equity Pool(5)	1,500	1,500	*	0	*
Institutional Benchmarks Master Fund, Ltd.(31)	3,562	3,562	*	0	*
Invesco Perpetual Asset Management (32)	220,000	220,000	*	0	*
Investors of America, L.P.(33)	301,400	301,400	*	0	*
J&S Black F.L.P.(13)	5,900	5,900	*	0	*
J. Rock Tonkel, Jr.(15)	1,666	1,666	*	0	*
JB Were Global Small Companies Fund (9)	203,500	203,500	*	0	*
Jack Sear Revocable Trust(34)	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	8,000	8,000	*	0	*
James C. Neuhauser(15)	1,666	1,666		0	*
Jay Rasplicka	5,450	5,450	*	0	*
Jean C. Brokaw Revocable Trust Dated 10/14/1993(13)	1,300	1,300	*	0	*
Jed Hart	2,500	2,500	*	0	*
Jeffrey & Stacey Feinberg(35)	354,000	354,000	*	0	*
Jeffrey C. Kahn	500	500	*	0	*
Jeffry L. Lacy(13)	1,800	1,800	*	0	*
Jody Irwin, Separate Property(13)	2,600	2,600	*	0	*
JLF Partners I, L.P.(35)	697,901	697,901	1.7%	0	*
JLF Partners II, L.P.(35)	45,279	45,279	*	0	*
JLF Offshore Deferred Account(35)	300,000	300,000	*	0	*
JLF Offshore Fund, Ltd.(35)	1,002,120	1,002,120	2.5%	0	

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
John A. Hartford Foundation Inc.(19)	11,250	11,250	*	0	*
John A. Johnston & Robin L. Johnston	1,000	1,000	*	0	*
AG Sav & Inv Plan FBO Jed A. Hart(7)	2,500	2,500	*	0	*
John Black, IRA Rollover(13)	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. Weaver	3,000	3,000	*	0	*
Julian E. Gillespie and Heather A. Gillespie(15)	4,000	4,000	*	0	*
Kayne Anderson REIT Fund, L.P.(6)(36)	125,000	125,000	*	0	*
Kristin Junkin IRA(37)	1,500	1,500	*	0	*
Lawrence Chimerine	400	400	*	0	*
LG&E Energy Corp.(5)	12,300	12,300	*	0	*
Liebro Partners LLC(38)	3,000	3,000	*	0	*
Louis Scowcroft Peery Charitable Foundation(13)	1,800	1,800	*	0	*
Loyola University Endowment(4)	11,870	11,870	*	0	*
Loyola University Retirement(4)	11,750	11,750	*	0	*
Lucie Wray Todd(13)	10,000	10,000	*	0	*
Lupa Family Partners, L.P.(39)	38,910	38,910	*	0	*
Lyxor/ Third Point Fund Limited(40)	109,128	109,128	*	0	*
M&M Arbitrage LLC(31)	19,973	19,973	*	0	*
M&M Arbitrage Fund II, LLC(31)	21,520	21,520	*	0	*
M&M Arbitrage Offshore Ltd.(31)	53,122	53,122	*	0	*
Magnolia Charitable Trust, Emily L. Todd and David A. Todd, TTEEs(13)	4,300	4,300	*	0	*
Marcy A. Newberger Revocable Trust (41)	2,250	2,250	*	0	*
Mary L.G. Theroux, Trustee Mary L.G. Theroux Charitable Remainder Unitrust 5-14-96(13)	6,200	6,200	*	0	*
Mary L.G. Theroux, TTEE of the Mary L.G. Theroux Revocable Living Trust U/A 9/30/68(13)	4,800	4,800	*	0	*
Maritime Life Discovery Fund(9)	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(9)	103,900	103,900	*	0	*

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
Mavian, LLC(19)	575	575	*	0	*
Mercury Real Estate Advisors LLC(42)	34,000	34,000	*	0	*
Miami University Endowment(19)	1,675	1,675	*	0	*
Miami University Foundation(19)	2,000	2,000	*	0	*
Michael A. Claggett, IRA Rollover(13)	1,000	1,000	*	0	*
Michael C. Bruno	5,000	5,000	*	0	*
Millennium Partners, L.P.(6)(43)	2,200,000	1,500,000	5.5%	700,000	1.8%
Murray Gorin	5,000	5,000	*	0	*
Munder Micro-Cap Equity Fund(6)(44)	190,600	190,600	*	0	*
Munder Real Estate Equity Investment Fund(6)(44)	104,400	104,400	*	0	*
Mutual of America Institutional Funds, Inc. All American Fund(6)(45)	3,940	3,940	*	0	*
Mutual of America Institutional Funds, Inc. Aggressive Equity Fund(6)(45)	5,740	5,740	*	0	*
Mutual of America Investment Corporation All American Fund(6)(45)	34,720	34,720	*	0	*
Mutual of America Investment Corporation Aggressive Equity Fund(6)(45)	130,600	130,600	*	0	*
NCR Pension Trust-REIT Concentrated Sector Portfolio(9)	45,400	45,400	*	0	*
Neese Family Equity Investments Ltd.(19)	2,250	2,250	*	0	*
Nutmeg Partners, L.P.(6)(7)	60,000	60,000	*	0	*
Optimix Investment Management Limited (9)	17,000	17,000	*	0	*
Pacific Credit Corp.(11)	8,000	8,000	*	0	*
Pennant Offshore Partners Ltd.(46)	374,850	374,850	*	0	*
Pennant Onshore Partners, L.P.(46)	80,080	80,080	*	0	*
Pennant Onshore Qualified, L.P.(46)	245,070	245,070	*	0	*
Peter A. Gallagher	2,250	2,250	*	0	*
Peter A. Kirsch	300	300	*	0	*
Phillip Caplan(15)	3,667	3,667	*	0	*
PHS Bay Colony Fund, L.P.(6)(7)	22,000	22,000	*	0	*
PHS Patriot Fund, L.P.(6)(7)	10,000	10,000	*	0	*
Pinnacle Oil Company(47)	10,000	10,000	*	0	*
Pitney Bowes Pension Plan(5)	16,700	16,700	*	0	*
Producer-Writers Guild(4)	16,350	16,350	*	0	*
Prudential Real Estate Securities Fund (9)	36,100	36,100	*	0	*
Public Employees' Retirement System of Mississippi-REIT Portfolio(9)	33,500	33,500	*	0	*

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
PWB Value Partners, L.P.(48)	387,666	387,666	*	0	*
Quota Rabbico N.V.(39)	48,424	48,424	*	0	*
Ralph Pasture Pension Plan(49)	2,000	2,000	*	0	*
Raytheon Master Pension Trust—Real Estate Hedged Portfolio(9)	60,500	60,500	*	0	*
The Real Estate Investment Trust Series(6)(17)	849,735	425,935	2.1%	423,800	1%
The Real Estate Investment Trust Portfolio(6)(17)	587,165	293,865	1.5%	293,300	*
The Real Estate Investment Trust II Portfolio(6)(17)	66,800	33,900	*	32,900	*
Realty Enterprise Fund LLC(6)(50)	30,000	30,000	*	0	*
Retail Employees Superannuation Trust (9)	55,100	55,100	*	0	*
Retirement Plan for Hospital Employees (5)	10,000	10,000	*	0	*
Richard Feinberg	7,500	7,500	*	0	*
Robeco Boston Partners All Cap Value Fund(4)	2,225	2,225	*	0	*
Robeco Boston Partners Small Cap II Value Fund(4)	195,900	87,500	*	108,400	*
Robert Feinberg	5,000	5,000	*	0	*
Richard A. Kraemer & Gail G. Kraemer — TIC	10,000	10,000	*	0	*
Richard J. Hendrix(15)	5,333	5,333	*	0	*
Ron Clarke, IRA Rollover(13)	500	500	*	0	*
Royal Capital Management/Seneca Capital Managed Account(51)	7,900	7,900	*	0	*
Royal Capital Value Fund, Ltd.(51)	220,700	220,700	*	0	*
Royal Capital Value Fund, LP(51)	52,200	52,200	*	0	*
Royal Capital Value Fund (QP), LP(51)	504,200	504,200	1.3%	0	*
SAC Strategic Investments, LLC(18)	73,200	73,200	*	0	*
Sarah P. Fleischer Family Trust No. 1(52)	2,500	2,500	*	0	*
Satellite Fund I, L.P.(53)	1,770	1,770	*	0	*
Satellite Fund II, L.P.(53)	23,230	23,230	*	0	*
Savannah ILA(4)	14,375	14,375	*	0	*
SCCM Financial Inc.(54)	3,000	3,000	*	0	*
SEI Institutional Trust Small Cap Fund(9)	55,500	55,500	*	0	*
SEI Institutional Investments Trust Small Cap Fund(9)	128,000	128,000	*	0	*
SEI Institutional Managed Trust Real Estate Fund(9)	11,400	11,400	*	0	*

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
SEI Institutional Managed Trust Small Cap Growth Fund(9)	169,000	169,000	*	0	*
SEI Institutional Managed Trust Small Cap Value Fund(9)	39,400	39,400	*	0	*
SEI US Small Companies Fund(9)	14,700	14,700	*	0	*
Seligman Global Fund Series, Inc.-Global Smaller Companies Fund(9)	73,200	73,200	*	0	*
Sisters of St. Joseph Carondelet(4)	6,675	6,675	*	0	*
Small Capitalization Equity Fund(5)	9,000	9,000	*	0	*
Small Capitalization Equity Fund Collective Trust(5)	41,600	41,600	*	0	*
Steven H. Goldberg(15)	2,214	2,214	*	0	*
Steven Rothstein	5,000	5,000	*	0	*
Steven Vartan	500	500	*	0	*
SVS Asset Management, LLC(19)	1,275	1,275	*	0	*
TALVEST Global Small Cap Fund(9)	24,400	24,400	*	0	*
Telstra Super Pty LTD-Super Global Smaller Companies(9)	35,600	35,600	*	0	*
Terrebonne Investors (Bermuda) L.P. (9)	21,300	21,300	*	0	*
Terrebonne Partners, L.P.(9)	18,600	18,600	*	0	*
Texas County and District Retirement System-REIT(9)	182,300	182,300	*	0	*
The Church Pension Fund — Real Estate Securities Portfolio(9)	30,900	30,900	*	0	*
Third Point Partners, L.P.(40)	174,945	174,945	*	0	*
Third Point Ultra, Ltd.(40)	48,634	48,634	*	0	*
Third Point Offshore Fund Ltd.(40)	357,208	357,208	*	0	*
Third Point Resources Ltd.(40)	32,320	32,320	*	0	*
Third Point Resources L.P.(40)	27,765	27,765	*	0	*
Thomas B. Parsons	1,000	1,000	*	0	*
Timothy B. Matz and Jane F. Matz JTWROS(6)	5,000	5,000	*	0	*
Timothy P. O'Brien(15)	3,334	3,334	*	0	*
Thomas D. & Elizabeth G. Eckert	20,000	20,000	*	0	*
Tombstone Limited Partnership(55)	20,000	20,000	*	0	*
United Capital Management, Inc.(56)	20,000	20,000	*	0	*
University of Delaware(9)	18,600	18,600	*	0	*
University of Richmond Endowment(4)	14,725	14,725	*	0	*
University of Southern California Endowment(4)	32,375	32,375	*	0	*
Vantagepoint Aggressive Opportunities Fund(9)	176,000	176,000	*	0	*

Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Maximum Number of Shares of Common Stock Offered by This Prospectus for Resale	Percentage of All Shares of Common Stock Beneficially Owned Before Resale(2)	Beneficial Ownership After Resale of Shares of Common Stock(1)	
				Number of Shares of Common Stock	Percentage
Verizon Investment Management Corp. (4)	174,955	172,555	*	2,400	*
Vestal Venture Capital(57)	63,000	63,000	*	0	*
Wellington Management Portfolios (Dublin)-Global Smaller Companies Equity(9)	36,000	36,000	*	0	*
Wichita Retirement Systems(5)	9,900	9,900	*	0	*
Wildlife Conservation Society(4)	8,150	8,150	*	0	*
William A. Hazel Revocable Trust(58)	4,500	4,500	*	0	*
William & Flora Hewlette Foundation-Real Estate Securities Portfolio(9)	23,800	23,800	*	0	*
William S. McLeod BSSC Master Def. Contrib. P/ S Plan(54)	2,000	2,000	*	0	*
Wray & Todd Interests, Ltd.(13)	15,000	15,000	*	0	*
WTC-CIF Real Asset Portfolio(9)	49,200	49,200	*	0	*
WTC-CTF Real Asset Portfolio(9)	153,600	153,600	*	0	*
Y&H Soda Foundation(19)	5,475	5,475	*	0	*
Yaupon Fund LTD(60)	5,042	5,042	*	0	*
Yaupon Partners LP(60)	19,958	19,958	*	0	*
York Capital Management, L.P.(61)	24,452	24,452	*	0	*
York Credit Opportunities Fund, L.P. (61)	90,000	90,000	*	0	*
York Investment Limited(61)	195,548	195,548	*	0	*
Subtotal:	22,246,102	20,615,302	54%	1,630,800	4%
Affiliated Stockholders					
Charles Carpenter and Laura L. Pitts	2,000	2,000	*	0	*
Edward K. Aldag, Jr.(62)	499,022	281,217	*	217,805	*
Emmett E. McLean(63)	199,022	105,207	*	93,815	*
G. Steven Dawson(64)	50,833	20,000	*	30,833	*
Keith T. Ghezzi	5,000	5,000	*	0	*
Michael G. Stewart(65)	50,000	30,000	*	20,000	*
Patricia W. Green	1,000	1,000	*	0	*
Richard S. Hamner — IRA Rollover (66)	2,000	2,000	*	0	*
R. Steven and Glenda R. Hamner JTWROS (66)	199,022	71,804	*	127,218	*
Robert E. Holmes, PhD.(64)	31,833	1,000	*	30,833	*
William G. McKenzie(67)	150,022	97,680	*	52,342	*
Subtotal:	1,189,754	616,908	1.5%	572,846	1.43%
Other Selling Stockholders(68)	(70)	4,178,829	8.3%	0	*
Total:	23,435,856	25,411,039	57.8%	2,203,646	5.5%

* 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 December 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 represented to us that Boston Partners Asset Management, LLC serves as its investment adviser, and that Harry Rosenbluth and David Dabora exercise voting and investment power over these shares.

(5) This selling stockholder represented to us that ING Investment Management Co. has sole voting power and sole investment power over the shares of common stock held by this stockholder, and that 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.

(6) 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.

(7) This selling stockholder represented to us that Angelo, Gordon & Co., L.P. serves as its investment manager, and that John M. Angelo and Michael L. Gordon, as Partners of Angelo, Gordon & Co., L.P. have voting and investment authority over these shares.

(8) This selling stockholder represented to us that 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. Robert Alpert exercises voting and investment power over these shares.

(9) This selling stockholder represented to us that Wellington Management Company, LLP is an investment adviser registered under the Investment Advisers Act of 1940, as amended ("Wellington"), and that in its capacity as an investment adviser, Wellington is deemed to share beneficial ownership over the shares of common stock held by this stockholder.

(10) This selling stockholder represented to us that Axia Capital Management serves as its investment manager, and that Raymond Garea, as Chief Executive Officer of Axia Capital Management, has voting and investment authority over these shares.

(11) This selling stockholder represented to us that 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, and that 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.

(12) This selling stockholder represented to us that Bert Fingerhut has voting and investment authority over these shares.

(13) This selling stockholder represented to us that 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.

(14) This selling stockholder represented to us that Bonnie Paley Minzer has voting and investment authority over these shares.

(15) 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.

(16) This selling stockholder represented to us that Caroline Hicks has voting and investment authority over these shares.

(17) This selling stockholder represented to us that Damon Andres has investment discretion and voting authority over these shares.

(18) This selling stockholder represented to us that Endeavour Capital Advisors has investment discretion over the shares of common stock held by this stockholder, and that Laurence Austin and Mitchell Katz exercise voting and investment power over the shares of common stock held by this stockholder.

(19) This selling stockholder represented to us that Wasatch Advisors has sole voting power and sole investment power over the shares of common stock held by this stockholder, and that 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.

(20) This selling stockholder represented to us that Dennis Hemme has voting and investment authority over these shares.

(21) This selling stockholder represented to us that Camille Cotran has voting and investment authority over these shares.

(22) This selling stockholder represented to us that Oyvind Birkeland has voting authority over these shares, and that Espen Lundstrom and Kjell Morten Hamre have investment authority over these shares.

(23) This selling stockholder represented to us that Francesca V. Ozdoba has voting and investment authority over these shares.

(24) 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. 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.

(25) 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.

(26) This selling stockholder represented to us that 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.

(27) This selling stockholder represented to us that John Gisond has voting and investment authority over these shares.

(28) This selling stockholder represented to us that Robert Murphy has voting and investment authority over these shares.

(29) This selling stockholder represented to us that Greenlight Capital, Inc. serves as its investment manager, and that David Einhorn, as President of Greenlight Capital, Inc., has voting and investment authority over these shares.

(30) This selling stockholder represented to us that Henry Ripp has voting and investment authority over these shares.

(31) This selling stockholder represented to us that sole voting and investment power is held by Mangan & McColl Partners, LLC, and that John F. Mangan, Jr. role exercises voting and investment power over the shares of common stock held by this stockholder.

(32) This selling stockholder represented to us that Ian Brady has voting and investment authority over these shares.

(33) This selling stockholder represented to us that James Dierberg has voting and investment authority over these shares.

(34) This selling stockholder represented to us that Jack Sear has voting and investment authority over these shares.

(35) This selling stockholder represented to us that 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., and has voting and investment authority over these shares.

(36) This selling stockholder represented to us that Richard Kayne has voting and investment authority over these shares.

(37) This selling stockholder represented to us that Kristen Junkin has voting and investment authority over these shares.

(38) This selling stockholder represented to us that Ronald Liebowitz has voting and investment authority over these shares.

(39) This selling stockholder represented to us that 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.

(40) This selling stockholder represented to us that 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.

(41) This selling stockholder represented to us that Marcy A. Newberger has voting and investment authority over these shares.

(42) This selling stockholder represented to us that David R. Jarvis and Malcolm F. MacLean have voting and investment authority over these shares.

(43) This selling stockholder represented to us that 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 exercises voting and investment authority over these shares, 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.

(44) This selling stockholder represented to us that 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. The Munder Capital Management Proxy Committee exercises voting and investment authority over these shares. The Munder Capital Management Proxy Committee consists of the following members: Mary Ann Shumaker (non-voting), Andrea Leistra, Debbie Leich, Thomas Mudie and Stephen Shenkenberg (non-voting).

(45) This selling stockholder represented to us that Stephen Rich has voting and investment authority over these shares.

(46) This selling stockholder represented to us that 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.

(47) This selling stockholder represented to us that Guy Dove has voting and investment authority over these shares.

(48) This selling stockholder represented to us that Michael Spalter has voting and investment authority over these shares.

(49) This selling stockholder represented to us that Ralph Pasture has voting and investment authority over these shares.

(50) This selling stockholder represented to us that John Wells has voting and investment authority over these shares.

(51) This selling stockholder represented to us that Yale M. Fergang has voting and investment authority over these shares.

(52) This selling stockholder represented to us that James S. Fleischer has voting and investment authority over these shares.

(53) This selling stockholder represented to us that the General Partner of each of Satellite Fund I, L.P. and Satellite Fund II, L.P. is Satellite Advisors, L.L.C. (“Advisors”). The senior members of Advisors are Lief Rosenblatt, Gabriel Nechamkin and Mark Sonnino, each have voting and investment authority over the shares held by this selling stockholder. Each of Advisors and Messrs. Rosenblatt, Nechamkin and Sonnino disclaim beneficial ownership of these shares..

(54) This selling stockholder represented to us that Robert Slayton has voting and investment authority over these shares.

(55) This selling stockholder represented to us that Nathan Brand has voting and investment authority over these shares.

(56) This selling stockholder represented to us that James A. Lustig has voting and investment authority over these shares.

(57) This selling stockholder represented to us that Allan R. Lyons has voting and investment authority over these shares.

(58) This selling stockholder represented to us that William A. Hazel has voting and investment authority over these shares.

(59) This selling stockholder represented to us that William S. McLeod has voting and investment authority over these shares.

(60) This selling stockholder represented to us that Robert Lietzow has voting and investment authority over these shares.

(61) This selling stockholder represented to us that James G. Dinen has voting and investment authority over these shares.

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

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

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

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

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

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

(68) 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 post-effective amendments to the registration statement of which this prospectus forms a part from time to time, if and when required.

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.

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 November 30, 2005, Friedman Billings Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc., beneficially owned, directly or indirectly through affiliates, 1,897,959 shares of our common stock or approximately 4.75% of our outstanding common stock.

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 and received legal fees of approximately $14,000. This amount is not material to Locke, Liddell & Sapp LLP, Mr. Goolsby or us.

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 Facility 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 Facility 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 provisions of Maryland law 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 2006. 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.

For property placed in service prior to January 1, 2005, 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 may also sell shares under Rule 144 of the Securities Act of 1933, if available, rather than under this prospectus.

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.

INDEX TO FINANCIAL STATEMENTS

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information sets forth:

- the historical financial information derived from our audited consolidated financial statements for the year ended December 31, 2004 and the nine months ended September 30, 2005 as adjusted to:
  - give effect to acquisition of our facilities acquired and leased to Vibra, Desert Valley, Gulf States and Veritas 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 September 30, 2005 as adjusted for the effect of dividends, to give effect to our initial portfolio and our probable acquisition.

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
September 30, 2005

	Historical	Dividends Declared in November 2005	Completed Acquisition Transactions				Pro Forma Effect of Completed Transactions	Probable Acquisition Transaction	Company Pro Forma
			Gulf States-Denham	Desert Valley-Chino	Alliance	Desert Valley-Sherman Oaks		Gulf States-Hammond	
Assets									
Real estate assets									
Land	$ 13,491,429	$ —	$ 428,571(2)	$ 2,220,000(3)	$ —	$ 1,785,714(5)	$ 17,925,714	$ 734,643(6)	$ 18,660,357
Buildings and improvements	166,572,054	—	5,339,532(2)	18,027,131(3)	—	22,263,508(5)	212,202,225	9,152,846(6)	221,355,071
Construction in progress	78,484,104	—	(34,268)(2)	(14,556)(3)	—	—	78,435,280	—	78,435,280
Intangible lease assets	7,558,712	—	231,897(2)	752,869(3)	—	950,778(5)	9,494,256	397,511(6)	9,891,767
Gross investment in real estate assets	266,106,299	—	5,965,732	20,985,444	—	25,000,000	318,057,475	10,285,000	328,342,475
Accumulated depreciation and amortization	(4,465,260)	—	—	—	—	—	(4,465,260)	—	(4,465,260)
Net investment in real estate assets	261,641,039	—	5,965,732	20,985,444	—	25,000,000	313,592,215	10,285,000	323,877,215
Cash and cash equivalents	100,826,702	(7,194,432) (1)	(465,732) (2)	(20,985,444) (3)	—	(25,000,000) (5)	47,181,094	(10,285,000) (6)	36,896,094
Interest and rent receivable	1,273,472	—	—	—	—	—	1,273,472	—	1,273,472
Unbilled rent receivable	9,979,241	—	—	—	—	—	9,979,241	—	9,979,241
Loans	52,895,611	—	(6,000,000) (2)	—	40,000,000(4)	—	86,895,611	—	86,895,611
Other assets	4,976,522	—	—	—	—	—	4,976,522	—	4,976,522
Total Assets	**$ 431,592,587**	**$ (7,194,432)**	**$ (500,000)**	**$ —**	**$ 40,000,000**	**$ —**	**$ 463,898,155**	**$ —**	**$ 463,898,155**
Liabilities and Stockholders' Equity									
Liabilities									
Debt	$ 40,366,667	$ —	$ —	$ —	$ 40,000,000(4)	$ —	$ 80,366,667	$ —	$ 80,366,667
Accounts payable and accrued expenses	11,537,838	—	—	—	—	—	11,537,838	—	11,537,838
Deferred revenue	8,465,676	—	—	—	—	—	8,465,676	—	8,465,676
Obligations to tenants	11,763,064	—	(500,000) (2)	—	—	—	11,263,064	—	11,263,064
Total liabilities	72,133,245	—	(500,000)	—	40,000,000	—	111,633,245	—	111,633,245
Minority interest	2,137,500	—	—	—	—	—	2,137,500	—	2,137,500
Stockholders' equity									
Preferred stock,	—	—	—	—	—	—	—	—	—
Common stock,	39,293	—	—	—	—	—	39,293	—	39,293
Additional paid in capital	359,866,949	—	—	—	—	—	359,866,949	—	359,866,949
Accumulated deficit	(2,584,400)	(7,194,432) (1)	—	—	—	—	(9,778,832)	—	(9,778,832)
Total stockholders' equity	357,321,842	(7,194,432)	—	—	—	—	350,127,410	—	350,127,410
Total Liabilities and Stockholders' Equity	**$ 431,592,587**	**$ (7,194,432)**	**$ (500,000)**	**$ —**	**$ 40,000,000**	**$ —**	**$ 463,898,155**	**$ —**	**$ 463,898,155**

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 Nine Months Ended September 30, 2005

		Completed Acquisition Transactions									
	Historical	Desert Valley-Victorville	Gulf States-Covington	Vibra-Redding	Gulf States-Denham Springs	Desert Valley-Chino	Alliance	Desert Valley-Sherman Oaks	Pro Forma Effect of Completed Transactions	Probable Acquisition Transaction Gulf States Health-Hammond	Company Pro Forma
Revenues											
Rent income	$ 18,364,389	$ 524,069(7)	$ 643,278(8)	$ 1,123,098(9)	$ 564,856(10)	$ 1,815,809(11)	$ —	$ 2,269,761(13)	$ 25,305,260	$ 968,257(14)	$ 26,273,517
Interest income from loans	3,562,857	—	—	—	(194,250) (10)	—	3,000,000(12)	—	6,368,607	—	6,368,607
Total revenues	21,927,246	524,069	643,278	1,123,098	370,606	1,815,809	3,000,000	2,269,761	31,673,867	968,257	32,642,124
Expenses											
Depreciation and amortization	2,986,790	115,315(7)	124,896(8)	274,405(9)	111,711(10)	375,652(11)	—	464,980(13)	4,453,749	191,493(14)	4,645,242
Property expenses	116,841	—	—	—	—	—	—	—	116,841	—	116,841
General and administrative	5,595,416	—	—	—	—	—	—	—	5,595,416	—	5,595,416
Total operating expenses	8,699,047	115,315	124,896	274,405	111,711	375,652	—	464,980	10,166,006	191,493	10,357,499
Operating income	13,228,199	408,754	518,382	848,693	258,895	1,440,157	3,000,000	1,804,781	21,507,861	776,764	22,284,625
Other income (expense)											
Interest income	1,509,903	—	—	—	—	—	—	—	1,509,903	—	1,509,903
Interest expense	(1,542,266)	—	—	—	—	—	(2,100,000) (12)	—	(3,642,266)	—	(3,642,266)
Net other expense	(32,363)	—	—	—	—	—	(2,100,000)	—	(2,132,363)	—	(2,132,363)
Net income	$ 13,195,836	$ 408,754	$ 518,382	$ 848,693	$ 258,895	$ 1,440,157	$ 900,000	$ 1,804,781	$ 19,375,498	$ 776,764	$ 20,152,262
Net income per share — basic	$ 0.44										$ 0.67
Net income per share — diluted	$ 0.44										$ 0.67
Weighted average shares outstanding — basic	29,975,971										29,975,971
Weighted average shares outstanding — diluted	29,999,381										29,999,381

See accompanying notes to unaudited pro forma consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2004

	Historical	Completed Acquisition Transactions: Vibra Facilities	Desert Valley-Victorville	Gulf States-Covington	Vibra-Redding
Revenues					
Rent income	$ 8,611,344	$ 9,774,139(15)	$ 3,228,104(16)	$ 1,443,520(17)	$ 2,259,422(18)
Interest income from loans	2,282,115	2,754,934(15)	—	—	—
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(15)	691,894(16)	285,484(17)	552,166(18)
Property expenses	93,502	93,502(15)	—	—	—
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				

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Completed Acquisition Transactions: Gulf States-Denham Springs	Desert Valley-Chino	Alliance	Desert Valley-Sherman Oaks	Pro Forma Effect of Completed Transactions	Probable Acquisition Transaction Gulf States-Hammond	Company Pro Forma
Revenues							
Rent income	$ 753,141(19)	$ 2,421,079(20)	$ —	$ 3,026,348(22)	$ 31,517,097	$ 1,291,009(23)	$ 32,808,106
Interest income from loans	—	—	4,000,000(21)	—	9,037,049	—	9,037,049
Total revenues	753,141	2,421,079	4,000,000	3,026,348	40,554,146	1,291,009	41,845,155
Expenses							
Depreciation and amortization	148,948(19)	500,869(20)	—	619,973(22)	5,938,330	255,323(23)	6,193,653
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	148,948	500,869	—	619,973	11,767,963	255,323	12,023,286
Operating income	604,193	1,920,210	4,000,000	2,406,375	28,786,183	1,035,686	29,821,869
Other income (expense)							
Interest income	—	—	—	—	930,260	—	930,260
Interest expense	—	—	(2,800,000) (21)	—	(2,832,769)	—	(2,832,769)
Net other income	—	—	(2,800,000)	—	(1,902,509)	—	(1,902,509)
Net income	$ 604,193	$ 1,920,210	$ 1,200,000	$ 2,406,375	$ 26,883,674	$ 1,035,686	$ 27,919,360
Net income per share — basic							$ 1.45
Net income per share — diluted							$ 1.45
Weighted average shares outstanding — basic							19,310,833
Weighted average shares outstanding — diluted							19,312,634

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 September 30, 2005

(1) Record the $0.18 per share distribution declared in November 2005, payable in January 2006.

Shares of common stock outstanding at September 30, 2005		39,292,885
Restricted shares issued to employees in April 2005		676,180
Total shares		39,969,065
Cash distribution per share	$	0.18
Total cash distribution	$	7,194,432

(2) Completed Acquisition: Records the acquisition of the Gulf States — Denham Springs facility as though we acquired it on January 1, 2005. This facility was actually acquired on November 1, 2005.

		Cost
Land	$	428,571
Building		5,339,532
Intangible lease assets		231,897
Total cost	$	6,000,000

At September 30, 2005, there was a mortgage loan on the Gulf States — Denham Springs facility in the amount of $6 million. We acquired the facility by exchanging the mortgage loan for the facility. Upon acquisition, we paid $500,000, less closing costs of $34,268, which had been withheld from the mortgage loan pending resolution of environmental issues at the facility.

(3) Completed Acquisition: Records the acquisition of the Desert Valley — Chino facility as though we acquired it on September 30, 2005. This facility was actually acquired on November 30, 2005.

		Cost
Land	$	2,220,000
Building		18,027,131
Intangible lease assets		752,869
Total cost	$	21,000,000

(4) Completed Transaction: Records the mortgage loan to Alliance Hospital as though the loan was made on September 30, 2005. This loan was actually made on December 23, 2005. This loan was funded through the Company's revolving credit facility which was entered into in October, 2005.

Mortgage loan amount	$	40,000,000

(5) Completed Acquisition: Records the acquisition of the Desert Valley — Sherman Oaks facility as though we acquired it on September 30, 2005. This facility was actually acquired on December 30, 2005.

		Cost
Land	$	1,785,714
Building		22,263,508
Intangible lease assets		950,778
Total cost	$	25,000,000

The total cost of $25 million consists of $20 million paid at closing of the acquisition on December 30, 2005, plus the Company's commitment of $5 million for expansion of the facility.

(6) Probable Acquisition: Records the acquisition of the Gulf States — Hammond facility as though we acquired it on September 30, 2005. The Company has not closed on the acquisition of this facility, but the Company believes that the acquisition is probable.

	Gulf States Health — Hammond
Land	$ 734,643
Building	9,152,846
Intangible lease assets	397,511
Total cost	$ 10,285,000

Adjustments for Unaudited Pro Forma Consolidated Statement of Operations for the Six Months Ended September 30, 2005:

(7) Completed Acquisition: Records six months of rent income for the Desert Valley — Victorville facility as though we owned it from January 1, 2005, to September 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 nine months ended September 30, 2005 consists of the following:

	Rent
Annual rent income	$ 3,228,104
Rent income for nine months of the first year	2,421,078
Historical rent for the period February 28 - September 30, 2005	(1,897,009)
Pro forma rent income	$ 524,069

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 nine months ended September 30, 2005 as though the properties were occupied on January 1, 2005.

	Cost	Annual Depreciation and Amortization	Depreciation and Amortization for Nine Months	Historical Depreciation and Amortization for February 28 - September 30, 2005	Pro Forma Depreciation and Amortization
Land	$ 2,000,000	$ —	$ —	$ —	$ —
Buildings	24,994,553	624,864	468,648	364,504	104,144
Intangible lease assets	1,005,447	67,030	50,273	39,102	11,171
	$ 28,000,000	$ 691,894	$ 518,921	$ 403,606	$ 115,315

(8) Completed Acquisition: Records nine months of rent income for the Gulf States — Covington facility as though we owned it from January 1, 2005, to September 30, 2005. This facility was acquired on June 9, 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 nine months ended September 30, 2005 consists of the following:

	Rent
Annual rent income	$ 1,443,520
Rent income for nine months of the first year	1,082,640
Historical rent from June 9 to September 30, 2005	(439,362)
Pro forma rent income	$ 643,278

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 nine months ended September 30, 2005 as though the property was occupied on January 1, 2005.

	Cost	Annual Depreciation and Amortization	Depreciation and Amortization for Nine Months	Historical Depreciation and Amortization for June 9- September 30, 2005	Additional Pro Forma Depreciation and Amortization
Land	$ 821,429	$ —	$ —	$ —	$ —
Buildings	10,234,101	255,853	191,890	78,210	113,680
Intangible lease assets	444,470	29,631	22,223	11,007	11,216
	$ 11,500,000	$ 285,484	$ 214,113	$ 89,217	$ 124,896

(9) Completed Acquisition: Records nine months of rent income for the Vibra — Redding facility as though we owned it from January 1, 2005, to September 30, 2005. This facility was acquired on 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 nine months ended September 30, 2005 consists of the following:

Annual rent income	$ 2,259,422
Rent income for nine months of the first year	1,694,567
Historical rent from June 30 to September 30, 2005	(571,469)
Pro forma rent income	$ 1,123,098

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 nine months ended September 30, 2005 as though the property was occupied on January 1, 2005.

	Cost	Annual Depreciation and Amortization	Depreciation and Amortization for Nine Months	Historical Depreciation and Amortization for June 30, 2005- September 30, 2005	Pro Forma Depreciation and Amortization
Land	$ —	$ —	$ —	$ —	$ —
Buildings	19,948,022	498,701	374,026	126,087	247,939
Intangible lease assets	801,978	53,465	40,099	13,633	26,466
	$ 20,750,000	$ 552,166	$ 414,125	$ 139,720	$ 274,405

(10) Completed Acquisition: Records nine months of rent income for the Gulf States — Denham Springs facility as though we owned it from January 1, 2005, to September 30, 2005. This facility was actually acquired on November 1, 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 nine months ended September 30, 2005 consists of the following:

	Annual Rent	Nine Months Rent
Rent income	$ 753,141	$ 564,856

Prior to its acquisition on November 1, 2005, the Company had a mortgage loan receivable on the Gulf States — Denham Spring facility. The loan was made on June 9, 2005, and was paid off by the borrower upon acquisition by the Company. The historical income statement for September 30, 2005, includes interest income from the date of the mortgage loan. Assuming the pro forma effect of owning the

facility on January 1, 2005 the amount of interest income which would not have been recorded on the mortgage loan is as follows:

Historical interest income from June 9 — September 30, 2005	$ 194,250

Depreciation of the building (straight line using a 40 year life) and amortization of the intangible (straight-line using a 15 year life) for the nine months ended September 30, 2005 as though the property was occupied on January 1, 2005.

	Cost	Annual Depreciation and Amortization	Depreciation and Amortization for Nine Months
Land	$ 428,571	$ —	$ —
Building	5,339,532	133,488	100,116
Intangible lease assets	231,897	15,460	11,595
	$ 6,000,000	$ 148,948	$ 111,711

(11) Completed Acquisition: Records nine months of rent income for the Desert Valley — Chino facility as though we owned it from January 1, 2005, to September 30, 2005. The facility was actually acquired on November 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 nine months ended September 30, 2005 consists of the following:

	Annual Rent	Nine Months Rent
Rent income	$ 2,421,079	$ 1,815,809

Depreciation of the building (straight line using 40 year life) and amortization of the intangible (straight-line using a 15 year life) for the nine months ended

	Cost	Annual Depreciation and Amortization	Depreciation and Amortization for Nine Months
Land	$ 2,220,000	$ —	$ —
Building	18,027,131	450,678	338,009
Intangible lease assets	752,869	50,191	37,643
	$ 21,000,000	$ 500,869	$ 375,652

(12) Completed Transaction: Records nine months of interest income from the Alliance mortgage loan as though we made the loan on January 1, 2005, and it was outstanding at September 30, 2005. This loan was actually made on December 23, 2005. The loan carries a 10% interest rate in its first year. The loan was funded by borrowings on our revolving credit agreement entered into on October 27, 2005. For purposes of this pro forma presentation, we have assumed that we borrowed the funds on January 1, 2005 at an interest rate of 7% for the period presented:

Mortgage loan amount	$ 40,000,000
Annual interest rate	10.00%
Annual interest income	$ 4,000,000
Interest income for nine months	$ 3,000,000
Revolving credit line borrowing	$ 40,000,000
Annual interest rate	7.00%
Annual interest expense	$ 2,800,000
Interest expense for nine months	$ 2,100,000

(13) Completed Acquisition: Records nine months of rent income for the Desert Valley — Sherman Oaks facility as though we owned it from January 1, 2005, to September 30, 2005. This facility was actually acquired on December 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 nine months ended September 30, 2005 consists of the following:

	Annual Rent	Nine Months Rent
Rent income	$ 3,026,348	$ 2,269,761

Depreciation of the building (straight line using 40 year life) and amortization of the intangible (straight-line using a 15 year life) for the nine months ended

	Cost	Annual Depreciation and Amortization	Depreciation and Amortization for Nine Months
Land	$ 1,785,714	$ —	$ —
Building	22,263,508	556,588	417,441
Intangible lease assets	950,778	63,385	47,539
	$ 25,000,000	$ 619,973	$ 464,980

(14) Probable Acquisition: Records nine months of rent income for the Gulf States Hammond facility as though we owned it from January 1, 2005, to September 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 nine months ended September 30, 2005 consists of the following:

	Annual Rent	Nine Months Rent
Rent income	$ 1,291,009	$ 968,257

Depreciation of buildings (straight line using a 40 year life) and amortization of intangibles (straight-line using a 15 year life) for the nine months ended September 30, 2005 as though the properties were occupied on January 1, 2005.

	Cost	Annual Depreciation and Amortization	Depreciation and Amortization for Nine Months
Land	$ 734,643	$ —	$ —
Buildings	9,152,846	228,822	171,617
Intangible lease assets	397,511	26,501	19,876
	$ 10,285,000	$ 255,323	$ 191,493

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Notes to Unaudited Pro Forma Consolidated Financial Statements

Adjustments for Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2004:

(15) 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. These facilities were acquired in July and August, 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.

(16) 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. 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 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

(17) 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. This facility was acquired on June 9, 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 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

(18) 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. This facility was acquired on 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 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

(19) Completed Acquisition: Records one year of rent income for the Gulf States — Denham Springs facility as though we owned it from January 1, 2004, to December 31, 2004. This facility was acquired on November 1, 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 year ended December 31, 2004 consists of the following:

	Annual Rent
Gulf States — Denham Springs	$ 753,141

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	$ 428,571	$ —
Buildings	5,339,532	133,488
Intangible lease assets	231,897	15,460
	$ 6,000,000	$ 148,948

(20) Completed Acquisition: Records one year of rent income for the Desert Valley — Chino facility as though we owned it from January 1, 2004, to December 31, 2004. This facility was acquired on November 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 year ended December 31, 2004 consists of the following:

	Annual Rent
Desert Valley — Chino	$ 2,421,079

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	$ 2,220,000	$ —
Buildings	18,027,131	450,678
Intangible lease assets	752,869	50,191
	$ 21,000,000	$ 500,869

(21) Completed Transaction: Records nine months of interest income from the Alliance mortgage loan as though we made the loan on January 1, 2004, and it was outstanding at December 31, 2004. This loan was actually made on December 23, 2005. The loan carries a 10% interest rate in its first year. The loan was funded by borrowings on our revolving credit agreement entered into on October 27, 2005. For purposes of this pro forma presentation, we have assumed that we borrowed the funds on January 1, 2004 at an interest rate of 7% for the period presented:

Mortgage loan amount	$ 40,000,000
Annual interest rate	10.00%
Annual interest income	$ 4,000,000
Revolving credit line borrowing	$ 40,000,000
Annual interest rate	7.00%
Annual interest expense	$ 2,800,000

(22) Completed Acquisition: Records one year of rent income for the Desert Valley — Sherman Oaks facility as though we owned it from January 1, 2004, to December 31, 2004. This facility was actually acquired on December 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 year ended December 31, 2004 consists of the following:

	Annual Rent
Desert Valley — Sherman Oaks	$ 3,026,348

Depreciation of the building (straight line using a 40 year life) and amortization of the intangible lease asset (straight line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

	Cost	Annual Depreciation and Amortization
Land	$ 1,785,714	$ —
Buildings	22,263,508	556,588
Intangible lease assets	950,778	63,385
	$ 25,000,000	$ 619,973

(23) PROBABLE ACQUISITION: Records one year of rent income for the Gulf States — Hammond 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 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 — Hammond	$ 1,291,009

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	$ 734,643	$ —
Buildings	9,152,846	228,822
Intangible lease assets	397,511	26,501
	$ 10,285,000	$ 255,323

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
September 30, 2005 and December 31, 2004

	September 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	78,484,104	24,318,098
Intangible lease assets	7,558,712	5,314,963
Gross investment in real estate assets	266,106,299	151,690,293
Accumulated depreciation	(3,969,062)	(1,311,757)
Accumulated amortization	(496,198)	(166,713)
Net investment in real estate assets	261,641,039	150,211,823
Cash and cash equivalents	100,826,702	97,543,677
Interest and rent receivable	1,273,472	419,776
Straight-line rent receivable	9,979,241	3,206,853
Loans receivable	52,895,611	50,224,069
Other assets	4,976,522	4,899,865
Total Assets	$ 431,592,587	$ 306,506,063
Liabilities and Stockholders' Equity		
Liabilities		
Debt	$ 40,366,667	$ 56,000,000
Accounts payable and accrued expenses	11,537,838	10,903,025
Deferred revenue	8,465,676	3,578,229
Obligations to tenants	11,763,064	3,296,365
Total liabilities	72,133,245	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 — 39,292,885 shares at September 30, 2005, and 26,082,862 shares at December 31, 2004	39,293	26,083
Additional paid in capital	359,866,949	233,626,690
Accumulated deficit	(2,584,400)	(1,924,329)
Total stockholders' equity	357,321,842	231,728,444
Total Liabilities and Stockholders' Equity	$ 431,592,587	$ 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 September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenues				
Rent billed	$ 5,964,211	$ 2,874,033	$ 14,579,588	$ 2,874,033
Straight-line rent	1,007,062	1,142,186	3,784,801	1,142,186
Interest income from loans	1,233,668	1,022,853	3,562,857	1,022,853
Total revenues	8,204,941	5,039,072	21,927,246	5,039,072
Expenses				
Real estate depreciation and amortization	1,170,387	928,356	2,986,790	928,356
General and administrative	1,990,971	1,631,600	5,109,854	3,329,559
Stock-based compensation	555,409	—	602,403	—
Costs of terminated acquisitions	—	14,199	—	350,923
Total operating expenses	3,716,767	2,574,155	8,699,047	4,608,838
Operating income	4,488,174	2,464,917	13,228,199	430,234
Other income (expense)				
Interest income	767,917	188,568	1,509,903	667,857
Interest expense	—	(24,547)	(1,542,266)	(32,769)
Net other (expense) income	767,917	164,021	(32,363)	635,088
Net income	$ 5,256,091	$ 2,628,938	$ 13,195,836	$ 1,065,322
Net income per share, basic	$ 0.14	$ 0.10	$ 0.44	$ 0.06
Weighted average shares outstanding — basic	37,606,480	26,082,862	29,975,971	17,033,911
Net income per share, diluted	$ 0.14	$ 0.10	$ 0.44	$ 0.06
Weighted average shares outstanding — diluted	37,654,576	26,085,312	29,999,381	17,035,494

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2005	2004
Operating activities		
Net income	$ 13,195,836	$ 1,065,322
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,104,131	934,548
Amortization of deferred financing costs	687,730	—
Straight-line rent revenue	(3,784,801)	(1,142,186)
Share-based payments	684,085	—
Other adjustments	(139,015)	24,500
Increase in:		
Interest and rent receivable	(703,903)	(383,413)
Other assets	(1,279,962)	(164,648)
Increase in:		
Accounts payable and accrued expenses	3,503,928	1,812,503
Deferred revenue	703,750	—
Obligations to tenants	122,226	—
Net cash provided by operating activities	16,094,005	2,146,626
Investing activities		
Real estate acquired	(56,513,944)	(127,372,195)
Principal received on loans receivable	7,725,958	—
Investment in loans receivable	(4,934,772)	(42,317,079)
Construction in progress	(53,834,985)	(15,059,606)
Equipment acquired	(134,638)	(492,762)
Net cash used for investing activities	(107,692,381)	(185,241,642)
Financing activities		
Addition to debt	19,000,000	—
Proceeds from loan payable	—	200,000
Payment of loan payable	—	(300,000)
Payments of debt	(34,633,333)	—
Deferred financing and offering costs	(47,103)	(190,245)
Repurchase of deferred stock units	(75,000)	—
Distributions paid	(16,725,022)	—
Proceeds from sale of common shares, net of offering costs	126,224,359	233,703,474
Sale of partnership units	1,137,500	—
Net cash provided by financing activities	94,881,401	233,413,229
Increase in cash and cash equivalents for period	3,283,025	50,318,213
Cash and cash equivalents at beginning of period	97,543,677	100,000
Cash and cash equivalents at end of period	$ 100,826,702	$ 50,418,213
Interest paid, including capitalized interest of $1,918,458 in 2005	$ 2,772,994	$ —
Supplemental schedule of non-cash investing activities		
Straight-line rent receivables recorded as deferred revenue	3,137,380	—
Real estate and loans receivable recorded as obligations to tenants	8,338,837	3,296,365
Real estate and loans receivable recorded as deferred revenue	1,110,280	2,610,441
Construction and acquisition costs charged to loans and real estate	209,259	—
Supplemental schedule of non-cash financing activities:		
Deferred costs charged to proceeds from sale of common stock	$ 579,975	$ —
Distributions declared, unpaid	—	2,608,286
Minority interest granted for contribution of land to development project	—	1,000,000

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Nine Months Ended September 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 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.

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 Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information.*

On April 7, 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. On July 7, 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. The proceeds are being used to purchase properties, make mortgage loans, to pay debt and accrued expenses, for working capital, and general corporate purposes. (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 Financial Accounting Standards Board (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, including rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of 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 nine month periods ended September 30, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Prospectus dated October 20, 2005, and filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

3. Real Estate and Lending Activities

In 2004, the Company entered into six leases with Vibra Healthcare, LLC (Vibra) and made loans to Vibra totaling approximately $49.1 million. In February 2005, Vibra paid $7.8 million of principal and interest on two loans from the Company, leaving 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 facility operator entered into a 15-year lease of the hospital, 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 an affiliate of the same owner, the Company made a 15-year, interest only mortgage loan of $6.0 million, $500,000 of which was held in escrow pending the resolution of certain environmental issues regarding the facility. In October 2005, these environmental issues were resolved to the Company's satisfaction. In November 2005, the Company exchanged the mortgage loan for the Denham Springs facility, at which time the escrowed funds were also released. Upon completing the acquisition of Denham

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Nine Months Ended September 30, 2005 and 2004 — (Continued)

Springs, the Company and the facility operator entered into a 15-year lease of the hospital, with renewal options for three additional five year terms.

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 leases and the Vibra loan.

In June 2005, the Company entered into a loan with a local operator to fund the construction and development of a community hospital (North Cypress) in Houston, Texas. 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, with renewal options for three additional five year terms. 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. During the construction period, the Company is accruing interest based on the funded balance during the construction period. The Company will recognize the accrued construction period interest as income over the 15-year term of the lease. The Company has included this transaction in construction in progress in its consolidated balance sheet at September 30, 2005.

In September 2005, the Company began development of a $38.0 million women's hospital and medical office building in Bucks County, Pennsylvania (Bucks County). The Company has entered into a 15-year lease with the operator, which begins when construction of the hospital is completed, with renewal options for two additional five year terms and a third term ending August 15, 2035. During the construction period, the Company will accrue rent based on the funded balance during the construction period. The Company will recognize the accrued construction period rent as income over the 15-year term of the lease.

In October 2005, the Company began development of a $35.5 million community hospital in Bloomington, Indiana (Monroe County). The Company has entered into a 15-year lease with a local operator, which begins when construction of the hospital is completed, with renewal options for three additional five year terms. During the construction period, the Company will accrue rent based on the funded balance during the construction period. The Company will recognize the accrued construction period rent as income over the 15-year term of the lease.

The Company has recorded the following assets for acquisitions and development projects during the nine month period ending September 30, 2005:

Land	$	2,821,429
Buildings		55,184,822
Intangible lease assets		2,243,749
Construction in progress		54,166,006
	$	114,416,006

4. Debt

At September 30, 2005, the Company had outstanding borrowings of approximately $40.4 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 (6.88% at September 30, 2005). The loan is secured by six Vibra facilities, which have a

book value of $123.5 million, and requires the Company to meet financial coverage, ratio and total debt covenants typical of such loans.

Maturities of debt at September 30, 2005, for each successive twelve month period are as follows:

2006	$	3,750,000
2007		3,750,000
2008		32,866,667
	$	40,366,667

In October 2005, the Company entered into a Credit Agreement with the same lender that provides for up to $100.0 million in revolving loans to replace the term loan. Borrowings under the agreement are secured by certain of the Company's real estate assets. The agreement has a four-year term and is payable interest only at a rate equivalent to one month LIBOR plus a spread ranging between 235 and 275 basis points, depending on the Company's overall leverage ratio. The agreement also requires the Company to pay certain fees and meet financial covenants which are typical of this type of credit agreement. The present availability under the agreement is approximately $62.5 million. The Company may ask to increase the maximum availability under the agreement to $175.0 million, subject to adequate collateral valuation and payment of additional fees.

5. Stock Awards

In February 2005, the Company awarded 7,500 deferred stock units valued at $10.00 per unit to three independent directors. The total value of $75,000 was recorded as additional paid-in-capital in the consolidated balance sheet and as an expense in the consolidated income statement on the date of the awards. The Company also awarded 60,000 stock options to the same 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. In October 2005, the Company awarded 10,000 deferred stock units valued at $9.68 per unit to the five independent directors. The Company follows Accounting Principles Board (APB) Opinion No. 25 and related Interpretations to account for stock options. In accordance with APB No. 25, no compensation expense has been recorded for the stock options. Stock option expense that would be recorded based on the options' fair value at the time of issuance would not be material to the consolidated income statements.

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. In August 2005, the Company awarded to officers and directors 490,680 shares of restricted common stock valued at $10.00 per share. These shares vest quarterly over a three-year period beginning September 30, 2005. In the three and nine month periods ended September 30, 2005, the Company recorded $555,000 and $604,000, respectively, of non-cash compensation expense for these restricted shares. The Company is recording the expense over the vesting periods using the straight-line method.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Nine Months Ended September 30, 2005 and 2004 — (Continued)

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 three months and nine months ended September 2005 and 2004, respectively:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
Weighted average number of shares issued and outstanding	37,593,311	26,082,862	29,961,841	17,033,911
Vested deferred stock units	13,169	—	14,130	—
Weighted average shares — basic	37,606,480	26,082,862	29,975,971	17,033,911
Common stock warrants and options	48,096	2,450	23,410	1,583
Weighted average shares — diluted	37,654,576	26,085,312	29,999,381	17,035,494

7. Initial Public Offering and Issuance of Common Stock

On July 7, 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 up to an additional 1,810,023 shares at the same offering price, less underwriters' discount and expenses. Net proceeds from the IPO and exercise of the over-allotment option are as follows:

Gross proceeds	$	138,337,742
Underwriters' commission		(9,851,291)
Expenses		(3,167,567)
Net proceeds	$	125,318,884

In July 2005, a third party exercised a warrant for 35,000 shares of common stock from which the Company received proceeds of $325,500.

8. Commitments and Contingencies

In June 2005, the Company entered into ground leases on two tracts of land for its North Cypress development project. Under the ground lease covering the larger tract, the Company has the right to purchase the land during the construction phase, and currently intends to exercise its purchase rights. Under the ground lease covering the smaller tract, the Company may 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.

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

	Year Ended December 31, 2004	Period from Inception (August 27, 2003) through December 31, 2003
Operating activities		
Net income (loss)	$ 4,576,349	$ (1,023,276)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,517,530	—
Unbilled rent revenue	(2,449,066)	—
Warrant issued to lender	24,500	—
Deferred stock units issued to directors	125,000	—
Increase in:		
Interest receivable	(419,776)	—
Other assets	(309,769)	—
Increase in:		
Accounts payable and accrued expenses	6,644,130	1,391,409
Deferred revenue	210,000	—
Net cash provided by operating activities	9,918,898	368,133
Investing activities		
Real estate acquired	(127,372,195)	—
Loans receivable	(44,317,263)	—
Construction in progress	(23,151,797)	(166,301)
Equipment acquired	(759,387)	—
Net cash used for investing activities	(195,600,642)	(166,301)
Financing activities		
Addition to long-term debt	56,000,000	—
Proceeds from loan payable	200,000	100,000
Payment of loan payable	(300,000)	—
Deferred financing costs	(3,869,767)	(201,832)
Distributions paid	(2,608,286)	—
Sale of common stock, net of offering costs	233,703,474	—
Net cash provided by (used for) financing activities	283,125,421	(101,832)
Increase in cash and cash equivalents for period	97,443,677	100,000
Cash at beginning of period	100,000	—
Cash and cash equivalents at end of period	$ 97,543,677	$ 100,000
Supplemental schedule of non-cash investing activities:		
Additions to unbilled rent receivables recorded as deferred revenue	$ 757,787	$ —
Additions to loans receivable recorded as lease deposits and deferred revenue	5,906,807	—
Supplemental schedule of non-cash financing activities:		
Minority interest granted for contribution of land to development project	1,000,000	—
Distributions declared, not paid	2,869,116	—
Deferred offering costs charged to proceeds from sale of common stock	201,832	—
Additional paid in capital from deferred stock units issued to directors	125,000	—
Conversion of accounts payable and accrued expenses to common stock	—	1,630
Interest expense paid	32,769	—

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)
For the Year Ended December 31, 2004
and Period from Inception (August 27, 2003) through December 31, 2003

	Preferred		Common		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value			
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.

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 — (Continued)

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

Cash and Cash Equivalents: Certificates of deposit and short-term investments with remaining maturities of three months or less when acquired and money-market mutual funds are considered cash equivalents.

Deferred Costs: Costs incurred prior to the completion of offerings of stock or other capital instruments that directly relate to the offering are deferred and netted against proceeds received from the offering. Costs incurred in connection with anticipated financings and refinancing of debt are capitalized as deferred financing costs in other assets and amortized over the lives of the related loans as an addition to interest expense to produce a constant effective yield on the loan (interest method). Costs that are specifically identifiable with, and incurred prior to the completion of, probable acquisitions are deferred and capitalized upon closing. The Company begins deferring costs when the Company and the seller have executed a letter of intent (LOI), commitment letter or similar document for the purchase of the property by the Company. Deferred acquisition costs are expensed when management determines that the acquisition is no longer probable. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to lessees are recognized as a reduction in interest income over the life of the loan by the interest method.

Revenue Recognition: The Company receives income from operating leases based on the fixed, minimum required rents (base rent) and from additional rent based on a percentage of tenant revenues once the tenant's revenue has exceeded an annual threshold (percentage rent). 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.

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 — (Continued)

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

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 — (Continued)

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

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 — (Continued)

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*

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 — (Continued)

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.

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 — (Continued)

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	

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 — (Continued)

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.

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 — (Continued)

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.

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 — (Continued)

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

Location	Type of Property	Initial Costs		Additions Subsequent to Acquisition	
		Land	Buildings	Improvements	Carrying Costs
Bowling Green, KY	Rehabilitation hospital	$ 3,070,000	$ 33,570,541	$ —	$ —
Thornton, CO	Rehabilitation hospital	2,130,000	6,013,142	—	—
Fresno, CA	Rehabilitation hospital	1,550,000	16,363,153	—	—
Kentfield, CA	Long term acute care hospital	2,520,000	4,765,176	—	—
Marlton, NJ	Rehabilitation hospital	—	30,903,051	—	—
New Bedford, NJ	Long term acute care hospital	1,400,000	19,772,169	—	—
	TOTAL	$ 10,670,000	$ 111,387,232	$ —	$ —

Location	Cost at December 31, 2004			Accumulated Depreciation	Date of Construction	Date Acquired	Depreciable Life (Years)
	Land	Buildings(1)	Total				
Bowling Green, KY	$ 3,070,000	$ 33,570,541	$ 36,640,541	$ 419,634	1992	July 1, 2004	40
Thornton, CO	2,130,000	6,013,142	8,143,142	56,371	1962, 1975	August 17, 2004	40
Fresno, CA	1,550,000	16,363,153	17,913,153	204,540	1990	July 1, 2004	40
Kentfield, CA	2,520,000	4,765,176	7,285,176	59,562	1963	July 1, 2004	40
Marlton, NJ	—	30,903,051	30,903,051	386,286	1994	July 1, 2004	40
New Bedford, NJ	1,400,000	19,772,169	21,172,169	185,364	1962, 1975, 1992	August 17, 2004	40
TOTAL	$ 10,670,000	$ 111,387,232	$ 122,057,232	$ 1,311,757			

	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
September 30, 2005 (Unaudited) and December 31, 2004*

	September 30, 2005 (Unaudited)	December 31, 2004*
Assets		
Current assets:		
Cash and cash equivalents	$ 2,266,306	$ 2,280,772
Patient accounts receivable, net of allowance for doubtful collections of $1,499,000 at September 30, 2005 and $303,000 at December 31, 2004	25,606,710	17,319,154
Third party settlements receivable	400,000	346,141
Prepaid insurance	1,550,765	719,480
Deposit for workers' compensation claims	—	1,375,000
Other current assets	846,422	518,650
Total current assets	30,670,203	22,559,197
Restricted investment	100,000	—
Property and equipment, net	17,682,999	2,662,546
Goodwill	24,650,801	24,510,296
Intangible assets	5,140,000	4,260,000
Deposits	4,252,756	3,485,387
Deferred financing and lease costs	1,926,899	1,543,424
Total assets	$ 84,423,658	$ 59,020,850
Liabilities and Partners' Deficit		
Current liabilities:		
Current maturities of long-term debt	$ 57,410	$ —
Current maturities of obligations under capital leases	443,212	—
Accounts payable	5,720,881	5,142,345
Accounts payable — related parties	478,651	262,144
Accrued liabilities	5,094,372	4,387,292
Accrued insurance claims	2,785,610	1,441,516
Total current liabilities	14,580,136	11,233,297
Deferred rent	5,827,972	2,460,308
Long-term debt	54,319,257	49,141,945
Long-term obligations under capital leases	17,919,203	—
Total liabilities	92,646,568	62,835,550
Partners' deficit	(8,222,910)	(3,814,700)
Total liabilities and partners' deficit	$ 84,423,658	$ 59,020,850

* Derived from December 31, 2004 audited financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Partners' Deficit

	For the Three Months Ended		For the Nine Months Ended	For the Period May 14, 2004 (Date of Inception) to Sept. 30, 2004
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	
			(Unaudited)	
Revenue:				
Net patient service revenue	$ 35,253,794	$ 20,845,836	$ 95,170,217	$ 20,845,836
Expenses:				
Cost of services	24,882,413	14,738,667	66,440,648	14,738,667
General and administrative	4,140,760	2,487,925	11,165,130	2,487,925
Rent expense	5,322,799	4,175,678	15,786,936	4,175,678
Interest expense	1,724,801	1,025,177	4,283,100	1,025,177
Management fee — Vibra Management, LLC	721,188	444,933	1,965,247	444,933
Depreciation and amortization	458,244	155,703	873,219	155,703
Bad debt expense	376,787	123,185	722,451	123,185
Total expenses	37,626,992	23,151,268	101,236,731	23,151,268
Loss from operations	(2,373,198)	(2,305,432)	(6,066,514)	(2,305,432)
Non-operating revenue	610,551	584,426	1,658,304	584,426
Net loss	(1,762,647)	(1,721,006)	(4,408,210)	(1,721,006)
Partners' deficit — beginning	(6,460,263)	—	(3,814,700)	—
Partners' deficit — ending	$ (8,222,910)	$ (1,721,006)	$ (8,222,910)	$ (1,721,006)

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

	For the Nine Months Ended Sept. 30, 2005	(Unaudited)	For the Period May 14, 2004 (Date of Inception) to Sept. 30, 2004
Operating activities:			
Net loss	$ (4,408,210)		$ (1,721,006)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	873,219		155,703
Provision for bad debts	722,451		123,185
Changes in operating assets and liabilities, net of effects from acquisition of business:			
Patient accounts receivable including third party settlements	(9,204,371)		(2,713,071)
Prepaids and other current assets	(1,059,681)		(1,061,467)
Deposits	1,080,131		55,353
Accounts payable	794,643		1,191,780
Accrued liabilities	2,051,174		43,367
Deferred rent	3,367,664		1,151,559
Net cash used in operating activities	(5,782,980)		(2,774,597)
Investing activities:			
Purchase of restricted investment	(100,000)		—
Purchases of property and equipment	(841,860)		(52,095)
Assets acquired in business acquisition	(284,292)		—
Cash acquired in business acquisition	—		201,280
Net cash (used in) provided by investing activities	(1,226,152)		149,185
Financing activities:			
Borrowings under revolving credit facility	82,610,497		—
Repayments of revolving credit facility	(69,929,295)		—
Borrowings under capital leases	2,181,898		—
Repayment of capital leases	(56,389)		—
Borrowings under other long-term debt	99,000		4,050,458
Repayment of long-term debt	(7,741,082)		—
Payment of deferred financing costs	(169,963)		—
Net cash provided by financing activities	6,994,666		4,050,458
Net increase (decrease) in cash and cash equivalents	(14,466)		1,425,046
Cash and cash equivalents — beginning	2,280,772		—
Cash and cash equivalents — ending	$ 2,266,306		$ 1,425,046
Supplemental cash flow information:			
Cash paid for interest	$ 4,283,100		$ 629,028
Non-cash transactions:			
Deferred financing costs funded by MPT notes payable revolving credit facility and MPT capital lease	$ 352,627		$ 1,500,000
Business acquisition adjustment of goodwill	$ 140,505		$ —
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		$ 3,296,365
Equipment purchases funded by capital leases	$ 457,381		$ —
Notes issued relating to acquisition	$ —		$ 38,093,842

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 Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

1. Basis of Presentation

The unaudited consolidated financial statements of Vibra Healthcare, LLC and Subsidiaries ("Vibra" and the "Company") as of September 30, 2005, for the three and nine months ended September 30, 2005, the three months ended September 30, 2004, and the period May 14, 2004, (date of inception) to September 30, 2004, have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such periods. All significant intercompany transactions and balances have been eliminated. The results of operations for the three and nine months ended September 30, 2005, are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2005.

Certain information and disclosures normally included in the notes to consolidated financial statements have been condensed or omitted as permitted by the rules and regulations of the Securities and Exchange Commission, although the Company believes the disclosure is adequate to make the information presented not misleading. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2004, previously included in filings of Medical Properties Trust, Inc. with the Securities and Exchange Commission.

2. Organization and Summary of Significant Accounting Policies

Organization

Vibra was formed May 14, 2004, and commenced operations with the acquisition of its subsidiaries consisting of four inpatient 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, 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.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

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.

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

3. 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,

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

assets and liabilities of each LLC. The purchase price of the operations may be adjusted either upward or downward pursuant to a post-closing working capital adjustment with the seller. The purchase price of the operations has been allocated to net assets acquired, and liabilities assumed based on valuation studies subject to purchase price adjustments. The excess of the amount of purchase price over the net asset value, including identifiable intangible assets, was allocated to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospitals as a group under Vibra. The results of operations of the hospitals acquired have been included in the Company's consolidated financial statements since the date of acquisition. The following table summarizes the acquisition date and other relevant information regarding each hospital:

Location	Type	Beds	Acquisition Date
Marlton, NJ	IRF	46(1)	July 1, 2004
Bowling Green, KY	IRF	60	July 1, 2004
Fresno, CA	IRF	62	July 1, 2004
Kentfield, CA	LTACH	60	July 1, 2004
New Bedford, MA	LTACH	90	August 17, 2004
Thornton, CO	IRF	117(2)	August 17, 2004

(1) Vibra subleases a floor of the Marlton building to an unaffiliated provider which operates 30 pediatric rehabilitation beds which are in addition to the 46 beds operated by Vibra.

(2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Information with respect to the businesses acquired in 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 $140,505. This adjustment increased the goodwill recorded at June 30, 2005 to $24,650,801.

Nine Months Ended September 30, 2005

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

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

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 180 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

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

4. Property and Equipment

Property and equipment consists of the following:

	September 30, 2005		
	Direct Ownership	Under Capital Leases	Total
Building	$ 40,584	$ 14,087,816	$ 14,128,400
Leasehold improvements	351,379	—	351,379
Furniture and equipment	3,727,314	465,209	4,192,523
Less: accumulated depreciation and amortization	(737,627)	(251,676)	(989,303)
Total	$ 3,381,650	$ 14,301,349	$ 17,682,999

Depreciation expense was $415,352 for the three months ended September 30, 2005, $734,104 for the nine months ended September 30, 2005, and $133,703 for the three months ended September 30, 2004, and the period May 14, 2004 (date of inception) to September 30, 2004.

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:

	September 30, 2005
Goodwill	$ 24,650,800
CONs/ Licenses	$ 5,140,000

The CONs/ Licenses have not been amortized as they have indefinite lives.

6. 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:

	September 30, 2005
MPT lease deposits	$ 3,768,865
Other deposits	483,891
Total	$ 4,252,756

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

7. Long-Term Debt

The components of long-term debt are shown in the following table:

	September 30, 2005
MPT 10.25% hospital acquisition note	$ 41,415,988
Merrill Lynch $17 million revolving credit facility	12,876,804
Other	83,875
	$ 54,376,667
Less: current maturities	(57,410)
	$ 54,319,257

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% (6.84% as of September 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 September 30, 2005, the Company met the amended covenant. The maximum facility was increased from $14 million to $17 million in the June 2005 amendment. The agreement was also amended for no consideration in September 2005 to exclude the Redding capital lease from the definition of leased assets.

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:

September 30	(In thousands)
2006	$ 57,410
2007	471,823
2008	14,776,352
2009	2,103,662
2010	2,329,711
Thereafter	34,637,709
	$ 54,376,667

8. 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. Since Vibra's capital expenditures incurred exceeded the reserve requirement at July 1, 2005, and October 1, 2005, no funding was required.

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:

12 Month Period Ending	Fixed Charge Coverage Required	Lease Payment 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.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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The following schedule summarizes the future minimum lease payments under capital leases together with the net minimum lease payments:

Sept. 30	MPT Redding Lease	Other	Total
2006	$ 1,925,438	$ 152,598	$ 2,078,036
2007	1,973,573	143,883	2,117,456
2008	2,022,913	116,175	2,139,088
2009	2,073,486	97,185	2,170,671
2010	2,125,323	20,680	2,146,003
Thereafter	23,486,041	—	23,486,041
Total minimum lease payments	33,606,774	530,521	34,137,295
Less amount representing interest (imputed rate 9%)	(15,676,218)	(98,662)	(15,774,880)
Present value of net minimum lease payments	$ 17,930,556	$ 431,859	$ 18,362,415

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.

9. 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 management fees equal to 2-3% of net patient service revenue, and are for an initial term of five years with automatic one-year renewals. Management fee expense amounted to $721,188 and $1,965,247 for the three and nine months ended September 30, 2005, respectively, and $444,933 for the three months ended September 30, 2004, and the period May 14, 2004 (date of inception) to September 30, 2004. At September 30, 2005, $478,651 was payable to Vibra Management, LLC and is included in 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 nine months ended September 30, 2005, and no additional services were provided.

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.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

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 September 30, 2005, include $1,972,585 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 six 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. 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 Nine Months Ended Sept. 30, 2005			
	IRF	LTACH	Other	Total
Net patient service revenue	$ 45,508,866	$ 49,661,351	$ —	$ 95,170,217
Net loss from operations	(5,408,996)	(239,049)	(418,469)	(6,066,514)
Interest expense	2,600,746	1,682,354	—	4,283,100
Depreciation and amortization	542,011	271,249	59,959	873,219
Deferred rent	4,137,137	1,690,835	—	5,827,972
Total assets	52,290,934	30,900,543	832,181	84,023,658
Purchases of property and equipment	300,813	536,046	5,001	841,860
Goodwill	16,409,877	8,240,924	—	24,650,801

	For the Three Months Ended Sept. 30, 2005			
	IRF	LTACH	Other	Total
Net patient service revenue	$ 17,544,000	$ 17,709,794	$ —	$ 35,253,794
Net income (loss) from operations	(2,527,458)	334,340	(180,080)	(2,373,198)
Interest expense	1,103,319	621,482	—	1,724,801
Depreciation and amortization	348,443	96,427	13,374	458,244

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2005 (Unaudited), the Three Months Ended September 30, 2004, and the Period May 14, 2004 (date of inception) to September 30, 2004

	For the Three Months Ended September 30, 2004, and the Period May 14, 2004 (Date of Inception) to September 30, 2004			
	IRF	LTACH	Other	Total
Net patient service revenue	$ 12,074,611	$ 8,771,224	$ —	$ 20,845,835
Net loss from operations	(1,519,116)	(747,580)	(38,736)	(2,305,432)
Interest expense	724,882	300,295	—	1,025,177
Depreciation and amortization	97,048	58,655	—	155,703

12. Subsequent Event

In October 2005 Vibra amended its revolving credit facility with Merrill Lynch to include the accounts receivable of the Redding hospital and to increase the maximum facility to $20 million. Vibra will pay Merrill a financing fee of $30,000 plus legal costs of the amendment.

In December 2005 Vibra amended its revolving credit facility with Merrill Lynch for no consideration to change various definitions.

In December 2005 Vibra received a payment of $2.75 million from Care One Realty as full settlement of the post closing working capital adjustment discussed in Note 2.

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.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Period From Inception (May 14, 2004) through December 31, 2004

Property and Equipment: Property and equipment are stated at cost net of accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the lease, as appropriate. The general range of useful lives is as follows:

Leasehold improvements	15 years
Furniture and equipment	2-7 years

In accordance with Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS No 144), the Company reviews the realizability of long-lived assets whenever events or circumstances occur which indicate recorded costs may not be recoverable.

Intangible Assets: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, “Goodwill and Other Intangible Assets”. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer subject to periodic amortization but are instead reviewed annually or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Management has allocated the intangible assets between identifiable intangibles and goodwill. Intangible assets, other than goodwill, consist of values assigned to certificates of need (“CONs”) and licenses. The useful life of each class of intangible assets is as follows:

Goodwill	Indefinite
Certificates of Need/Licenses	Indefinite

Deferred Financing and Lease Costs: Costs and fees incurred in connection with the MPT loans and leases have been deferred and are being amortized over the 15 year term of the loans and leases using the straight-line method, which approximates the effective interest method. Amortization expense was $47,000 for the period from inception through December 31, 2004.

Insurance Risk Programs: Under the Company’s insurance programs, the Company is liable for a portion of its losses. The Company estimates its liability for losses based on historical trends that will be incurred in a respective accounting period and accrues that estimated liability. These programs are monitored quarterly and estimates are revised as necessary to take into account additional information. At December 31, 2004, the Company has accrued $1,441,516 related to these programs. Deposits for workers’ compensation claims consist of cash provided to Vibra’s insurance carrier to fund workers’ compensation claims. In February 2005, Vibra used $1,375,000 of its borrowing base on the Merrill Lynch loan (see Note 11) to collateralize a letter of credit for the claims and the cash deposit was refunded.

Deferred Rent: The excess of straight line rent expense over each rent paid is credited to deferred rent on a monthly basis. For the period from inception through December 31, 2004, rent expense exceeded the rent paid in cash by $2,460,308.

Revenue Recognition: Net patient service revenue consists primarily of charges to patients and are recognized as services are rendered. Net patient service revenue is reported net of provisions for contractual allowances from third-party payors and patients. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The differences between the estimated program reimbursement rates and the standard billing rates are

accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net patient service revenues. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

A significant portion of the Company's net patient service revenues are generated directly from the Medicare and Medicaid programs. Net patient service revenues generated directly from the Medicare and Medicaid programs represented approximately 63% and 13%, respectively, of the Company's consolidated net patient service revenues for the period from inception through December 31, 2004. Approximately 46% and 21% of the Company's gross patient accounts receivable at December 31, 2004, are from Medicare and Medicaid, respectively. As a provider of services to these programs, the Company is subject to extensive regulations. The inability of a hospital to comply with regulations can result in changes in that hospital's net patient service revenues generated from these programs.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash balances and patient accounts receivables. The Company deposits its cash with large banks. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's primary concentration of credit risk.

Fair Value of Financial Instruments: The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of its current assets, current liabilities and long-term debt approximates their fair value.

Income Taxes: Vibra and its subsidiaries have elected to be a LLC for federal and state income tax purposes. In lieu of corporate income taxes, the member of a LLC is taxed on their proportionate share of the Company's taxable income or loss. Therefore, no provision or liability for federal or state income taxes has been provided for in the consolidated balance sheet or consolidated statement of operations.

2. Acquisitions

In July and August 2004, Vibra entered into agreements with Medical Properties Trust, Inc. (MPT) to acquire the operations of six specialty hospitals. MPT, a healthcare real estate investment trust based in Birmingham, Alabama, acquired the real estate for approximately $127.4 million and assigned to Vibra its rights to acquire the operations of the hospitals from Care One Realty of Hackensack, New Jersey for approximately $38.1 million net of cash acquired and $7.5 million of liabilities assumed which was financed by MPT. The assignment of the LLC interests to Vibra transferred the operations, assets and liabilities of each LLC. The purchase price of the operations may be adjusted either upward or downward pursuant to a post-closing working capital adjustment with the seller. The purchase price of the operations has been allocated to net assets acquired, and liabilities assumed based on valuation studies subject to purchase price adjustments. The excess of the amount of purchase price over the net asset value, including identifiable intangible assets, was allocated to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospitals as a group under Vibra. The results of operations of the hospitals acquired have been included in the Company's consolidated financial

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Period From Inception (May 14, 2004) through December 31, 2004

statements since the date of acquisition. The following table summarizes the acquisition date and other relevant information regarding each hospital:

Location	Type	Beds	Acquisition Date
Marlton, NJ	IRF	46(1)	July 1, 2004
Bowling Green, KY	IRF	60	July 1, 2004
Fresno, CA	IRF	62	July 1, 2004
Kentfield, CA	LTACH	60	July 1, 2004
New Bedford, MA	LTACH	90	August 17, 2004
Thornton, CO	IRF	117(2)	August 17, 2004

(1) Vibra subleases a floor of the Marlton building to an unaffiliated provider which operates 30 pediatric rehabilitation beds which are in addition to the 46 beds operated by Vibra.

(2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Information with respect to the businesses acquired in purchase transactions is as follows:

Notes issued, net of cash acquired	$	38,093,842
Liabilities assumed		7,477,988
		45,571,830
Fair value of assets acquired:		
Accounts receivable		(13,640,825)
Property and equipment		(2,749,840)
CONs/ Licenses		(4,260,000)
Other		(410,869)
Cost in excess of fair value of net assets acquired (goodwill)	$	24,510,296

3. Property and Equipment

Property and equipment at December 31, 2004, consists of the following:

Leasehold improvements	$	48,055
Furniture and equipment		2,869,685
		2,917,740
Less: accumulated depreciation and amortization		255,194
Total	$	2,662,546

Depreciation expense was $255,194 for the period from inception through December 31, 2004.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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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

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Period From Inception (May 14, 2004) through December 31, 2004

any of the loan terms will also constitute a default under the leases. All of the MPT leases are cross defaulted.

Vibra has entered into operating leases for six outpatient clinics which expire on various dates through 2008.

Minimum future lease obligations on the leases are as follows (in thousands):

	MPT Rent Obligation	Outpatient Clinics	Total
December 31, 2005	$ 14,344	$ 205	$ 14,549
2006	16,082	122	16,204
2007	16,485	84	16,569
2008	16,897	55	16,952
2009	17,319	—	17,319
Thereafter	188,465	—	188,465
	$ 269,592	$ 466	$ 270,058

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the sole member of Vibra, an affiliated Company owned by the sole member, and Vibra Management LLC have joint and severally guaranteed the leases to MPT, although the obligation of the sole member is limited to $5 million and his membership interest in Vibra.

The Company has sublet a floor of its Marlton, NJ, hospital to an independent pediatric rehabilitation provider. Three other hospitals have entered into numerous sublease arrangements. These subleases generated rental income of $884,913 for the period from inception through December 31, 2004 and is included in non-operating revenue in the accompanying consolidated statement of operations. The following table summarizes amounts due under sub leases (in thousands):

December 31, 2005	$ 1,119
2006	1,144
2007	1,170
2008	1,197
2009	1,223
Thereafter	4,614
	$ 10,467

Litigation

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated (including claims against the hospitals under prior ownership). In the opinion of management, the outcome of these actions will not have a material effect on the financial position or results of operations of the Company.

California Medicaid

The Company is in the process of fulfilling change of ownership requirements imposed by Medi-Cal, the California Medicaid administrator that date back to the prior owners' acquisition of the California

hospitals. Amounts receivable at December 31, 2004, include $1,015,959 due from Medi-Cal, including $657,000 prior to the acquisition. Management is continuing to negotiate with Medi-Cal. The amount that will ultimately be received cannot be determined at this time.

California Seismic Upgrade

For earthquake protection California requires hospitals to receive an approved Structural Performance Category 2 (SPC-2) by January 1, 2008, to maintain its license. Hospitals may request a five year implementation extension. The Fresno, CA, hospital is expected to meet the SPC-2 standard by January 1, 2008, with capital outlays that are not material to the consolidated financial statements. The Kentfield, CA, hospital has applied for a three year extension to meet the requirement. Management is in preliminary consultations with consulting architects and engineers to develop a plan for Kentfield to meet the requirements. The capital outlay required to meet the standards at Kentfield cannot be determined at this time.

9. Retirement Savings Plan

In November 2004, the Company began sponsorship of a defined contribution retirement savings plan for substantially all of its employees. Employees may elect to defer up to 15% of their salary. The Company matches 25% of the first 3% of compensation employees contribute to the plan. The employees vest in the employer contributions over a five-year period beginning on the employee's hire date. The expense incurred by the Company related to this plan was $21,310 for the period from inception through December 31, 2004.

10. Segment Information

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

The Company's segments consist of (i) IRFs and (ii) LTACHs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the segments based on loss from operations.

The following table summarizes selected financial data for the Company's reportable segments:

	For the Period from Inception (May 14, 2004) through December 31, 2004			
	IRF	LTACH	Other	Total
Net patient service revenue	$ 24,741,573	$ 23,524,446	$ —	$ 48,266,019
Net operating loss	(3,649,867)	(1,395,339)	(63,205)	(5,108,411)
Interest expense	1,493,279	800,123	—	2,293,402
Depreciation and amortization	185,746	116,448	—	302,194
Deferred rent	1,833,216	627,092	—	2,460,308
Total assets	32,175,207	26,702,535	143,108	59,020,850
Purchases of property and equipment	75,582	92,318	—	167,900
Goodwill	16,664,491	7,845,805	—	24,510,296

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Period From Inception (May 14, 2004) through December 31, 2004

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

Common Stock

PROSPECTUS

January 10, 2006

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	$ 28,832
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	918,832

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 Amended and Restated 2004 Equity Incentive Plan, we have granted options to purchase a total of 160,000 shares of common stock, and awarded 30,000 deferred stock units, to our

current or former independent directors. In addition, we have awarded 676,180 shares of restricted common stock to our employees, officers, and independent directors. 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
3.3****	Articles of Amendment to Second Amended and Restated Articles of Incorporation
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
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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, as corrected.
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10.60***	Lease Agreement between Monroe Hospital, LLC and MPT of Bloomington, LLC, dated October 7, 2005.
10.61***	Development Agreement among Monroe Hospital, LLC, Monroe Hospital Development, LLC and MPT of Bloomington, LLC, dated October 7, 2005.
10.62***	Funding Agreement between Monroe Hospital, LLC and MPT of Bloomington, LLC, dated October 7, 2005.
10.63***	First Amendment to Lease Agreement between MPT West Houston Hospital, L.P. and Stealth, L.P., dated September 2, 2005.
10.64*****	Credit Agreement dated October 27, 2005, among MPT Operating Partnership, L.P., the borrower, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Administrative Agent and Lender, and Additional Lenders from Time to Time a Party thereto.
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10.66***	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Chino, LLC, Prime Healthcare Services, LLC, Veritas Health Services, Inc., Prime Healthcare Services, Inc., Desert Valley Hospital, Inc. and Desert Valley Medical Group, Inc., dated November 30, 2005.
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10.68***	Promissory Note by Alliance Hospital, Ltd. In favor of MPT of Odessa Hospital, L.P., dated December 23, 2005.
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10.70	Lease Agreement between MPT of Sherman Oaks, LLC and Prime Healthcare Services II, LLC, dated December 30, 2005, as corrected.
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.

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

***** Incorporated by reference to the Registrant's current report on Form 8-K, filed with the Commission on November 2, 2005.

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.

(4) that, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) if the Registrant is relying on Rule 430B:

(A) each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the Registration Statement as of the date the filed prospectus was deemed part of and included in the Registration Statement; and

(B) each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a Registration Statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the Registration Statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the Registration Statement relating to the securities in the Registration Statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; provided, however, that no statement made in a Registration Statement or prospectus that is part of the Registration Statement or made in a document incorporated or deemed incorporated by reference into the Registration Statement or prospectus that is part of the Registration Statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the Registration Statement or prospectus that was part of the Registration Statement or made in any such document immediately prior to such effective date; and

(ii) each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however,* that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) that, for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to the Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iv) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(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 January 10, 2006.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. STEVEN HAMNER
R. Steven Hamner
Executive Vice President,
Chief Financial Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	Chairman of the Board, President and Chief Executive Officer	January 10, 2006
Edward K. Aldag, Jr.		
*	Director	January 10, 2006
Virginia A. Clarke		
*	Director	January 10, 2006
Bryan L. Goolsby		
/s/ R. STEVEN HAMNER	Executive Vice President, Chief Financial Officer and Director	January 10, 2006
R. Steven Hamner		
*	Director	January 10, 2006
G. Steven Dawson		
*	Director	January 10, 2006
Robert E. Holmes, Ph.D.		
*	Vice Chairman of the Board	January 10, 2006
William G. McKenzie		
*	Director	January 10, 2006
L. Glenn Orr, Jr.		
*By: /s/ R. STEVEN HAMNER		January 10, 2006
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
3.3****	Articles of Amendment to Second Amended and Restated Articles of Incorporation
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

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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
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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)
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*** Previously filed.

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***** Incorporated by reference to the Registrant's current report on Form 8-K, filed with the Commission on November 2, 2005.

Exhibit 10.69

PURCHASE AND SALE AGREEMENT

BY AND AMONG

MPT OPERATING PARTNERSHIP, L.P. AND

MPT OF SHERMAN OAKS, LLC

(COLLECTIVELY, THE "PURCHASER PARTIES");

AND

PRIME HEALTHCARE SERVICES II, LLC,

PRIME A INVESTMENTS, L.L.C.,

PRIME HEALTHCARE SERVICES, INC.,

DESERT VALLEY HOSPITAL, INC.,

AND

DESERT VALLEY MEDICAL GROUP, INC.

(COLLECTIVELY, THE "SELLER PARTIES ")

DATED AS OF December 30, 2005

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of December 30, 2005 by and among MPT OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("MPT"), and MPT OF SHERMAN OAKS, LLC, a Delaware limited liability company (the "Acquisition Sub") (MPT and the Acquisition Sub being herein referred to, collectively, as the "Purchaser Parties"); and PRIME HEALTHCARE SERVICES II, LLC, a Delaware limited liability company ("Desert Valley Operator"), PRIME A INVESTMENTS, L.L.C., a Delaware limited liability company ("Prime A"), PRIME HEALTHCARE SERVICES, INC., a Delaware corporation ("Desert Valley Parent"), DESERT VALLEY HOSPITAL, INC., a California corporation ("Desert Valley Hospital"), and DESERT VALLEY MEDICAL GROUP, INC., a California corporation (Desert Valley Operator, Prime A, Desert Valley Parent, Desert Valley Hospital and Desert Valley Medical Group, Inc., being collectively referred to herein as the "Seller Parties").

WITNESSETH:

WHEREAS, Desert Valley Operator and Prime A are parties to that certain Asset Purchase Agreement dated September 21, 2005 between Sherman Oaks Health System ("Sherman Oaks"), the subsidiaries of Sherman Oaks, Desert Valley Operator and Prime A (the "Sherman Oaks Purchase Agreement") pursuant to which Sherman Oaks has agreed to sell and assign to Desert Valley Operator and Prime A, and Desert Valley Operator and Prime A have agreed to purchase and assume from Sherman Oaks, certain assets related to the Sherman Oaks Hospital located in Sherman Oaks, California (the "Hospital"), including the Real Property (as hereinafter defined), as well as Sherman Oaks' leasehold interest in the Landlord Leases (as hereinafter defined);

WHEREAS, pursuant to that certain Amended and Restated Air Space Agreement, dated March 1, 1995, between Trustee in Bankruptcy for Triad and G&L Medical Partnership, L.P. ("G&L"), as assigned to Desert Valley Operator (the "Air Space Agreement"), Desert Valley Operator leases to G&L certain air space above a portion of the Real Property for the operation of a parking facility and subleases back from G&L Medical Partnership, L.P. twenty (20) parking spaces;

WHEREAS, subject to the terms and conditions hereinafter set forth, Seller Parties desire to sell and assign to the Acquisition Sub, and the Acquisition Sub desires to purchase and assume from Seller Parties, the Real Property and certain other assets associated or used in connection with the Hospital, all on the terms and conditions set forth in this Agreement;

WHEREAS, contemporaneously with the closing of such purchase and sale, Desert Valley Operator shall lease back the Real Property from the Acquisition Sub pursuant to a lease in the form of EXHIBIT A hereto (the "Lease"); and

WHEREAS, until its change in ownership application is approved by the California Department of Health Services ("DHS"), Desert Valley Operator intends to sublease the Real Property and

other assets back to Sherman Oaks and to operate the same for Sherman Oaks pursuant to the terms and conditions of the Management Agreement (as hereinafter defined).

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINED TERMS

SECTION 1.1. CERTAIN DEFINED TERMS. Capitalized terms used herein shall have the respective meanings ascribed to them in this Section 1.1.

"Acquisition Sub" shall have the meaning set forth in the preamble to this Agreement.

"Affiliate" "means, with respect to any Person (i) any Person that, directly or indirectly, controls or is controlled by or is under common control with such Person, (ii) any other Person that owns, beneficially, directly or indirectly, 10% or more of the outstanding capital stock, shares or equity interests of such Person, or (iii) any officer, director, employee, partner, member, manager or trustee of such Person or any Person controlling, controlled by or under common control with such Person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such Person). For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities or otherwise.

"Agreement" shall have the meaning set forth in the preamble to this Agreement.

"Air Space Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Appraisal" means that certain appraisal of the Real Property in form and substance, and prepared by a Person, satisfactory to MPT in its sole discretion.

"Appraised Value" means the fair market value of the Real Property as set forth in the Appraisal.

"Assets" shall have the meaning set forth in Section 2.1 hereof.

"Assumed Liabilities" shall have the meaning set forth in Section 2.2 hereof.

"Balance Sheet" shall have the meaning set forth in Section 4.5 hereof.

"Balance Sheet Date" shall have the meaning set forth in Section 4.5 hereof.

"Business" means the operation of the Hospital and the engagement in and pursuit and conduct of any business venture or activity related thereto.

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

"Business Employee" shall have the meaning set forth in Section 4.21 hereof.

"CMS" means the Centers for Medicare and Medicaid Services.

"Claim" shall have the meaning set forth in Section 4.19 hereof.

"Closing" shall have the meaning set forth in Section 9.1 hereof.

"Closing Date" shall have the meaning set forth in Section 9.1 hereof.

"Code" means the United States Internal Revenue Code of 1986, as amended through the date hereof, and all regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Confidentiality Agreement" shall have the meaning set forth in Section 7.2(c) hereof.

"Contracts" shall have the meaning set forth in Section 4.20 hereof.

"Deed" shall have the meaning set forth in Section 9.2(b) hereof.

"DHS" shall have the meaning set forth in the recitals to this Agreement.

"Desert Valley Hospital" shall have the meaning set forth in the preamble to this Agreement.

"Desert Valley Operator" shall have the meaning set forth in the preamble to this Agreement.

"Desert Valley Parent" shall have the meaning set forth in the preamble to this Agreement.

"Environmental Claim" means any Claim, action, cause of action, investigation or notice (written or oral) by any Governmental Entity or other Person alleging actual or potential liability for investigatory, cleanup or governmental response costs, or natural resources or property damages, or personal injuries, attorney's fees or penalties relating to (i) the presence, or release into the environment, of any Hazardous Materials at the Real Property, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Law" means each federal, state, local and foreign law and regulation relating to pollution, protection or preservation of human health or the environment, including ambient air, surface water, ground water, land surface or subsurface strata, and natural resources, and including each law and regulation relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacturing, processing, distribution, use, treatment, generation, storage, containment (whether above ground or underground), disposal, transport or handling of Hazardous Materials, or the preservation of the environment or mitigation of adverse effects thereon and each law and regulation with regard to

record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials, including, without limitation, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder, in each case as amended from time to time.

"Equity Constituents" means, with respect to any Person, as applicable, the members, general or limited partners, shareholders, stockholders or other Persons, however designated, who are the owners of the issued and outstanding equity or ownership interests of such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exception Documents" means true, correct, current and legible copies of each document listed as an exception to title on the Title Commitment.

"Excluded Liabilities" shall have the meaning set forth in Section 2.2 hereof.

"Existing Leases" means those certain lease agreements in effect as of the date hereof (other than the Lease) between Affiliates of MPT and Affiliates of Desert Valley Parent.

"Expansion Commitment Letter" shall have the meaning set forth in Section 9.2(x) hereof.

"Financial Statements" shall have the meaning set forth in Section 4.5 hereof.

"Fixtures" means all permanently affixed non-medical equipment, machinery, fixtures, and other items of real property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in vacuum, cable transmission, oxygen and similar systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto.

"G&L" shall have the meaning set forth in the recitals to this Agreement.

"GAAP" means United States generally accepted accounting principles as in effect from time to time. Any accounting term used herein and not specifically defined herein shall be construed in accordance with GAAP.

"Governing Documents" means, with respect to any Person, as applicable, such Person's charter, articles or certificate of incorporation, formation or organization, bylaws or other documents or instruments which establish and/or set forth the rules, procedures and rights with respect to such Person's governance, including, without limitation, any stockholders, limited liability company,

operating or partnership agreement related to such Person, in each case as amended, restated, supplemented and/or modified and in effect as of the relevant date.

"Governmental Entity" means any national, federal, regional, state, local, provincial, municipal, foreign or multinational court or other governmental or regulatory authority, administrative body or government, department, board, body, tribunal, instrumentality or commission.

"Government Programs" shall have the meaning set forth in Section 4.10 hereof.

"Hazardous Materials" means any substance deemed hazardous under any Environmental Law, including, without limitation, asbestos or any substance containing asbestos, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, lead and lead-based paints, radon, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic wastes, materials or substances under any Environmental Law.

"Healthcare Fraud Laws" shall have the meaning set forth in Section 4.12(a) hereof.

"HIPAA" shall have the meaning set forth in Section 4.11 hereof.

"Hospital" shall have the meaning set forth in the recitals to this Agreement.

"Improvements" means all buildings, improvements, structures and Fixtures now or on the Closing Date located on the Land, including, without limitation, landscaping, parking lots and structures, roads, drainage and all above ground and underground utility structures, equipment systems and other so-called "infrastructure" improvements.

"Indebtedness" of any Person means, without duplication, (a) all liabilities and obligations, contingent or otherwise, of such Person: (i) in respect of borrowed money (whether secured or unsecured), (ii) under conditional sale or other title retention agreements relating to property or services purchased and/or sold by such Person, (iii) evidenced by bonds, notes, debentures or similar instruments, (iv) for the payment of money relating to a capitalized lease obligation, (v) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit, (vi) pursuant to any guarantee, or (vii) secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) a Lien on the assets or property of such Person, and (b) all liabilities and obligations of others of the kind described in the preceding clause (a) and otherwise that (i) such Person is responsible or liable for, directly or indirectly, as obligor, guarantor, surety or otherwise, or (ii) which are secured by a Lien on any of the assets or property of such Person.

"Indemnified Party" shall have the meaning set forth in Section 12.3(a) hereof.

"Indemnifying Party" shall have the meaning set forth in Section 12.3(a) hereof.

"Intangible Property" shall have the meaning set forth in Section 4.22 hereof.

"JCAHO" shall have the meaning set forth in Section 4.10 hereof.

"Knowledge," "to the knowledge or best knowledge of" or similar words or phrases means, with respect to any Person, such Person's actual or deemed knowledge of a particular fact or matter if any of such Person's current or former officers or directors (or other Persons however denominated, currently or formerly exercising similar authority with respect to such Person) (a Person's "Knowledge Group"), including, but not limited to, in the case of the Seller Parties, Prem Reddy, M.D. and/or Lex Reddy, has actual knowledge of such fact or matter.

"Land" shall have the meaning set forth in Section 2.1(a) hereof.

"Landlord Leases" means those certain leases set forth on EXHIBIT B hereto, pursuant to which Desert Valley Operator or Sherman Oaks Medical Group Management, Inc., a California professional corporation, as tenant, leases certain property or space related to the Business.

"Law" means any federal, state or local statute, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Entity or otherwise, including, without limitation, any judicial or administrative order, consent, decree or judgment.

"Lease" shall have the meaning set forth in the recitals to this Agreement.

"Lien" means any mortgage, adverse Claim, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, lien (statutory or otherwise) or preference, security interest or other encumbrance of any kind or nature whatsoever.

"Management Agreement" means that certain Interim Management Agreement dated as of the closing date by and between the Desert Valley Operator and Sherman Oaks.

"Material Adverse Effect" means, with respect to any Person, any change, event(s), occurrence(s) or effect(s), whether direct or indirect, that, both before and after giving effect to the transactions contemplated by this Agreement, could, individually or in the aggregate, have a material adverse effect on (i) the business, properties, results of operations, assets, revenue, income, prospects or condition (financial or otherwise) of, or the ability to timely satisfy the obligations or liabilities (whether absolute or contingent) of, such Person, (ii) such Person's business or assets, or (iii) the ability of such Person to perform its obligations under, and/or consummate the transactions contemplated by, this Agreement within the time periods specified herein.

"Medicaid" shall have the meaning set forth in Section 4.10 hereof.

"Medi-Cal" shall have the meaning set forth in Section 4.10 hereof.

"Medicare" shall have the meaning set forth in Section 4.10 hereof.

"Minimum Aggregate Liability Amount" shall have the meaning set forth in Section 12.1(b) hereof.

"MPT" shall have the meaning set forth in the recitals to this Agreement.

"Permitted Encumbrances" means (i) Liens for or arising from current taxes not yet due and payable; (ii) easements and other restrictions of record; (iii) matters set forth in the Title Commitment issued by the Title Company; (iv) matters disclosed on the Survey; and (v) other matters, encumbrances and defects approved by MPT in writing.

"Permits" shall have the meaning set forth in Section 4.9 hereof.

"Person" means an individual, a corporation, a limited liability company, a partnership, an unincorporated association, a joint venture, a Governmental Entity or another entity or group.

"Personal Property" shall have the meaning set forth in Section 4.16 hereof.

"Personal Property Leases" shall have the meaning set forth in Section 4.16 hereof.

"Physician" means any physician rendering services, within, at or on the Hospital or its premises within the five (5) year period ending on the date of this Agreement.

"Plan" shall have the meaning set forth in Section 4.21 hereof.

"Prime A" shall have the meaning set forth in the preamble to this Agreement.

"Public Taking" shall means any condemnation, requisition or other taking by any Governmental Entity.

"Purchase Price" shall have the meaning set forth in Section 3.1 hereof.

"Purchaser Damages" shall have the meaning set forth in Section 12.1(a) hereof.

"Purchaser Parties" shall have the meaning set forth in the preamble to this Agreement.

"Purchaser Indemnified Party" shall have the meaning set forth in Section 12.1(a).

"Purchaser's Indemnity Periods" shall have the meaning set forth in Section 12.1(b) hereof.

"Real Property" shall have the meaning set forth in Section 2.1(b) hereof.

"Search Reports" means reports of searches made of the uniform commercial code records of the county in which the Real Property is located, and of the office of the secretary of state of the state in which the Real Property is located and in the state in which the principal office of the Seller Parties is located.

"Seller Damages" shall have the meaning set forth in Section 12.2(a) hereof.

"Seller Indemnified Parties" shall have the meaning set forth in Section 12.2(a) hereof.

"Seller Indemnity Period" shall have the meaning set forth in Section 12.2(b) hereof.

"Seller Party Instruments" shall have the meaning set forth in Section 4.2 hereof.

"Seller Parties" shall have the meaning set forth in the preamble to this Agreement.

"Service Provider" means any Person who has rendered or is rendering services to or on behalf of Desert Valley Parent or any of its Subsidiaries.

"Sherman Oaks" shall have the meaning set forth in the recitals to this Agreement.

"Sherman Oaks Claim" shall have the meaning set forth in Section 11.3 hereof.

"Sherman Oaks Purchase Agreement" shall have the meaning set forth in Section 11.3 hereof.

"Special Purpose Entity" means an entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Real Property and conducting the operation of the Business, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership and/or leasing all or any portion of the Real Property and the operation of the Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest which it owns in the Real Property and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by the Lease or arising in the ordinary course of the Business and does not guarantee or otherwise obligate itself with respect to the debts of any other Person other than as approved by MPT, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets), (vii) holds itself out as being a company separate and apart from any other entity, (viii) maintains all corporate formalities independent of any other entity.

"Subsidiary" means with respect to Desert Valley Parent, those certain subsidiaries of Desert Valley Parent listed and described on SCHEDULE 4.1 hereto and with respect to any Person, any other Person of or with respect to which Fifty Percent (50%) or more of the total voting power of the voting securities is beneficially owned by such Person.

"Survey" means a current "as-built" ALTA survey, certified to ALTA requirements, prepared by an engineer or surveyor licensed in the state in which the Real Property is located acceptable to MPT in its sole discretion, which shall be prepared in accordance with the provisions set forth in Section 6.1 of this Agreement.

"Taxes" means any and all taxes, charges, fees, levies or other assessments, including, without limitation, any and all income, gross receipts, excise, real and personal property (including leaseholds and interests in leaseholds), sales, use, occupation, transfer, license, ad valorem, gains, profits, gift, minimum estimated, social security, unemployment, disability, premium, recapture, credit, payroll, withholding, severance, stamp, capital stock, value added leasing, franchise and other taxes or similar charges of any kind including any interest and penalties on or additions thereto or attributable to any failure to comply with any requirement regarding any Tax Return.

"Tax Return" means any return, declaration, filing, report, claim for refund or information return or other statement relating to Taxes (whether filed with or submitted to, or required to be filed with or submitted to, any Governmental Entity), including any schedule or attachment thereto, and including any amendment or extension thereof.

"Tax Structure" shall have the meaning set forth in Section 7.2(c) hereof.

"Tax Treatment" shall have the meaning set forth in Section 7.2(c) hereof.

"Tenant" means the lessees or tenants under the Tenant Leases (as hereinafter defined), if any.

"Tenant Leases" shall have the meaning set forth in Section 4.15(i) hereof.

"Third Party Claim" shall have the meaning set forth in Section 12.3(a) hereof.

"Title Commitment" means a current commitment issued by the Title Company to the Purchaser Parties pursuant to the terms of which the Title Company shall commit to issue the Title Policy to the Purchaser Parties in accordance with the provisions of this Agreement, and reflecting all matters which would be listed as exceptions to coverage on the Title Policy.

"Title Company" means the national service office of a title insurance company licensed in the state in which the Real Property is located and selected by MPT in its sole discretion.

"Title Policy" means a title insurance policy in form and substance satisfactory to MPT in its sole discretion.

"Warranties" means all warranties, representations and guaranties with respect to any of the Assets, whether express or implied, which the Seller Parties now hold or under which the Seller Parties are the beneficiary.

SECTION 1.2. INTERPRETATION; TERMS GENERALLY. The definitions set forth in Section 1.1 and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless otherwise indicated, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein", "hereof" and "hereunder" and words of similar import shall be deemed to refer to this Agreement (including the Schedules and Exhibits) in its entirety and not to any part hereof, unless the context shall otherwise require. All references herein to Articles, Sections, Schedules and Exhibits shall be deemed to refer to Articles, Sections and Schedules of, and Exhibits to, this Agreement, unless the context shall otherwise require. Unless the context shall otherwise require, any references to any agreement or other instrument or statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any corresponding provisions of successor statutes or regulations). Any reference in this Agreement to a "day" or number of "days" that does not refer explicitly to a "Business Day" or "Business Days" shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day.

ARTICLE II

PURCHASE AND SALE OF ASSETS, ASSUMPTION OF LIABILITIES

SECTION 2.1. PURCHASE AND SALE OF ASSETS. Based upon the representations and warranties of the Seller Parties as set forth herein, and subject to the terms and conditions hereof, at the Closing, the Seller Parties, in consideration for the payment of the Purchase Price in accordance with Section 3.1, shall grant, sell, assign, transfer, convey and deliver to the Acquisition Sub, and the Acquisition Sub shall purchase and acquire from the Seller Parties, free and clear of all Liens, other than Permitted Encumbrances, the following assets of the Seller Parties to the extent the Seller Parties have an interest therein (collectively, the "Assets"):

(a) those certain tracts of land consisting of approximately 3.7 acres located in Sherman Oaks, California the legal descriptions of which are set forth on EXHIBIT C attached hereto (the "Land") and all Improvements located thereon (collectively the "Real Property");

(b) all of the Seller Parties' rights under and interest in the Air Space Agreement;

(c) to the extent assignable, all of Seller Parties' rights in all intangible property relating exclusively to the Real Property, including, but limited to, zoning rights, Permits and indemnification or similar rights and all Warranties affecting or inuring to the benefit of the Real Property or the owner thereof (including, without limitation, any indemnification or similar rights and Warranties related to the Real Property);

(d) all of the Seller Parties' right, title and interest in and to site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Real Property and the Improvements; and

(e) all of the Seller Parties' right, title and interest in and to all causes of action, claims and rights in litigation (or which could result in litigation against any party) pertaining or relating to the Real Property (including, without limitation, any causes of action, claims or rights in litigation or other rights related to or arising under any purchase contracts (including, without limitation, all of Seller Parties' rights to indemnification and claims for breach or default under the Sherman Oaks Purchase Agreement) respecting the Real Property).

SECTION 2.2. EXCLUDED LIABILITIES. Notwithstanding anything in this Agreement to the contrary, except as set forth on SCHEDULE 2.2 (the "Assumed Liabilities") no Purchaser Party shall assume or agree to pay, satisfy, discharge or perform, or shall be deemed by virtue of the execution and delivery of this Agreement or any other document delivered at the Closing pursuant to this Agreement, or as a result of the consummation of the transactions contemplated by this Agreement or such other document, to have assumed, or to have agreed to pay, satisfy, discharge or perform, or shall be liable for, any liability, obligation, contract or Indebtedness of the Seller Parties or any other Person, whether primary or secondary, direct or indirect, including, without limitation, any liability or obligation relating to the ownership, use or operation of any of the Assets or the Hospital prior to Closing, any liability or obligation arising out of or related to any breach, default, tort or similar act committed by a Seller Party or for any

failure of a Seller Party to perform any covenant or obligation for or during any period prior to Closing, and any liability arising out of the ownership and operation of the Assets and the Hospital by Sherman Oaks or any other Person prior to Closing (collectively, the "Excluded Liabilities").

ARTICLE III

PURCHASE PRICE

SECTION 3.1. PURCHASE PRICE. Subject to obtaining the Appraisal in accordance with Section 8.2(m) hereof and subject to adjustment as provided herein, the purchase price for the Assets shall be Twenty Million and No/100 Dollars ($20,000,000.00) (the "Purchase Price"). Subject to the terms and conditions hereof, at Closing, the Acquisition Sub shall pay the Purchase Price via wire transfer of immediately available federal funds to an account specified in writing by Desert Valley Parent not less than three (3) Business Days prior to the Closing Date.

SECTION 3.2. TAXES, RENTALS, UTILITIES. The parties acknowledge that all utility charges and all real and personal property Taxes related to the Assets shall be the responsibility of Desert Valley Operator pursuant to the terms of the Lease.

SECTION 3.3. ALLOCATION OF PURCHASE PRICE. The Purchase Price shall be allocated among the Assets for purposes of Section 1060 of the Code as set forth on SCHEDULE 3.3. The parties agree to use, and to not take any position which is inconsistent with, such allocation in the preparation and filing of any Tax Return (including Form 8594).

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SELLER PARTIES

With the understanding that the Purchaser Parties shall rely hereon, and as a material inducement to the Purchaser Parties to enter into this Agreement and the Lease, the Seller Parties hereby jointly and severally represent, warrant and covenant to the Purchaser Parties as of the date hereof and as of the Closing Date as follows:

SECTION 4.1. ORGANIZATION. Each Seller Party is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of their respective states of incorporation and is duly licensed in each jurisdiction in which the nature of the business conducted, or the assets owned, operated and/or leased, by such Seller Party requires or makes such qualification necessary. Desert Valley Operator is, and has at all times since its incorporation been, a Special Purpose Entity. SCHEDULE 4.1 sets forth the ownership of each Seller Party and, except as set forth therein, no other party has any equity interest in any Seller Party or any option, warrant or other right to acquire same.

SECTION 4.2. AUTHORIZATION AND ENFORCEABILITY. Each Seller Party has the requisite corporate or limited liability company power and authority to conduct its business as it is now being conducted and as proposed to be conducted and to execute, deliver and carry out the terms of the Sherman Oaks Purchase Agreement (if it is a party thereto) and this Agreement, together with all

documents and agreements necessary to give effect to the provisions of the Sherman Oaks Purchase Agreement (if it is a party thereto) and this Agreement, including the Lease, and to consummate the transactions contemplated hereby and thereby. All corporate or limited liability company actions required to be taken by a Seller Party (including, without limitation, all necessary actions by the manager, members, board of directors and/or shareholders of such Seller Party) to authorize the execution, delivery and performance of the Sherman Oaks Purchase Agreement (if it is a party thereto), this Agreement, and all other documents, agreements and instruments executed by such Seller Party which are necessary to give effect to the Sherman Oaks Purchase Agreement (if it is a party thereto) and this Agreement (collectively, the "Seller Party Instruments") and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained in accordance and compliance with, as applicable, such Seller Party's Governing Documents. Each Seller Party has heretofore delivered to the Purchaser Parties true, correct and complete copies of such Seller Party's Governing Documents. No other action on the part of any Seller Party is necessary to authorize the execution, delivery and performance of the Sherman Oaks Purchase Agreement (if it is a party thereto), this Agreement, the Seller Party Instruments and all transactions contemplated hereby and thereby. The Sherman Oaks Purchase Agreement, this Agreement, the Seller Party Instruments and all agreements to which any Seller Party will become a party hereunder or thereunder, including the Lease, are and will constitute the valid and legally binding obligations of such Seller Party, and are and will be enforceable against such Seller Party in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 4.3. ABSENCE OF CONFLICTS. Each Seller Party's execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby (or by the Sherman Oaks Purchase Agreement if such Seller Party is a party thereto), will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of either Seller Parties' Governing Documents; (ii) violate any provision of any Law to which such Seller Party is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to such Seller Party; (iv) result in or cause the creation of a Lien on any of the Assets; or (v) except as disclosed on SCHEDULE 4.3, result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any indenture, mortgage, deed of trust, contract, agreement or other instrument to which such Seller Party is a party or by which such Seller Party or any of its assets is bound.

SECTION 4.4. CONSENTS AND APPROVALS. Except as set forth on SCHEDULE 4.4, no license, permit, qualification, order, consent, authorization, approval or waiver of, or registration, declaration or filing with, or notification to, any Governmental Entity or other Person is required to be made or obtained by or with respect to either Seller Party in connection with the execution, delivery and performance of the Sherman Oaks Purchase Agreement (if such Seller Party is a party thereto), this Agreement or the Seller Instruments by the Seller Parties or the consummation of the transactions contemplated hereby or thereby.

SECTION 4.5. FINANCIAL STATEMENTS. SCHEDULE 4.5 sets forth (i) the audited balance sheets of each applicable Seller Party (other than Desert Valley Operator and Prime A) for the fiscal years

ended 2003 and 2004, (ii) the unaudited balance sheet of each Seller Party at September 30, 2005 (in the case of Desert Valley Operator and Prime A November 30, 2005) (the "Balance Sheet Date") (the balance sheets described in this subsection (ii) being herein referred to, collectively, as the "Balance Sheets"), (iii) the audited statement of income and cash flows of each applicable Seller Party (other than Desert Valley Operator and Prime A) for the fiscal years ended 2003 and 2004, and (iv) the unaudited statement of income of each Seller Party for the nine (9) months ended September 30, 2005 (in the case of Desert Valley Operator and Prime A November 30, 2005) (the financial statements described in this sentence, being herein referred to, collectively, as the "Financial Statements"). Except as set forth on SCHEDULE 4.5, the Financial Statements have been prepared in accordance with GAAP, are based on the books, records and accounts of the Seller Parties and fairly present the financial condition and results of operations, cash flows and shareholders' equity of the Seller Parties as of the respective dates thereof and for the respective periods indicated therein, except (i) that the unaudited interim statements do not include complete note (including footnote) disclosure as required by GAAP; and (ii) that the unaudited interim statements are subject to normal, year-end adjustments which are not, and will not be, material in amount or effect, either individually or in the aggregate.

SECTION 4.6. NO UNDISCLOSED LIABILITIES. Except as set forth on SCHEDULE 4.6, no Seller Party has any material liability or obligation, whether absolute, accrued, contingent or otherwise, including any potential future liability arising out of acts or omissions which have already occurred, which is not fully and accurately reflected or reserved against in the Balance Sheets except for liabilities or obligations that may have arisen in the ordinary course of business of the Seller Parties, consistent with the past practice of the Seller Parties, since the Balance Sheet Date (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement or violation of law) and no Seller Party has Knowledge of any fact, condition or circumstance which could form the basis of any such liability or obligation.

SECTION 4.7. ACCOUNTS RECEIVABLE. The accounts receivable of Sherman Oaks include only accounts receivable arising from bona fide transactions in the conduct of the ordinary course of business of Sherman Oaks, are in all material respects true and genuine, represent legal, valid and binding obligations of the respective debtors enforceable in accordance with their terms. No material payment of said receivables is contingent upon performance of any obligations or contract, past or future, and, except as set forth on SCHEDULE 4.7, all such receivables are free of all security interests and encumbrances created by Sherman Oaks. Except as set forth on SCHEDULE 4.7, no defense, counterclaim, offset or adjustment exists as to any such account receivable.

SECTION 4.8. ABSENCE OF CHANGES. Except as set forth on SCHEDULE 4.8, since the Balance Sheet Date, Sherman Oaks has, as applicable:

(a) conducted its business only in the ordinary course of business and consistently with its past practices;

(b) not suffered any change, event or circumstance which has had, or could have, a Material Adverse Effect;

(c) preserved its legal existence and retained its business organization intact;

(d) maintained its relationships with all suppliers, trade creditors and trade debtors;

(e) paid or satisfied all of its debts, liabilities or obligations as the same became due;

(f) paid all compensation and other obligations to its employees when the same were due and payable;

(g) timely made all applicable filings with Governmental Entities;

(h) not mortgaged, pledged, subjected to Lien, charged, encumbered or granted a security interest in or to any of the Assets;

(i) except as otherwise provided in this Agreement, not sold or transferred any of its assets except for sales of inventory in the ordinary course of business and consistently with its past practices;

(j) not suffered any damage, destruction or loss (whether or not covered by insurance) affecting the Assets;

(k) not cancelled any debts owing to it or otherwise granted or waived any right of substantial value;

(l) not terminated or materially modified any contract, lease, agreement or arrangement with any payor, vendor or supplier or received notice of termination or become aware of any threat of termination with respect to any such contract, lease, agreement or arrangement;

(m) except for the Sherman Oaks Purchase Agreement, not made any capital expenditure or commitment for the acquisition of assets in excess of Fifty Thousand Dollars ($50,000);

(n) not made or suffered any change to its Governing Documents;

(o) not made or received any loans or advances to or from any Person, other than renewals or extensions of existing indebtedness and uses of lines of credit;

(p) maintained its books and records in accordance with GAAP, consistent with past practices;

(q) not incurred, assumed or guaranteed any Indebtedness;

(r) not experienced any defections in its medical staff; or

(s) not agreed or offered, whether in writing or otherwise, to take, and neither any Seller Party nor its board of directors (or by any Person or group of Persons possessing and/or exercising similar authority with respect to such Seller Party) or Equity Constituents have authorized the taking of, any action described in Sections 4.8(a) through 4.8(r) above.

SECTION 4.9. LICENSES. Except as set forth on SCHEDULE 4.9, Sherman Oaks has, and, upon the closing of the transaction under the Sherman Oaks Purchase Agreement, Desert Valley Operator will have, all licenses, permits, certificates of need and other authorizations of Government Entities (the "Permits") from all applicable Governmental Entities necessary or proper in order to operate the Hospital and to conduct the Business. Except as set forth on SCHEDULE 4.9, Sherman Oaks has, and upon the closing of the transaction under the Sherman Oaks Purchase Agreement, Desert Valley Operator will have, good, clear and indefeasible title to and ownership of all the Permits, free and clear of all Liens and may grant Acquisition Sub a first priority security interest in and to the Permits. Each Permit issued to and held by Sherman Oaks is identified and described on SCHEDULE 4.9, and true, correct and current copies of each such Permit have previously been made available to the Purchaser Parties by the Seller Parties. Except as set forth on SCHEDULE 4.9, Sherman Oaks previously has complied and is currently complying with its obligations under each of the Permits and all such Permits are in full force and effect. No written notice from any authority in respect to the threatened, pending or possible revocation, termination, suspension or limitation of any of the Permits has been issued or given to Sherman Oaks or any Seller Party and neither Sherman Oaks, nor any Seller Party, has any Knowledge of the proposed or threatened issuance of any such notice or of any grounds or basis therefor. The Hospital is currently licensed as a general acute-care hospital with __ general acute-care beds, and will remain so licensed through the Closing Date in compliance with and subject only to the usual and customary laws and government regulations pertaining to the operation of an acute-care hospital in the State of California.

SECTION 4.10. ACCREDITATION; MEDICARE AND MEDICAID; THIRD PARTY PAYORS. Sherman Oaks is currently accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") and the Seller Parties have previously made available to the Purchaser Parties true, correct and complete copies of the following documents (i) the most recent JCAHO accreditation survey reports for the Hospital and deficiency list and plan of correction, if any, and a list and description of events in the past three (3) years at the Hospital that constitute "Adverse Events" (as defined by JCAHO), if any, and any documentation that was created prepared and/or produced by Sherman Oaks or any Seller Party to satisfy JCAHO requirements relating to addressing such Adverse Events; (ii) any state licensing survey reports with respect to the Hospital for the two (2) year period prior to the date hereof, as well as any statements of deficiencies and plans of correction in connection with such reports; (iii) the fire marshal's surveys for the past two (2) years and list of deficiencies, if any, for the Hospital; and (iv) the boiler inspection reports for the past two (2) years and list of deficiencies, if any, for the Hospital. Sherman Oaks has taken all reasonable steps to correct all such deficiencies and a description of any uncorrected deficiency is set forth on SCHEDULE 4.10. Except as set forth on SCHEDULE 4.10 attached hereto, Sherman Oaks and each Seller Party (other than Prime Healthcare Services, Inc.) participates without restriction under Title XVIII of the Social Security Act ("Medicare") and Title XIX of the Social Security Act ("Medi-Cal"), the Medicare and the Medi-Cal programs of the State of California and the TRICARE/CHAMPUS programs (collectively, the "Government Programs"). Sherman Oaks has received Medicare or Medi-Cal reimbursement with respect to the Hospital and is eligible to receive payment without restriction under Medicare and Medi-Cal. Except as set forth on SCHEDULE 4.10, the Hospital is in compliance with the conditions of participation for the Government Programs, has received all approvals or qualifications necessary for capital reimbursement and has been found by CMS to be in compliance with 42 C.F.R. Sections 489.20 and 489.24 and its medicare provider agreement will

not be terminated for failure to so comply. Except as set forth on SCHEDULE 4.10, there is no pending, nor, to the Seller Parties' Knowledge, threatened, proceeding or investigation under the Government Programs involving the Hospital or any of the Assets. The Seller Parties have previously made available to the Purchaser Parties true, correct and complete copies of the most recent Medicare and Medi-Cal certification survey reports for the Hospital including any statements of deficiencies and plans of correction, and the corrective action plans related thereto. Sherman Oaks has taken all reasonable steps to correct all such deficiencies and a description of any uncorrected deficiency is set forth on SCHEDULE 4.10. With respect to the operation of the Hospital, except as set forth on SCHEDULE 4.10, neither Sherman Oaks nor any of its officers, directors or any of the Business Employees (as hereinafter defined), nor any Seller Party (or Equity Constituent thereof) or Service Provider (i) has been excluded, suspended or debarred from, or otherwise adjudicated, deemed or determined ineligible for, participation in any Government Program, including Medicare or Medi-Cal, (ii) has been convicted of a criminal offense related to conduct that would trigger an exclusion from any Government Program, (iii) committed any act or omission which could result in, or form the basis of, any of the actions described in clauses (i) or (ii) of this sentence; and (v) no Medicare funds will be used to make any payment for any items or services furnished by any excluded individual. Sherman Oaks has timely filed, caused to be timely filed and, as to reports due after the Closing, Desert Valley Operator shall timely file or cause to be filed, all cost reports required by third party payors, including, but not limited to, Government Programs and other insurance carriers, and, except as disclosed on SCHEDULE 4.10 all such reports are or will be complete and accurate when filed. Except as disclosed on SCHEDULE 4.10, Sherman Oaks is and has been in compliance with filing requirements with respect to cost reports of the Hospital, including appropriate allocation of expenses associated with any management or consulting services provided by any employees of Sherman Oaks and such reports do not claim and the Hospital has not received, payment or reimbursement in excess of the amount provided or allowed by applicable law or any applicable agreement, except where excess reimbursement was noted on the cost report. True and correct copies of the cost reports to third parties for the Hospital for the three (3) most recent fiscal years with respect to which Sherman Oaks received such cost reports have been made available to the Purchaser Parties. Except as disclosed on SCHEDULE 4.10, neither Sherman Oaks, nor any Seller Party, has received any written notice of any dispute relating to the Hospital between Sherman Oaks and any Governmental Entity, including any fiscal intermediary or carrier, federal, state or local governmental body or entity, or the Administrator of the Center for Medicare and Medi-Cal Services, with respect to any Government Program cost reports or claims filed with respect to the Hospital, on or before the date of this Agreement.

SECTION 4.11. HIPAA COMPLIANCE. Sherman Oaks and each Seller Party are in full compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). SCHEDULE 4.11 includes, but is not limited in any manner whatsoever to, any privacy, security or transaction and code set standards compliance plan of Sherman Oaks in place or in development, and any plans, analyses or budgets relating to information systems, including but not limited to necessary purchases, upgrades or modifications to effect HIPAA compliance.

SECTION 4.12. HEALTHCARE REGULATORY MATTERS.

(a) No Seller Party, Sherman Oaks, or, to the Knowledge of any Seller Party, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with the Hospital (i) is a party to, or has received notice of, the commencement of any investigation or debarment proceedings or any governmental investigation or action (including any civil investigative demand or subpoena) under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (18 U.S.C. 1035), and Patient Inducement Statute and equivalent state statutes or any rule or regulation promulgated by a Governmental Entity with respect to any of the foregoing (collectively, the "Healthcare Fraud Laws") affecting any Seller Party, Sherman Oaks, the Hospital or the Business (and no grounds for any such proceeding, investigation or action exist); and (ii) is not in full compliance with all applicable Healthcare Fraud Laws.

(b) Except as set forth on SCHEDULE 4.12, no Seller Party, Sherman Oaks, or, to the Seller Parties' Knowledge, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with, the Hospital, has ever been investigated, charged or implicated in any violation of any state or federal statute or regulation involving false, fraudulent or abusive practices relating to participation in state or federally sponsored reimbursement programs, including, but not limited to, false or fraudulent billing practices. No Seller Party, Sherman Oaks or, to the Seller Parties' Knowledge, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with, the Hospital, has ever engaged in any of the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any applications for any benefit or payment under Medicare or Medi-Cal program; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under Medicare or Medi-Cal program; (iii) failing to disclose knowledge of any event affecting the initial or continued right to any benefit or payment under Medicare or Medi-Cal program on its own behalf or on behalf of another, with intent to secure such payment or benefit fraudulently; (iv) knowingly and willfully soliciting, paying, or receiving any remuneration (including kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (A) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medi-Cal, or (B) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medi-Cal; (v) presenting or causing to be presented a claim for reimbursement for services that is for an item or service that was known or should have been known to be (A) not provided as claimed, or (B) false or fraudulent; or (vi) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact with respect to (A) a

facility in order that the facility may qualify for Governmental Entity certification or (B) information to be provided under 42 USC Section 1320a-3.

SECTION 4.13. TAXES. Each Seller Party has filed or caused to be filed all Tax Returns of such party which have become due (taking into account valid extensions of time to file) prior to the date hereof. Such Tax Returns are accurate and complete in all material respects, and each Seller Party has paid or caused to be paid all Taxes for the periods covered thereby, whether or not shown to be due on such Tax Returns. There are (i) no outstanding Liens for any Taxes that have been filed by any Governmental Entity against the Assets, or any other assets of Sherman Oaks or any Seller Party used in the Business (other than for ad valorem taxes not yet due and payable), and (ii) no claims being asserted with respect to any Taxes relating to any Seller Party, Sherman Oaks, the Assets or the Business for which any Purchaser Party could be held liable, and there is no basis for the assertion of any such claim. No Seller Party or Sherman Oaks has made or agreed or offered to make, or revoked or agreed or offered to revoke, a Tax election with respect to or affecting the Assets at any time during the last two (2) years. Except as set forth on SCHEDULE 4.13, no Seller Party or Sherman Oaks is a party to any tax abatement agreement relating to the Assets. Except as disclosed with reasonable specificity on SCHEDULE 4.13, there are no outstanding waivers or agreements extending the statute of limitations for any period with respect to any Tax to which the Assets or any Purchaser Party may be subject following the Closing.

SECTION 4.14. GOOD TITLE TO ASSETS. Except as set forth on SCHEDULE 4.14 and upon the closing of the transaction under the Sherman Oaks Purchase Agreement, Desert Valley Operator will have, good, absolute and marketable title to, and unrestricted possession of, all of the Assets (other than the Real Property, which is addressed in Section 4.15 below), free and clear of all Liens (other than Permitted Exceptions) and any adverse Claims of third parties.

SECTION 4.15. TITLE AND CONDITION OF THE REAL PROPERTY.

(a) EXHIBIT C hereto sets forth a legal description of the Real Property. At Closing, Desert Valley Operator and Prime A will have and convey to the Acquisition Sub good and marketable title in their interests in the Real Property, free and clear of any and all Liens, encumbrances, restrictions or easements of any kind whatsoever (other than Permitted Encumbrances).

(b) The location, construction, occupancy, operation, use and sale of the Real Property (including the Improvements) do not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any Governmental Entity or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Real Property, including, without limitation, any applicable zoning or subdivision ordinance or building code, flood disaster law or health and environmental law or regulation.

(c) With regard to the Real Property, except as set forth on SCHEDULE 4.15(C) or as otherwise disclosed on the Survey, to the Knowledge of the Seller Parties, there are no (i) encroachments onto or from adjacent properties; (ii) violations of set-back, building or side lines; (iii) encroachments onto any easements or servitudes located on such Real Property; (iv) pending or threatened boundary line disputes; (v) portions of such Real Property located in a flood plain or in an area defined as a wetland under applicable state or federal law; (vi) cemeteries or gravesites

located on the Real Property; or (vii) mine shafts under the Real Property or any other latent defects, such as sinkholes, regarding or affecting the Real Property.

(d) The existing water, sewer, gas and electricity lines, storm sewer and other utility systems are adequate to serve the utility needs of the Real Property. All of said utilities are installed and operating, and all installation and connection charges have been paid in full.

(e) Except as set forth on SCHEDULE 4.15(E), neither the whole nor any portion of the Real Property has been condemned, requisitioned or otherwise taken by any public authority (a "Public Taking"), and no notice of any Public Taking has been received by any Seller Party with regard to any of the Real Property. No Seller Party has any Knowledge of any Public Taking being threatened or contemplated. No Seller Party has any Knowledge of any public improvements which have been ordered to be made and/or which have not heretofore been assessed, and, to the Knowledge of the Seller Parties, there are no special, general or other assessments pending or threatened against or affecting any of the Real Property (except those expressly identified in the Title Commitment).

(f) Except as set forth on SCHEDULE 4.15(F), there are no Claims, actions, suits, proceedings or investigations pending or, to the Knowledge of any Seller Party, threatened, against or affecting all or any portion of the Real Property.

(g) Permanent certificates of occupancy, all licenses, permits, certificates of need (if applicable), authorizations and approvals required by all Governmental Entities having jurisdiction, have been issued for the Improvements, and, as of the Closing, all of the same will be in full force and effect. The Improvements, as designed and constructed, comply with all statutes, restrictions, regulations and ordinances applicable thereto, including but not limited to the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973. No Seller Party has in its possession or has Knowledge of any studies or reports which specify or suggest the presence of any defects in the design or construction of any of the Improvements.

(h) The Seller Parties have no Knowledge of any fact or condition which would result in the termination of the current access from the Real Property to any presently existing public highways and/or roads adjoining or situated on the Real Property or to sewer or other utility services to serve the Real Property.

(i) SCHEDULE 4.15(I) attached hereto sets forth an accurate and complete list of all leases, subleases, commitment letters, letters of intent and other rental agreements, whether written or oral, now or hereafter in effect, if any, that grant or will grant a possessory interest in and to any space in the Real Property or that otherwise assign or convey rights with regard to the Real Property or the Improvements (collectively referred to as the "Tenant Leases"). SCHEDULE 4.15(I) designates which of the Tenant Leases described therein are with the referral sources (as determined by any of the Healthcare Fraud Laws) of Sherman Oaks. SCHEDULE 4.15(I) specifies the rent and security deposit, if any, for each Tenant Lease. The Seller Parties have made available to the Purchaser Parties complete, correct and current copies of all Tenant Leases. The Seller Parties shall provide to the Purchaser Parties prior to Closing Tenant Lease estoppels in form satisfactory to the Purchaser Parties from all Tenants under the applicable Tenant Leases. Except for the Tenant Leases and any other items listed on SCHEDULE 4.15(I), there are no

purchase contracts, leases of space, options, rights of first refusal or other written or oral agreements of any kind whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Real Property or the Improvements.

(j) Sherman Oaks has not accepted the payment of rent or other sums due under any of the Tenant Leases for more than one (1) month in advance. As of the Closing, none of the Tenant Leases and none of the rents or other charges payable thereunder, if any, will have been assigned, pledged or encumbered. Except as set forth on SCHEDULE 4.15(J), as of the Closing, no brokerage or leasing commissions or other compensation will be due or payable to any Person with respect to, or on account of, the Lease or any Tenant Lease or any extensions or renewals thereof, if any, excepting those agreements entered into or accepted in writing by the Purchaser Parties.

(k) All tenant improvements, repairs and other work and obligations, if any, then required to be performed by the landlord under each of the Tenant Leases will be fully performed and paid for in full on or prior to the Closing.

(l) Except as set forth on SCHEDULE 4.15(L): (i) the Tenant Leases are freely assignable by Sherman Oaks to the Seller Parties, have not been modified, amended or assigned, are legally valid, binding and enforceable against Sherman Oaks and, following closing, the Seller Parties (and, to the best of the Seller Parties' Knowledge, against the other parties to such Tenant Leases) in accordance with their respective terms and are in full force and effect; (ii) there are no monetary defaults and no material nonmonetary defaults by Sherman Oaks or, to the best of the Seller Parties' Knowledge, any other party to the Tenant Leases; (iii) Sherman Oaks has not received written notice of any default, offset, counterclaim or defense under any of the Tenant Leases; (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by Sherman Oaks or any Seller Party of the terms of any of the Tenant Leases; and (v) upon the closing of the transaction under the Sherman Oaks Purchase Agreement, the Tenant Leases will be freely assignable by the Seller Parties to the Acquisition Sub.

(m) The Real Property constitutes all the land and improvements used by Sherman Oaks in connection with the operation of the Hospital, it being understood that certain administrative activities relating to such operations are not conducted at the Real Property.

SECTION 4.16. CONDITION OF PERSONAL PROPERTY. SCHEDULE 4.16 sets forth a list of all equipment and other items of tangible personal property used by Sherman Oaks in the operation of the Hospital and to be purchased by Desert Valley Operator (the "Personal Property"). Except as set forth on SCHEDULE 4.16, upon the closing of the transaction under the Sherman Oaks Purchase Agreement, Desert Valley Operator may grant Acquisition Sub a first priority security interest in and to the Personal Property. SCHEDULE 4.16 sets forth an accurate and complete list of all leases of personal property used in the operation of the Hospital (the "Personal Property Leases"). The Seller Parties have made available the Purchaser Parties with complete, correct and current copies of all of the Personal Property Leases. Except as set forth on SCHEDULE 4.16: (i) the Seller Parties may, upon the closing of the transaction under the Sherman Oaks Purchase Agreement, grant a first priority security interest in the Personal Property Leases to the Acquisition Sub, (ii)

the Personal Property Leases have not been modified, amended or assigned, are legally valid, binding and enforceable in accordance with their respective terms and are in full force and effect; (iii) there are no monetary defaults and no material nonmonetary defaults by any party to the Personal Property Leases; and (iv) to the Knowledge of Seller Parties, no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by any Party of the terms of any Personal Property Lease. Except as set forth on SCHEDULE 4.16, all Personal Property is in good operating condition and repair, ordinary wear and tear excepted, and is located on the Real Property.

SECTION 4.17. COMPLIANCE WITH ENVIRONMENTAL LAWS. To the Knowledge of the Seller Parties, except as set forth on SCHEDULE 4.17

(a) no Governmental Entity or any nongovernmental third party has notified any Seller Party of any alleged violation or investigation of any suspected violation under the Environmental Laws in connection with the ownership, operation and/or leasing of the Real Property or the Hospital, including any litigation or cause of action alleging personal injury or property damage caused by exposure to, or the disposal, release or migration of, any Hazardous Materials;

(b) with respect to the ownership, operation and/or leasing of the Real Property and the Hospital, no Seller Party has stored, disposed of or arranged for the disposal of Hazardous Materials, except in compliance with the Environmental Laws;

(c) there have been no actions nor, any activities, circumstances, conditions, events or incidents, including, without limitation, the generation, transportation, treatment, storage, release, emission, discharge, presence or disposal of any Hazardous Materials on or from any of the Real Property or the Hospital that could form the basis of any claim under the Environmental Laws against any Seller Party or any Purchaser Party;

(d) no Seller Party has, whether contractually or by operation of law (including any Environmental Law), assumed or succeeded to any liability of any direct or indirect predecessors or any other Person (including, without limitation, Sherman Oaks) related or with respect to any Environmental Law applicable to the Real Property or the Hospital;

(e) there are no underground storage tanks located at, on or under the Real Property, and the Real Property does not contain any asbestos-containing building material;

(f) there are no conditions presently existing on, at or emanating from the Real Property or the operation of the Hospital, that may result in any liability, investigation or clean-up cost under any Environmental Law; and

(g) neither Sherman Oaks, nor, to the Knowledge of the Seller Parties, any other Person has installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, any Hazardous Materials in, on or under the Real Property, except in compliance with the Environmental Laws. No Seller Party has undertaken any activity, and the Seller Parties have no Knowledge that any other Person has undertaken any activity, on the Real Property which would cause (i) the Real Property to become a hazardous waste treatment, storage or disposal facility within the meaning of, or otherwise bring the Real Property within the ambit of, any Environmental Law, (ii) a release or threatened release of Hazardous Material from the Real

Property within the meaning of, or otherwise bring the Real Property within the ambit of, any Environmental Law, or (iii) the discharge of Hazardous Material into any watercourse, body of, surface or subsurface water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Environmental Law. No activity has been undertaken by any Seller Party with respect to the Real Property which would cause a violation or support a claim under any Environmental Law. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is in existence, or, to the Seller Parties' Knowledge, threatened with respect to the Real Property. No notice has been served on any Seller Party from any Governmental Entity claiming any violation of any Environmental Law, or requiring compliance with any Environmental Law, or demanding payment or contribution for environmental damage or injury to natural resources. No Seller Party has obtained or is required to obtain, and no Seller Party has any Knowledge of any reason Acquisition Sub will be required to obtain, any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Real Property by reason of any Environmental Law.

SECTION 4.18. INSURANCE. SCHEDULE 4.18 sets forth a complete and accurate list and brief description of all insurance policies currently held by Sherman Oaks or any Seller Party with respect to the Real Property, the operation of the Hospital and the professional liability, negligence and other acts of the Physicians of the Hospitals and the Service Providers of the Hospital. All such Insurance policies are in full force and effect, all premiums due thereon have been paid in full and Sherman Oaks and the Seller Parties are in compliance with the terms of such Insurance Policies.

SECTION 4.19. LITIGATION. Except as set forth on SCHEDULE 4.19, there is no dispute, suit, action, proceeding, inquiry or investigation (a "Claim") against or involving any of the Hospital or Sherman Oaks or any of their properties or rights, pending or, to the Knowledge of the Seller Parties, threatened (including, without limitation any suit, action, proceeding or investigation pursuant to Title 11 of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act of 1993, or any other federal, state or local law regulating employment) nor do the Seller Parties know of any facts which might result in any such Claim. There is no Claim pending, or, to the Seller Parties' Knowledge, threatened, against any Physician of the Hospital or Service Provider of the Hospital which could, by operation of law, through contract or otherwise, result in a Claim against Sherman Oaks, and no Seller Party has any Knowledge of any facts which could result in such a Claim. Except as set forth on SCHEDULE 4.19, there is no judgment, decree, injunction, rule or order of any Governmental Entity or any other Person (including, without limitation, any arbitral tribunal) outstanding against the Hospital or Sherman Oaks, to the extent that such judgment, decree, injunction, rule or order relates to the transactions contemplated by the Sherman Oaks Agreement or this Agreement, and no Seller Party or Sherman Oaks, to the extent that any of the following relates to the transactions contemplated by the Sherman Oaks Agreement or this Agreement, is in violation of any term of any judgment, decree, injunction or order outstanding against it. Furthermore, there is no Claim by or before any Governmental Entity or other Person pending or, to the Knowledge of the Seller Parties, threatened, which questions or challenges the validity of the Sherman Oaks Agreement or this Agreement or any action taken or to be taken by any Person pursuant to the Sherman Oaks Agreements or this

Agreement or in connection with the transactions contemplated thereby or hereby, nor is there any basis for any such Claim.

SECTION 4.20. CONTRACTS, OBLIGATIONS AND COMMITMENTS. SCHEDULE 4.20 sets forth a list of all contractual agreements, whether written or oral, relating to or affecting the Assets, the Hospital and/or the operation of the Business to which Sherman Oaks is a party which may be assigned to and assumed by the Seller Parties pursuant to the terms of the Sherman Oaks Purchase Agreement, including, without limitation, the Landlord Leases (the "Contracts"). The Seller Parties have made available to the Purchaser Parties complete and correct copies of all of the Contracts. Except as set forth on SCHEDULE 4.20, (i) the Contracts are legally valid, binding and enforceable against the parties in accordance with their respective terms and are in full force and effect; (ii) there are no defaults by any party to the Contracts; (iii) no party has not received notice of any default, offset, counterclaim or defense under any Contract; and (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach under the terms of any Contract; and (v) the Contracts are freely assignable by Sherman Oaks to the Seller Parties.

SECTION 4.21. EMPLOYEES AND EMPLOYEE RELATIONS.

(a) SCHEDULE 4.21(A) contains a current, correct and complete list of the names and current hourly wage, monthly salary and other compensation of all employees who are or who will provide services at the Hospital (collectively, the "Business Employees"), together with a summary (containing estimates to the extent necessary) of the individual's existing bonuses, additional compensation and other benefits (whether current or deferred), if any, accrued, paid or payable to each such individual for services rendered or to be rendered through the fiscal period ending September 30, 2005. Except as set forth on SCHEDULE 4.21(A), all of the Hospital Employees are "at will" employees. Except as set forth on SCHEDULE 4.21(A), Sherman Oaks is not a party to any oral (express or implied) or written: (i) employment agreement, or (ii) agreement that contains any severance or termination pay obligations, with any Business Employee. The Seller Parties have made available true, correct and current copies (or, if not written, accurate descriptions of the parties and terms) of such agreements to the Purchaser Parties.

(b) Except as set forth on SCHEDULE 4.21(B), no Business Employee is represented by any labor union, trade association or other employee organization, no demand for recognition has been made by any labor union with respect to the Business Employees, and there is not and has not been any labor union organizing activity at the Hospital during the periods it has been operated by Sherman Oaks. Except as set forth on SCHEDULE 4.22(B), Sherman Oaks is not a party to any collective bargaining agreement or understanding with any labor union, trade association or other employee organization with respect to any Business Employee and no such agreements are currently being proposed and/or negotiated.

(c) Except as set forth on SCHEDULE 4.21(C), there is no labor dispute, work stoppage, strike, slowdown, walkout, lockout, or any other interruption or disruption of operations at the Hospital as a result of labor disputes or disturbances with respect to the Business Employees and there is no investigation, grievance, arbitration, complaint, claim or other dispute or controversy (collectively, the "Labor Proceeding") pending or threatened, between Sherman Oaks and any

present or former Business Employee, nor have any discharges or terminations of any former Business Employee occurred which would form the basis for any claim of discrimination against any Seller Party. Except as set forth on SCHEDULE 4.21(C), no Seller Party has any Knowledge of any facts or past, current or contemplated event that could form the basis for any such Labor Proceeding, nor has there been any such Labor Proceeding within the past twelve (12) months.

(d) Except as set forth on SCHEDULE 4.21(D), neither Sherman Oaks, nor any Seller Party has received notice that any vice president, director or director-level employee, or higher, of Sherman Oaks or any group of Business Employees, has any plans to terminate his or her employment or affiliation with Sherman Oaks or any Seller Party.

(e) Sherman Oaks has complied with and is currently in compliance with, and Sherman Oaks has not received any notice of noncompliance with, any and all applicable laws relating to the employment of labor, including, without limitation, any provisions relating to wages, hours, equal employment, occupational safety and health, workers' compensation, unemployment insurance, collective bargaining, immigration, affirmative action and the payment and withholding of social security and other taxes. Sherman Oaks has withheld all amounts required by law or agreement to be withheld from the wages or salaries of the Business Employees, and Sherman Oaks is not liable for any arrears of any tax or penalties for failure to comply with the foregoing.

(f) SCHEDULE 4.21(F) sets forth each Employee Pension Benefit Plan (as defined in Section 3(2) of ERISA) maintained by Sherman Oaks (each a "Plan") and applicable to the Business Employees. Sherman Oaks is in compliance in all material respects with all applicable laws and regulations respecting such Plans.

SECTION 4.22. INTANGIBLE PROPERTY. SCHEDULE 4.22 sets forth a list of all trademarks, service marks, and other intangible assets of Sherman Oaks used in the operation of the Business and the Hospital and to be purchased by Desert Valley Operator pursuant to the term of the Sherman Oaks Purchase Agreement (the "Intangible Property"). Sherman Oaks own, or possess adequate, enforceable licenses or other rights to use, all of the Intangible Property, and no rights thereto have been granted to others by Sherman Oaks (except under the Sherman Oaks Purchase Agreement). Except as set forth on SCHEDULE 4.22, all of the Intangible Property is owned or used by Sherman Oaks free and clear of all assignments, licenses, restrictions, encumbrances, charges or claims for infringement, and none is subject to any outstanding order, decree, judgment, stipulation or charge. There is no unauthorized use, disclosure, infringement or misappropriation of any of the Intangible Property by any third party. Sherman Oaks use of the Intangible Property does not infringe upon or otherwise violate the rights of others. No one has asserted to Sherman Oaks that the use of the Intangible Property by Sherman Oaks or by any Seller Party infringes upon the patents, trade secrets, trade names, trademarks, service marks, copyrights or other intellectual property rights of any other Person and no Seller Party has any Knowledge of any fact or circumstance which could provide the basis for any such assertion.

SECTION 4.23. COMPLIANCE WITH LAW. Sherman Oaks (a) is in compliance in all material respects with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of the Business

and its ownership and use of its assets and no event has occurred or circumstance exists which (with notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree; and (b) have timely made or given all filings and notices required to be made with the regulatory agencies of any Governmental Entity.

SECTION 4.24. HILL BURTON OBLIGATIONS.

(a) Except as set forth on SCHEDULE 4.24, neither Sherman Oaks, nor, to the Knowledge of the Seller Parties, any predecessor in interest of Sherman Oaks, has received any loans, grants or loan guarantees pursuant to the United States Hill-Burton Act (42 U.S.C. 291a, et seq.) program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Pharmacy and Resources Development Act or the Community Mental Health Centers Act. All of the obligations set forth on SCHEDULE 4.24 have been fully satisfied. The transactions contemplated hereby will not result in any obligation of any Purchaser Party to repay any such loan, grant or loan guarantee or to provide uncompensated care in consideration thereof.

(b) None of the Assets are subject to any liability in respect of amounts received by Sherman Oaks, any Seller Party, or any other Person for the purchase or improvement of the Assets or any part thereof under restricted or conditioned grants or donations, including monies received under the Public Health Service Act, 42 U.S.C. Section 291, et seq.

SECTION 4.25. MEDICAL STAFF MATTERS. Except as set forth on SCHEDULE 4.25, there are no pending or, to the Knowledge of the Seller Parties, threatened investigations, appeals, challenges, disciplinary or corrective actions, or disputes involving applicants to the medical staff of the Hospital, current members of the medical staff of the Hospital or affiliated health professionals. Since the Balance Sheet Date, no member of the medical staff of the Hospital has resigned or been terminated therefrom and neither Sherman Oaks, nor any Seller Party, has received notice that any Physician or medical staff member intends to resign from its medical staff. True and correct copies of Medical Staff Bylaws of the Hospital, the Hospital's Medical Staff Rules and Regulations, and the Hospital's Medical Staff Hearing Procedures, all as presently in effect, have been previously made available by the Seller Parties to the Purchaser Parties.

SECTION 4.26. BROKERS. Except as set forth on SCHEDULE 4.26 hereto, no Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Seller Parties.

SECTION 4.27. RECORDS. True, complete and current copies of the Seller Parties' Governing Documents have been delivered to the Purchaser Parties prior to the execution and delivery of this Agreement. The books of account, minute books, stock record books and other records of Seller Parties, all of which have been made available to the Purchaser Parties, are complete and correct. The minute books of Seller Parties contain records of all meetings and other limited liability company actions of the manager and/or members of Seller Parties, and have been delivered to the Purchaser Parties prior to the execution and delivery of this Agreement.

SECTION 4.28. EXISTING LEASES. Desert Valley Parent and its Subsidiaries are in compliance in all respects with the terms of the Existing Leases and no default or breach (or event which with

notice and/or passage of time would constitute such a default or breach) has occurred by any party thereto. None of the Seller Parties nor any of their respective facilities has suffered a Material Adverse Effect since December 31, 2004 and no event has occurred which would reasonably likely to result in such a Material Adverse Effect.

SECTION 4.29. REPRESENTATIONS COMPLETE. The representations and warranties made by the Seller Parties in this Agreement (and, to the Knowledge of Seller Parties, by Sherman Oaks in the Sherman Oaks Purchase Agreement) and the statements made in or information contained on any Schedules or certificates furnished by the Seller Parties pursuant to this Agreement (and, to the Knowledge of Seller Parties, by Sherman Oaks in the Sherman Oaks Purchase Agreement) do not contain and will not contain, as of their respective dates and as of the Closing Date, any untrue statement of a material fact, nor do they omit or will they omit, as of their respective dates or as of the Closing Date, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES BY THE PURCHASER PARTIES

The Purchaser Parties hereby jointly and severally represent and warrant to the Seller Parties as of the date hereof, and as of the Closing Date as follows:

SECTION 5.1. ORGANIZATION. MPT is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware. The Acquisition Sub is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and qualified to do business in the State of California.

SECTION 5.2. AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. Each Purchaser Party has the requisite power and authority to execute, deliver and carry out the terms of this Agreement, to consummate the transactions contemplated hereby and to conduct its businesses as now being conducted. All actions required to be taken by each to authorize the execution, delivery and performance of this Agreement, all documents executed by the Purchaser Parties which are necessary to give effect to this Agreement and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained. No other action on the part of either Purchaser Party is necessary to authorize the execution, delivery and performance of this Agreement, all documents necessary to give effect to this Agreement and all transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of the Governing Documents of either Purchaser Party; (ii) violate any provision of law, statute, rule or regulation to which either Purchaser Party is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to either Purchaser Party; (iv) violate or conflict with any law or regulation applicable to either Purchaser Party; or (v) result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any debt or obligation to which either Purchaser Party is a party or by which either Purchaser Party is bound.

SECTION 5.3. BINDING AGREEMENT. This Agreement and all agreements to which any Purchaser Party will become a party hereunder is and will constitute the valid and legally binding obligations of such Purchaser Party, and are and will be enforceable against such Purchaser Party in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity.

SECTION 5.4. LITIGATION. There is no Claim pending or, to the Knowledge of the Purchaser Parties, threatened against or affecting any Purchaser Party that has or would reasonably be expected to have a material adverse effect on the ability of the Purchaser Parties to perform their respective obligations under this Agreement or any aspect of the transactions contemplated hereby.

SECTION 5.5. BROKERS. Except as set forth on SCHEDULE 5.5 hereto, no Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser Parties.

SECTION 5.6. COMPLIANCE WITH LAW. The Purchaser Parties, where applicable (a) are in compliance with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of their businesses, and their ownership and use of their assets, except where non-compliance would not prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby or the ability of the Purchaser Parties to perform their respective obligations under this Agreement and, to the Knowledge of the Purchaser Parties, no event has occurred or circumstance exists which (without notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree which would prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby; and (b) have timely made or given all filings and notices required to be made by the Purchaser Parties with the regulatory agencies of any Governmental Entity, except where such failure would not prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby.

ARTICLE VI

TITLE AND SURVEY

SECTION 6.1. SURVEY. Purchaser Parties shall cause to be prepared, at the expense of the Seller Parties, a current ALTA/ACSM Land Title Survey of the Real Property, prepared by a duly licensed land surveyor. The survey shall be currently dated, shall show the location on the Real Property of any improvements, fences, evidence of abandoned fences, ponds, creeks, streams, rivers, easements, roads, rights-of-way, means of ingress and egress, location of all utilities serving the Real Property, and encroachments, and shall contain a legal description of the boundaries of the Real Property by metes and bounds and the appropriate flood zone designation and the total number of acres constituting the Real Property. The surveyor shall certify to the Purchaser Parties and to the Title Company that the survey is correct and that there are no visible

discrepancies, conflicts, encroachments, overlapping of improvements, fences, evidence of abandoned fences, ponds, creeks, streams, rivers, easements, roads or rights-of-way except as are shown on the survey plat. Any and all matters shown on such survey shall be legibly identified by appropriate volume and page recording references with dates of recording noted. If Purchaser Parties shall disapprove such survey for any reason in Purchaser Parties' sole discretion, Purchaser Parties may either (i) treat such objection as a title objection and request that it be cured, or (ii) terminate this Agreement and the parties hereto shall have no further liability or obligations hereunder, expect as otherwise expressly set forth herein. If the Seller Parties are unable to cure any objection to the survey within ten (10) days following delivery of notice to the Seller Parties thereof, then Purchaser Parties may terminate this Agreement upon written notice to the Seller Parties.

SECTION 6.2. TITLE INSURANCE. Purchaser Parties will cause to be prepared, at the Seller Parties' expense, a title commitment for the issuance of an ALTA Owner's Policy Form dated October 17, 1992, issued by a title insurance company acceptable to MPT and qualified to insure titles in the State of California (the "Title Company"), in the amount of the Purchase Price, covering title to the Real Property at a date not earlier than the date hereof and showing good and marketable title, subject only to the Permitted Exceptions. All of the standard exceptions within the policy and the exceptions for mechanic's and materialmen's liens and the survey exception shall be deleted. If Purchaser Parties shall disapprove any items stated in the Title Commitment or the Exception Documents, Purchaser Parties may either (i) treat such objection as a title objection and request that it be cured, or (ii) terminate this Agreement and, upon such termination, the parties hereto shall have no further liability or obligations hereunder, except as otherwise expressly provided herein. If the Seller Parties are unable to cure any exception or objection to title that is not a Permitted Encumbrance within ten (10) days following delivery of notice to the Seller Parties thereof, then Purchaser Parties may terminate this Agreement upon written notice to the Seller Parties.

ARTICLE VII

PRE-CLOSING COVENANTS

From and after the execution and delivery of this Agreement to and including the Closing Date, the applicable party shall observe the following covenants:

SECTION 7.1. NO SHOP. Neither the Seller Parties, nor any investment banker, attorney, accountant, representative or other Person retained by or on behalf of the Seller Parties, shall directly or indirectly, initiate contact with, respond to, solicit or encourage any inquiries, proposals or offers by, or participate in any discussions or negotiations with, enter into any agreement with, disclose any information concerning the Seller Parties or the Assets to, afford any access to the properties, books or records of the Seller Parties to, or otherwise assist, facilitate or encourage, any Person in connection with any possible proposal regarding a sale, lease, transfer, disposition or other transaction related to or affecting all or any portion of the Assets (including all or any portion of the Real Property). The Seller Parties shall notify Purchaser Parties immediately if any discussions or negotiations are sought to be initiated, any inquiry or proposal is made, or any such information is requested.

SECTION 7.2. ACCESS; CONFIDENTIALITY.

(a) Between the date hereof and the Closing, the Seller Parties shall (i) afford the Purchaser Parties and their authorized representatives full and complete access to Seller Parties' employees, medical staff, and other agents and representatives and during normal working hours to all books, records, offices and other facilities of Seller Parties and shall use their best efforts to cause Sherman Oaks to afford to Purchaser Parties similar access to its personnel and records relating to the Assets and the Business, (ii) permit the Purchaser Parties to make such inspections and to make copies of such books and records as they may reasonably require and (iii) furnish the Purchaser Parties with such financial and operating data and other information related to the Hospital, the Business, the Seller Parties and their respective Subsidiaries as the Purchaser Parties may from time to time reasonably request. The Purchaser Parties and their authorized representatives shall conduct all such inspections under the supervision of personnel of the Seller Parties in a manner that will minimize disruptions to the business and operations of the Seller Parties and in a manner as to maintain the confidentiality of this Agreement.

(b) The Purchaser Parties and their authorized representatives (including their designated engineer, architects, surveyors and/or consultants) may, subject to Sherman Oaks's approval, upon reasonable notice and at any time enter into and upon all or any portion of the Real Property in order to investigate and assess, as the Purchaser Parties deem necessary or appropriate in their sole and absolute discretion, the condition (including the structural and environmental condition) of the Assets. The Seller Parties shall cooperate with the Purchaser Parties and their authorized representatives in conducting such investigation, shall use their best efforts to cause Sherman Oaks to allow the Purchaser Parties and their authorized representatives full access to the Assets and the Business, together with full permission to conduct such investigation, and shall provide to the Purchaser Parties and their authorized representatives all information maintained by the Seller Parties and related to the condition of the Assets and the Business, including the Real Property, and all plans, soil or surface or ground water tests or reports, any environmental investigation results, reports or assessments previously or contemporaneously conducted or prepared by or on behalf of, or in the possession of or reasonably available to the Seller Parties or any of their engineers, consultants or agents and all other information relating to environmental matters in respect of their properties and businesses.

(c) The provisions of Confidentiality Agreement, dated May 5, 2005, (which Seller Parties agree to be bound by as if they were original signatories thereto) (the "Confidentiality Agreement") shall remain binding and in full force and effect until the Closing. Notwithstanding anything to the contrary contained herein or in the Confidentiality Agreement, the confidentiality obligations as they relate to the transactions contemplated by this Agreement shall not apply to the purported or claimed Federal income tax treatment of the transactions (the "Tax Treatment") or to any fact that may be relevant to understanding the purported or claimed Federal income tax treatment of the transactions (the "Tax Structure"), and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the Tax Treatment and Tax Structure of the transactions contemplated by this Agreement and any materials of any kind (including any tax opinions or other tax analyses) that relate to the Tax Treatment or Tax Structure. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to any tax matter or tax idea related to the transactions contemplated by this Agreement. The preceding sentence is intended to ensure that

the transactions contemplated by this Agreement shall not be treated as having been offered under conditions of confidentiality for purposes of the Confidentiality Regulations and shall be construed in a manner consistent with such purpose. The information contained herein, in the Schedules hereto or delivered to the Purchaser Parties or its authorized representatives pursuant hereto shall be subject to the Confidentiality Agreement as Information (as defined and subject to the exceptions contained therein) until the Closing and, for that purpose and to that extent, the terms of the Confidentiality Agreement are incorporated herein by reference.

SECTION 7.3. SCHEDULE UPDATES. From the date hereof until the Closing Date, the Purchaser Parties, on the one hand, and the Seller Parties on the other hand, shall immediately advise the other in writing of any additions or changes to any Schedule to reflect any deficiencies or inaccuracies in such Schedule or to reflect circumstances or matters which occur after the date of this Agreement which, if existing prior to such date, would have been required to be described on such Schedule; provided, however, that no additions or changes made to any Schedule by any party to correct deficiencies or inaccuracies on such Schedule shall be deemed to cure any breach or inaccuracy of a representation or warranty, covenant or agreement or to satisfy any condition unless otherwise agreed to in writing by the other party, but provided further, however, that an addition or change made to any Schedule by any party to reflect circumstances or matters which occur after the date of this Agreement shall be deemed to cure a breach or inaccuracy of a representation or warranty, covenant or agreement, but shall not be deemed to satisfy any condition unless agreed to in writing by the other party.

SECTION 7.4. CONDUCT OF BUSINESS BY THE SELLER PARTIES PENDING THE CLOSING. The Seller Parties covenant and agree that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, unless the Purchaser Parties shall otherwise agree in writing, the Seller Parties shall conduct their respective businesses only in, and the Seller Parties shall not take any action except in, the ordinary course of business and in a manner consistent with past practice and in compliance in all material respects with all applicable laws and regulations, and that the Seller Parties shall use reasonable best efforts to preserve substantially intact their respective business organizations, to keep available the services of their current officers, employees and consultants and to preserve their present relationships with patients, suppliers and other persons with which they have significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement or set forth on SCHEDULE 7.4, no Seller Party shall, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, directly or indirectly do, or propose to do, any of the following without the prior written consent of Purchaser Parties:

(a) amend, repeal or otherwise change in any way its Governing Documents;

(b) make or revoke any Tax election related to or affecting the Assets;

(c) fail to perform its obligations in all respects under agreements relating to or respecting its assets, properties and rights;

(d) reduce the coverage of, fail to timely renew or pay the premiums on or cancel any insurance policy;

(e) cause to lapse or fail to renew any license and certification necessary to conduct its business;

(f) fail to timely make all applicable filings with Governmental Entities;

(g) create, assume or, other than those presently in existence, permit to exist any Lien upon any of the Assets;

(h) modify or amend Sherman Oaks Purchase Agreement;

(i) purchase, sell, assign, lease or otherwise acquire, transfer or dispose of any material assets, except in the ordinary course of business and consistent with its past practice;

(j) enter into or agree to enter into any agreement or arrangements granting any rights to purchase any of its assets, properties or rights, except for purchases of inventory in the ordinary course of business and consistent with its past practice;

(k) engage in any business other than the business currently conducted by such Seller Party;

(l) terminate or modify any contract, lease or other agreement to which it is a party (excluding expiration or satisfaction in accordance with the terms of such contract or agreement); or

(m) take, agree or offer, in writing or otherwise, to take, any of the actions described in Sections 7.4 (a) through (l) above, or any action which would make any of the representations or warranties of such Seller Party contained in this Agreement untrue, incorrect or incomplete or prevent such Seller Party from performing or cause such Seller Party not to perform its covenants hereunder, in each case, such that the conditions set forth in Sections 8.2(a) or 8.2(b), as the case may be, would not be satisfied.

SECTION 7.5. COOPERATION. Subject to compliance with applicable law, from the date hereof until the Closing Date, (a) the Seller Parties shall confer on a regular and frequent basis with one or more representatives of the Purchaser Parties to report operational matters that are material and the general status of ongoing operations and (b) each of the Purchaser Parties and the Seller Parties shall promptly provide the other or their counsel with copies of all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

SECTION 7.6. REGULATORY AND OTHER AUTHORIZATIONS, NOTICES AND CONSENTS.

(a) Each party hereto shall use all commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all Governmental Entities and officials that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and each such party will cooperate fully with the other parties hereto in promptly seeking to obtain all such authorizations, consents, orders and approvals.

(b) The Seller Parties shall promptly give such notices to third parties and use its commercially reasonable efforts to obtain such third party consents and estoppel certificates as

Purchaser Parties may in their sole and absolute discretion deem necessary or desirable in connection with the transactions contemplated by this Agreement, including, without limitation, all third party consents that are necessary or desirable in connection with the transfer of the Assets.

(c) The Purchaser Parties shall cooperate and use commercially reasonable efforts to assist the Seller Parties in giving such notices and obtaining such consents and estoppel certificates; provided, however, that the Purchaser Parties shall have no obligation to give any guarantee or other consideration of any nature in connection with any such notice, consent or estoppel certificate or to consent to any change in the terms of any Asset which Purchaser Parties in their sole and absolute discretion may deem adverse to the interests of the Purchaser Parties.

(d) Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Asset if an attempted assignment thereof, without the consent of the other party thereto, would constitute a breach or other contravention thereof, noncompliance by the Seller Parties or their Affiliates thereunder or in any way adversely affect the rights of any Purchaser Party thereunder. The Seller Parties and the Purchaser Parties agree that, in the event any consent, approval or authorization necessary or desirable to preserve for the Purchaser Parties any right or benefit with respect to any such Asset is not obtained prior to the Closing, the Seller Parties will, subsequent to the Closing, cooperate with the Purchaser Parties in attempting to obtain such consent, approval or authorization as promptly thereafter as practicable. If such consent, approval or authorization cannot be obtained, the Seller Parties will use commercially reasonable efforts to provide the Purchaser Parties with the rights and benefits of such affected Asset, and, if the Seller Parties provide such rights and benefits, the Purchaser Parties shall assume the obligations and burdens thereunder in accordance with this Agreement, including, subcontracting, sublicensing, or subleasing to the Purchaser Parties, or under which the Seller would enforce for the benefit of the Purchaser Parties, with the Purchaser Parties assuming the Seller Parties' obligations, any and all rights of the Seller Parties against a third party thereto.

SECTION 7.7. MUTUAL COVENANTS. The parties shall use their good faith reasonable efforts to satisfy the conditions to the closing of the transactions contemplated hereby. Without limiting the generality of the foregoing, the respective parties shall execute and/or deliver, or use their respective good faith reasonable efforts to cause to be executed and/or delivered, the documents contemplated to be executed and/or delivered by them at Closing.

SECTION 7.8. PUBLIC ANNOUNCEMENTS. Prior to the Closing Date, the parties agree to consult with each other before any party hereto or any of their respective affiliates issues any press release or makes any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any national securities exchange, will not issue, or permit to be issued, any such press release or make, or permit to be made, any such public statement prior to such consultation.

ARTICLE VIII

CLOSING CONDITIONS

SECTION 8.1. CONDITIONS TO THE OBLIGATIONS OF THE SELLER PARTIES. The obligations of the Seller Parties to effect the transactions contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Seller Parties:

(a) All of the representations and warranties of Purchaser Parties set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date.

(b) The Purchaser Parties shall have delivered, performed, observed and complied in all material respects with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by them prior to, or as of, the Closing.

(c) The Purchaser Parties shall have executed, where applicable, and delivered to the Seller Parties the documents referenced in Section 9.3 hereof.

(d) The closing of the transactions contemplated by the Sherman Oaks Purchase Agreement shall have occurred; including, but not limited to, the approval of the California Attorney General of the transactions contemplated thereby.

(e) Sherman Oaks has entered into the lease back of the Hospital and the Interim Management Agreement.

SECTION 8.2. CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER PARTIES. The obligations of the Purchaser Parties to effect the transactions contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Purchaser Parties:

(a) All of the representations and warranties of the Seller Parties set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date.

(b) The Seller Parties shall have delivered, performed, observed and complied with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by them prior to, or as of, the Closing.

(c) The Seller Parties shall not have suffered any change, event or circumstance which has had, or could have, a Material Adverse Effect.

(d) The closing of the transactions contemplated by the Sherman Oaks Purchase Agreement shall have occurred, including, but not limited to, the approval of the California Attorney General of such transactions.

(e) All necessary approvals, consents, estoppel certificates and the like of third parties to the validity and effectiveness of the transactions contemplated hereby have been obtained.

(f) No portion of the Assets shall have been damaged or destroyed by fire or casualty.

(g) No condemnation, eminent domain or similar proceedings shall have been commenced or threatened with respect to any portion of the Assets.

(h) The Purchaser Parties shall have received copies of all permits, licenses and other approvals of governmental authorities required for the operation of the Assets for their intended uses and written evidence satisfactory to the Purchaser Parties that the operation and use of the Hospital are in accordance with all applicable governmental requirements.

(i) The Purchaser Parties shall have received evidence that the Seller Parties are maintaining insurance on the Assets and that the Purchaser Parties are named as additional insureds and, where applicable, loss payees.

(j) The Seller Parties shall have executed where applicable, and delivered to Purchaser Parties, the documents referenced in Section 9.2 hereof.

(k) There shall not have been instituted by any creditor of the Seller Parties, any Governmental Entity or any other third party, any suit, action or proceeding which would affect the Assets or seek to restrain, enjoin or invalidate the transactions contemplated by the Sherman Oaks Purchase Agreement or this Agreement.

(l) The Appraisal shall have been delivered and shall reflect an Appraised Value that equals or exceeds the Purchase Price.

(m) The closing of the transactions contemplated by the Sherman Oaks Purchase Agreement shall have occurred; including, but not limited to, the approval of the California Attorney General of the transactions contemplated thereby.

(n) Sherman Oaks has entered into the lease back of the Hospital and the Interim Management Agreement.

ARTICLE IX

CLOSING

SECTION 9.1. CLOSING DATE. The closing of the purchase and sale of the Assets pursuant hereto (the "Closing") shall be handled through deliveries by mail into escrow on December 31, 2005 (the actual date of closing being herein referred to as the "Closing Date"), or on such other date (the "Closing Date") and such other place as the parties hereto shall mutually agree.

SECTION 9.2. THE SELLER PARTIES' CLOSING DATE DELIVERABLES. On the Closing Date, the Seller Parties shall deliver to the Purchaser Parties the documents listed below.

(a) Duly executed bills of sale and assignments transferring all Assets (including all of the Seller Parties' rights under and with respect to the Air Space Agreement) other than the Real Property in form and substance satisfactory to MPT;

(b) A duly executed general warranty deed in substantially the form as EXHIBIT 9.2(B) (the "Deeds") conveying the Real Property to the Acquisition Sub;

(c) A certified copy of the resolutions of the governing body of the Seller Parties dated as of the date hereof and authorizing the Seller Parties' execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(d) Certificates of existence and good standing of each Seller Party from the secretary of state of such Seller Party's state of incorporation or organization, dated the most recent practical date prior to the Closing Date;

(e) Certificates of good standing and foreign qualification of each Seller Party from the secretary of state of the State of California or Delaware dated the most recent practical date prior to the Closing Date;

(f) The Title Commitment and Title Policy in form and substance satisfactory to MPT;

(g) A Survey dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(h) A Phase I Environmental Site Assessment Report dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT (and a Phase II if recommended by the Phase I Report);

(i) Property condition and seismic reports for the Real Property, dated the most recent practical date prior to the Closing Date and in form and substance satisfactory to MPT;

(j) A Zoning Compliance Letter/Certificate dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(k) Tenant Estoppel Certificates, if any, in form and substance satisfactory to MPT;

(l) A Landlord Collateral Assignment and Consent, in form and substance satisfactory to MPT, for each Landlord Lease;

(m) Owner's Affidavits in form and substance satisfactory to MPT;

(n) The Search Reports dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(o) A Non-Foreign Affidavit in form and substance satisfactory to MPT;

(p) The Lease, together with a Memorandum of Lease Agreement, in form and substance satisfactory to MPT;

(q) A Lease Guaranty Agreement substantially in the form of EXHIBIT 9.2(P);

(r) The Assignment of Rents and Leases in substantially the form attached hereto as EXHIBIT 9.2(Q);

(s) The Security Agreement in substantially the form attached hereto as EXHIBIT 9.2(R);

(t) The Subordination of Management Agreement in form and substance satisfactory to MPT;

(u) The opinion of Shulman, Hodges & Bastian LLP as counsel for the Seller Parties, substantially in the form attached hereto as Exhibit 9.2(t);

(v) At the Closing, the Seller Parties shall have furnished to the Purchaser Parties a certificate dated the Closing Date signed by the Seller Parties to the effect that all of the representations and warranties of the Seller Parties contained in this Agreement (considered collectively) and each of these representations and warranties (considered individually) remain in all respects true and correct as of the Closing Date as if made on such date and that the Seller Parties have performed and satisfied all covenants and conditions required by this Agreement to be performed or satisfied by the Seller Parties on or prior to Closing;

(w) All necessary approvals, consents, estoppel certificates and the like of third parties or Governmental Entities to the validity and effectiveness of the transactions contemplated hereby;

(x) The Noncompete Agreements substantially in the form attached as EXHIBIT 9.2(W);

(y) The Expansion Commitment Letter in the form attached hereto as EXHIBIT 9.2(X) (the "Expansion Commitment Letter"); and

(z) Such other instruments and documents as the Purchaser Parties reasonably deem necessary to effect the transactions contemplated hereby.

SECTION 9.3. PURCHASER PARTIES' CLOSING DATE DELIVERABLES. On the Closing Date, the Purchaser Parties shall deliver to the Seller Parties the documents listed below.

(a) A certified copy of the resolutions of the governing body of each Purchaser Party dated as of the date hereof authorizing the execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(b) Certificates of existence and good standing of each Purchaser Party from the Secretary of State of the State of Delaware, dated the most recent practical date prior to the Closing Date;

(c) Certificates of good standing and foreign qualification of the Acquisition Sub from the Secretary of State of the State of California, dated the most recent practical date prior to the Closing Date;

(d) The Lease, together with a Memorandum of Lease, in form and substance satisfactory to MPT;

(e) The Assignment of Rents and Leases in substantially the form attached hereto as EXHIBIT 9.2(Q);

(f) An Opinion of Baker Donelson, Bearman, Caldwell & Berkowitz, P.C., as counsel for the Purchaser Parties substantially in the form attached as EXHIBIT 9.3(F);

(g) At the Closing, each Purchaser Party shall have furnished to the Seller Parties a certificate dated the Closing Date signed by such Purchaser Party to the effect that all of the representations and warranties of such Purchaser Party contained in this Agreement (considered collectively) and each of these representations and warranties (considered individually) remain in all respects true and correct as of the Closing Date as if made on such date and that such Purchaser Party has performed and satisfied in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by such Purchaser on or prior to Closing;

(h) Any bills of sale and assignments requiring the signature of any Purchaser Party;

(i) The Security Agreement in substantially the form attached hereto as EXHIBIT 9.2(R);

(j) The Noncompete Agreements substantially in the form attached as EXHIBIT 9.2(W); and

(k) The Expansion Commitment Letter in the form attached hereto as EXHIBIT 9.2(X).

ARTICLE X

TERMINATION

SECTION 10.1. TERMINATION. Notwithstanding anything to the contrary in this Agreement, the remaining obligations of the parties hereunder may be terminated and the transactions contemplated hereby abandoned at any time prior to Closing: (i) by mutual written consent of the parties; (ii) by the Seller Parties if the conditions set forth in Section 8.1 shall not have been satisfied on or before December 31. 2005; or (iii) by the Purchaser Parties if the conditions set forth in Section 8.2 shall not have been satisfied on or before December 31, 2005.

SECTION 10.2. NOTICE AND EFFECT. In the event of the termination of this Agreement pursuant to this Article X, the party terminating this Agreement shall give prompt written notice thereof to the parties, and the transactions contemplated hereby shall be abandoned, without further action by any party. Each filing, application and other submission relating to the transactions contemplated hereby shall, to the extent practicable, be withdrawn from the person to which it was made. The confidentiality provisions set forth in Article VII of this Agreement shall survive any termination of this Agreement. Notwithstanding any statement contained in this Agreement to the contrary, termination of this Agreement shall not relieve any party from liability for any breach or violation of this Agreement that arose prior to such termination.

ARTICLE XI

CERTAIN POST-CLOSING COVENANTS

SECTION 11.1. POST-CLOSING ACCESS TO INFORMATION. The Parties acknowledge that, subsequent to Closing, each may need access to the Assets and to information, documents or computer data in the control or possession of the other for purposes of concluding the transactions contemplated herein and for audits, investigations, compliance with governmental requirements, regulations and requests, the prosecution or defense of third party claims. Accordingly, the Parties agree that they will make available to the other and their agents, independent auditors and/or governmental entities such documents and information as may be available relating to the Assets and the Hospital and will permit the other to make copies of such documents and information at the requesting party's expense.

SECTION 11.2. LICENSURE. To the extent not obtained as of Closing, the Seller Parties shall use their best efforts, including the scheduling of all applicable surveys of state or federal governmental agencies, to obtain, as soon as possible following the Closing, all provider numbers permitting Desert Valley Operator to participate in the Government Programs and all other licenses and permits from Governmental Entities necessary to conduct the Business. The Seller Parties shall immediately notify the Purchaser Parties in the event of any controversy relating to such efforts, including any deficiencies identified by applicable governmental agencies with respect to the aforementioned surveys, and shall use its best efforts to remedy any such deficiencies immediately.

SECTION 11.3. SHERMAN OAKS PURCHASE AGREEMENT INDEMNIFICATION. The parties acknowledge that certain of the Seller Parties now have or may hereafter have certain indemnification rights and claims against Sherman Oaks pursuant to the terms of Sherman Oaks Purchase Agreement. In the event that any such indemnification right or claim under the Sherman Oaks Purchase Agreement shall arise or accrue after the Closing with respect to or affecting any of the Assets which are delivered and conveyed as of such Closing (a "Sherman Oaks Claim"), the Seller Parties shall, after notification to Purchaser Parties (i) immediately notify Sherman Oaks of the Sherman Oaks Claim (including all material facts related thereto) and make a claim for indemnity against Sherman Oaks with respect thereto pursuant to the terms of the Sherman Oaks Purchase Agreement; (ii) immediately notify the Purchaser Parties of any and all communications, notices or other information, whether written or oral, it receives with respect to the Sherman Oaks Claim; (iii) coordinate with Purchaser Parties in the exercise all of the Seller Parties' rights with respect to the Sherman Oaks Claim (including, without limitation, the selection, engagement and/or approval of counsel) it being understood that no Seller Party shall take any action with respect to any Sherman Oaks Claim (except for those actions set forth in (i) and (ii) above) without the Purchaser Party's prior written consent; (iv) hold in trust for the benefit of the Purchaser Parties and account for any amounts received by any Seller Party in respect of any Sherman Oaks Claim until the final resolution of any of the Purchaser Parties' indemnity claims against the Seller Parties hereunder which may be based on, or arise as a consequence of, the facts and circumstances giving rise to the Sherman Oaks Claim; and (v) not take or agree to take any action which would conflict with its obligations to Purchaser Parties with respect to such Sherman Oaks Claim pursuant to this Section 11.3 or which would

otherwise adversely affect any rights of the Seller Parties with respect to such Sherman Oaks Claim.

ARTICLE XII

INDEMNIFICATION

SECTION 12.1. The Seller Parties' Agreement to Indemnify.

(a) Subject to the limitations set forth in this Article, the Seller Parties agree to jointly and severally indemnify, defend and hold harmless the Purchaser Parties, their affiliates and their respective officers, directors, members, (general and limited) partners, shareholders, employees, agents and representatives (collectively, the "Purchaser Indemnified Parties") from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, attorneys' and accountants' fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) asserted against or incurred by the Purchaser Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of the Seller Parties; (ii) any Excluded Liabilities (including Taxes arising prior to Closing and any liability arising out of the ownership and operation of the Assets prior to Closing) or (iii) any liability arising out of or relating to a breach or default by Sherman Oaks under the Sherman Oaks Purchase Agreement or any liability or obligation with respect to which Sherman Oaks is required to indemnify Seller Parties under the Sherman Oaks Purchase Agreement (collectively, "Purchaser Damages").

(b) The indemnification of the Purchaser Indemnified Parties by the Seller Parties provided for under this Article XII shall be limited in certain respects as follows: (i) the right of the Purchaser Indemnified Parties to seek indemnification under this Section 12.1 shall terminate on the third anniversary of Closing (the "Purchaser's Indemnity Periods"), except that the Purchaser' Indemnity Period shall terminate on the fifth anniversary of the Closing Date for claims under Sections 4.15 and 4.17 and (ii) the Seller shall not be required to indemnify the Purchaser Indemnified Parties for indemnification claims under this Section 12.1 unless and until the aggregate amount of all losses resulting in Purchaser' Damages exceeds One Hundred Thousand and No/100 Dollars ($100,000.00) (the "Minimum Aggregate Liability Amount") in which event the foregoing indemnification obligation shall apply to the aggregate amount of Purchaser Damages that exceeds One Hundred Thousand and No/100 Dollars ($100,000.00); provided, however, that the maximum liability of the Seller Parties under this Agreement shall be an amount equal to the Purchase Price. The foregoing limitations on time and amount shall not apply to any Purchaser Damages arising or resulting from (i) any act or omission of any Seller Party which constitutes fraud, (ii) any breach by any Seller Party of its post-closing covenants; (iii) any Encroachment Issue; or (iv) the Excluded Liabilities.

SECTION 12.2. THE PURCHASER PARTIES' AGREEMENT TO INDEMNIFY.

(a) Subject to the limitations set forth in this Article, the Purchaser Parties jointly and severally agree to indemnify, defend and hold harmless the Seller Parties, their Affiliates and

their respective officers, directors, members, purchasers, shareholders, employees and representatives (collectively, the "Seller Indemnified Parties") from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, reasonable attorneys' fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) asserted against or incurred by any of the Seller Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of any Purchaser Party; or (ii) the use, ownership or operation of any of the Assets after Closing (collectively, "Seller Damages").

(b) The indemnification of the Seller Indemnified Parties by the Purchaser Parties provided for under this Article XII shall be limited in certain respects as follows: (i) the right of the Seller Indemnified Parties to seek indemnification under this Section 12.2 shall terminate on the first anniversary of Closing (the "Seller Indemnity Period"), and (ii) the Purchaser Parties shall not be required to indemnify the Seller Indemnified Parties for indemnification claims under this Section 12.2 unless and until the amount of all losses resulting in Seller Damages exceeds One Hundred Thousand and No/100 Dollars ($100,000.00) in which event the foregoing indemnification obligation shall apply to the aggregate amount of Seller Damages that exceeds One Hundred Thousand and No/100 Dollars ($100,000.00); provided, however, that the maximum liability of the Purchaser Parties under this Agreement shall be an amount equal to the Purchase Price. The foregoing limitation on time and amount shall not apply to any Seller Damages arising or resulting from any act or omission of any Purchaser Party which constitutes fraud, any breach by any Purchaser Party of its post-closing covenants.

SECTION 12.3. NOTIFICATION AND DEFENSE OF CLAIMS.

(a) A party entitled to be indemnified pursuant to Section 12.1 or Section 12.2 (the "Indemnified Party") shall notify the party liable for such indemnification (the "Indemnifying Party") in writing of any claim or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, as soon as possible after the Indemnified Party becomes aware of such claim or demand; provided, that the Indemnified Party's failure to give such notice to the Indemnifying Party in a timely fashion shall not result in the loss of the Indemnified Party's rights with respect thereto except to the extent the Indemnified Party is materially prejudiced by the delay.

If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to the provisions hereof, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party (a "Third Party Claim"), the Indemnifying Party shall have the obligation either (i) to pay such claim or demand, or (ii) defend any such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. After the Indemnifying Party has assumed the defense of such Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party under this Section 12 for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, provided that the Indemnified Party shall have the right to employ counsel, at the Indemnifying Party's expense, to represent it if (A) in the Indemnified Party's reasonable opinion the Indemnifying Party is not diligently prosecuting the defense of such Third Party

Claim, (B) such Third Party Claim involves remedies other than monetary damages and such remedies, in the Indemnified Party's reasonable judgment, could have a material adverse effect on such Indemnified Party, (C) the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more defenses or counterclaims that may be alleged by the Indemnifying Party, or (D) the Indemnified Party believes in its reasonable discretion that a conflict of interest exists between the Indemnifying Party and the Indemnified Party with respect to such Third-Party Claim or action, and in any such event the reasonable fees and expenses of such separate counsel for the Indemnified Party shall be paid by the Indemnifying Party. The Indemnified Party shall make available to the Indemnifying Party or its agents all records and other materials in the Indemnified Party's possession reasonably required by it for its use in contesting any Third-Party Claim or demand.

(b) No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, unless (i) the Indemnifying Party fails to assume and diligently prosecuting the defense of such claim or (ii) such settlement, compromise or consent includes an unconditional release of the Indemnifying Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnifying Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnifying Party or any Affiliate of the Indemnifying Party. An Indemnifying Party may not, without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnified Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnified Party or any of the Indemnified Party's Affiliates.

SECTION 12.4. INVESTIGATIONS. The right to indemnification based upon breaches or inaccuracies of representations, warranties and covenants will not be affected by any investigation conducted with respect to, or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, whether as a result of disclosure by a party pursuant to this Agreement or otherwise, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty or covenant. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, will not affect a party's right to indemnification, payment of damages or other remedies based on such representations, warranties and covenants.

SECTION 12.5. TREATMENT OF INDEMNIFICATION PAYMENTS. All indemnification payments made pursuant to this Article XII shall be treated by the parties for income Tax purposes as adjustments to the Purchase Price, unless otherwise required by applicable Law.

SECTION 12.6. EXCLUSIVE REMEDY. FROM AND AFTER THE APPLICABLE CLOSING, THE PARTIES AGREE AND ACKNOWLEDGE THAT THE INDEMNIFICATION RIGHTS PROVIDED IN THIS ARTICLE XII SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE PARTIES TO THIS AGREEMENT FOR BREACHES OF THIS AGREEMENT AND FOR ALL DISPUTES ARISING UNDER OR RELATING TO THIS AGREEMENT AND ANY ADDITIONAL AGREEMENTS OR DOCUMENTS EXECUTED OR DELIVERED IN OR ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT FOR POST-CLOSING COVENANTS, CASES WHERE SPECIFIC PERFORMANCE IS AVAILABLE AS A REMEDY AND EXCEPT IN CASES OF FRAUD.

SECTION 12.7. LIMITATION OF LIABILITY OF SELLER PARTIES. Notwithstanding any other provision of this Agreement, the liability of all of the Seller Parties, other than Desert Valley Operator (the "Guarantors") under this Agreement for any reason shall continue in full force and effect until the second (2nd) anniversary of the date hereof, whereupon the liability of the Guarantors under this Agreement, the Lease, and any other commitments, guarantees, obligations or liabilities of the Guarantors under the transactions pertaining thereto, shall be collectively limited to a maximum of Five Million Dollars ($5,000,000.00) in the aggregate. Thereafter, when Lessee satisfies the covenants set forth in Section 16.2 of the Lease, tested by reference to Lessee only for a period of two (2) consecutive fiscal years, all the obligations of the Guarantors under this Agreement, the Lease and all other agreements entered into pursuant to the terms of this Agreement shall terminate.

ARTICLE XIII

DISPUTE RESOLUTION

SECTION 13.1. 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 LAWS PRINCIPLES.

SECTION 13.2. JURISDICTION AND VENUE. THE PARTIES CONSENT TO PERSONAL JURISDICTION IN DELAWARE. THE PARTIES AGREE THAT ANY ACTION OR PROCEEDING ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT AND TRIED EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF DELAWARE. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. THE SELLER PARTIES EXPRESSLY ACKNOWLEDGE THAT DELAWARE IS A FAIR, JUST AND REASONABLE FORUM AND AGREE NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY THE MPT PARTIES IN SAID COURTS. FURTHER, THE PARTIES 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 REGISTERED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO THIS SECTION 13.2 SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PARTY FOR ANY ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. A FINAL

JUDGMENT IN ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT MAY BE ENFORCED IN ANY OTHER COURT TO WHOSE JURISDICTION ANY OF THE PARTIES IS OR MAY BE SUBJECT.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.1. ASSIGNMENT. This Agreement is not assignable by any party without the prior written consent of the other party hereto. Notwithstanding the foregoing, the Purchaser Parties may at any time and without the consent of the Seller Parties assign all of their respective rights and obligations hereunder to one or more of its Affiliates; provided, however, that no such assignment shall relieve or release such Purchaser Parties from their obligations hereunder.

SECTION 14.2. NOTICE. All notices, demands, requests and other communications or documents required or permitted to be provided under this Agreement shall duly be in writing and shall be given to the applicable party at its address or facsimile number set forth below or such other address or facsimile number as the party may later specify for that purpose by notice to the other party:

If to any Seller Party:	Prime Healthcare Services, Inc. 16850 Bear Valley Road Victorville, California 92392 Attention: Lex Reddy
With a copy to:	Prime Healthcare Services, Inc. 16850 Bear Valley Road Victorville, California 92392 Attention: Richard Hayes, Esq.
If to any Purchaser Party	c/o Medical Properties Trust, Inc. 1000 Urban Center Drive, Suite 501 Birmingham, AL 35242 Attention: Edward K. Aldag, Jr.
With a copy to:	Baker, Donelson, Bearman, Caldwell & Berkowitz, PC 420 20th Street North, Suite 1600 Birmingham, Alabama 35203 Attention: Thomas O. Kolb, Esq.

Each notice shall, for all purposes, be deemed given and received:

(i) if by hand, when delivered;

(ii) if given by nationally recognized and reputable overnight delivery service, the Business Day on which the notice is actually received by the party; or

(iii) if given by certified mail, return receipt requested, postage prepaid, the date shown on the return receipt.

SECTION 14.3. CALCULATION OF TIME PERIOD. When calculating the period of time before which, within which or following which any act is to be done or step taken, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end as of the next succeeding Business Day.

SECTION 14.4. CAPTIONS. The section and paragraph headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement, and are not to be considered in interpreting this Agreement.

SECTION 14.5. ENTIRE AGREEMENT; MODIFICATION. This Agreement, including the Exhibits and Schedules attached hereto, and other written agreements executed and delivered at Closing by the parties hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement. This Agreement supersedes any prior oral or written agreements between the parties with respect to the subject matter of this Agreement. It is expressly agreed that there are no verbal understandings or agreements which in any way change the terms, covenants, and conditions set forth in this Agreement, and that no modification of this Agreement and no waiver of any of its terms and conditions shall be effective unless it is made in writing and duly executed by the parties hereto.

SECTION 14.6. SCHEDULES AND EXHIBITS. All Schedules and Exhibits referred to in this Agreement and attached hereto shall be deemed a part of this Agreement and are hereby incorporated herein by reference.

SECTION 14.7. FURTHER ASSURANCES. From time to time after the Closing and without further consideration, the Seller Parties shall execute and deliver to the Purchaser Parties such instruments of sale, transfer, conveyance, assignment, consent or other instruments as may be reasonably requested by the Purchaser Parties in order to vest all right, title and interest of the applicable Seller Parties in and to the Assets conveyed and delivered at the Closing or as otherwise required to carry out the purpose and intent of this Agreement.

SECTION 14.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Executed signature pages to this Agreement may be delivered by facsimile transmission and any such signature page shall be deemed an original.

SECTION 14.9. EXPENSES. The Seller Parties shall pay all costs and expenses incurred by the Seller Parties and Purchaser Parties in connection with the transactions contemplated hereby, including, without limitation, all document stamps, transfer, excise, recording, gains, sales, bulk sales, use and similar conveyance Taxes and fees imposed by reason of and associated with the transactions contemplated hereby and by deficiency, interest or penalty asserted with respect thereto, as well as the cost of the survey, the title insurance and all title endorsements required by the Purchaser Parties and its lenders, and all attorneys' fees and expenses. Notwithstanding the foregoing, the obligation of Seller Parties to pay legal expenses of Purchaser Parties, shall not exceed the sum of Seventy Five Thousand Dollars ($75,000.00).

SECTION 14.10. SYNDICATION. Subject to applicable healthcare regulatory requirements, MPT will offer up to twenty percent (20%) of the equity interests in Acquisition Sub to local or area physicians at such time following closing as determined by MPT. MPT and the Seller Parties will work together to decide which physicians receive an opportunity to invest in the Acquisition Sub.

SECTION 14.11. SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, the Seller Parties agree to cooperate with MPT in connection with any securities offerings and filings, or MPT's efforts to procure or maintain financing for or related to the Real Property and Improvements, and in connection therewith, the Seller Parties shall furnish MPT with such financial and other information as MPT shall request. MPT may disclose that it has entered into this Agreement with the Seller Parties and may provide and disclose information regarding this Agreement, the Seller Parties, the Real Property and Improvements, and such additional information which MPT may reasonably deem necessary, to its proposed investors in such public offering or private offering of securities, or any current or prospective lenders with respect to such financing. Upon reasonable advance notice, MPT and any lender providing financing for the Real Property shall have the right to access, examine and copy all agreements, records, documentation and information relating to the Seller Parties, the Real Estate and Improvements, and to discuss such affairs and information with the officers, employees and independent public accountants of the Seller Parties as often as may reasonably be desired, but subject to the terms of a confidentiality agreement, as reasonably approved by the parties.

SECTION 14.12. BINDING EFFECT. This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns; provided, however, that this Agreement shall not inure to the benefit of any assignee pursuant to an assignment which violates the terms of this Agreement.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the date first written above.

PURCHASER PARTIES:

MPT OPERATING PARTNERSHIP, L.P.

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

Name: Edward K. Aldag, Jr.
Title: President and Chief Executive Officer

MPT OF SHERMAN OAKS, LLC
BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Name: Edward K. Aldag, Jr.
Title: President and Chief Executive Officer

SELLER PARTIES:

PRIME HEALTHCARE SERVICES II, LLC

By: /s/ Lex Reddy

Name: Lex Reddy

Title: President/CEO

PRIME HEALTHCARE SERVICES, INC.

By: /s/ Lex Reddy

Name: Lex Reddy

Title: President/CEO

DESERT VALLEY HOSPITAL, INC.

By: /s/ Lex Reddy

Name: Lex Reddy

Title: President/CEO

DESERT VALLEY MEDICAL GROUP, INC.

By: /s/ Lex Reddy

Name: Lex Reddy

Title: Secretary

PRIME A INVESTMENTS, L.L.C.

By: /s/ Prem Reddy

Name: Prem Reddy, M.D.

Title: Manager - Real Estate

EXHIBIT A

LEASE

[See attachment.]

EXHIBIT B

LANDLORD LEASES

EXHIBIT C

LEGAL DESCRIPTION OF THE REAL PROPERTY

EXHIBIT 9.2(B)

DEED

[See attachment.]

EXHIBIT 9.2(P)

LEASE GUARANTY AGREEMENT

[See attachment.]

EXHIBIT 9.2(Q)

ASSIGNMENT OF RENTS AND LEASES

[See attachment.]

EXHIBIT 9.2(R)

SECURITY AGREEMENT

[See attachment.]

EXHIBIT 9.2(T)

LEGAL OPINION OF SHULMAN, HODGES & BASTIAN LLP

[See attachment.]

EXHIBIT 9.2(W)

NONCOMPETE AGREEMENTS

[See attachment.]

EXHIBIT 9.2(X)

EXPANSION COMMITMENT LETTER

[See attachment.]

EXHIBIT 9.3(F)

LEGAL OPINION OF BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, P.C.

[See attachment.]

Exhibit 10.70

SHERMAN OAKS, CA

LEASE AGREEMENT

MPT OF SHERMAN OAKS, LLC,
a Delaware limited liability company

Lessor

AND

PRIME HEALTHCARE SERVICES II, LLC
a Delaware limited liability company

Lessee

Property:

One Hundred Fifty-Three (153)-Bed Acute Care Hospital Facility
(Commonly referred to as the Sherman Oaks Hospital)
4929 Van Nuys Boulevard
Sherman Oaks, Los Angeles County, California 91403

December 30, 2005

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LEASE AGREEMENT

This LEASE AGREEMENT (the "Lease") is dated as of the 30th day of December, 2005, and is between MPT OF SHERMAN OAKS, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and PRIME HEALTHCARE SERVICES II, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 16850 Bear Valley Road, Victorville, California 92392.

WITNESSETH:

WHEREAS, Lessor is the current owner of that certain real property located in Sherman Oaks, Los Angeles County, California, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon;

WHEREAS, pursuant to that certain Assignment and Assumption of Amended and Restated Air Space Agreement dated and delivered to Lessor as of the date hereof, whereby Prime A Investments, L.L.C. assigned to Lessor, and Lessor assumed from Prime, all of Prime's right, title and interest under that certain Amended and Restated Air Space Agreement dated March 1, 1995 (the "Air Space Agreement"), Lessor holds an interest in certain rights and has certain obligations pursuant to the Air Space Agreement;

WHEREAS, pursuant to that certain Assignment and Assumption of Parking Space Lease Agreement dated and delivered to Lessor as of the date hereof, whereby Prime assigned to Lessor, and Lessor assumed from Prime, all of Prime's right, title and interest under that certain Parking Space Lease Agreement dated January 1, 2002 (the "Parking Space Lease"), Lessor holds an interest in certain rights and has certain obligations pursuant to the Parking Space Lease; and

WHEREAS, Lessor and Lessee desire to enter into this Lease on the terms and conditions hereinafter provided.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

LEASED PROPERTY; TERM

Lessor and Lessee acknowledge and agree that this Lease is subject to Lessor's continued leasehold interest and rights in the Air Space Agreement and the Parking Space Lease and Lessee accepts, assumes and agrees to perform and observe all of the terms, conditions, provisions, limitations and obligations contained in the Air Space Agreement and the Parking Space Lease, except as expressly modified and limited herein. Upon and subject to the foregoing and the terms and conditions hereinafter set forth, and subject to the rights of any tenants, subtenants, lessees or sublessees under any Existing Leases as described in Section 24.1 below, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) the Air Space Agreement and the Parking Space Lease;

(c) the Facility and all buildings, structures, Fixtures (as hereinafter defined) and other improvements of every kind, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently or hereafter situated upon the Land, and Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(d) all easements, rights and appurtenances relating to the Land and the Leased Improvements;

(e) all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Land and Leased Improvements; and

(f) all permanently affixed non-medical equipment, machinery, fixtures, and other items of real and/or personal property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for a fixed term (the "Fixed Term") commencing on the date hereof (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month period after the Commencement Date, unless sooner terminated as herein provided.

So long as Lessee is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under any of the terms and conditions of this Lease, Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, a default or breach by Lessee shall occur under this Lease, and such default or breach is not cured within the applicable time periods as provided herein, Lessee shall be deemed to have forfeited all Extension Options. If Lessee elects not to exercise its option to extend, all subsequent options to extend shall be deemed to have lapsed.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Adjustment Date: January 1 of each year commencing on January 1, 2007.

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.

Air Space Agreement: As defined in the Preamble.

Applicable Seismic Laws: As defined in Section 10.3(e).

Award: As defined in Section 15.1.

Base Rent: As defined in Section 3.1.

Business: The operation of the Facility and the engagement in and pursuit and conduct of any business venture or activity related thereto.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures, annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including, without limitation, the construction of a new wing or new story and any Seismic Upgrades.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

CERCLA: As defined in Article II.

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

Collateral: As defined in Section 16.8.

Commencement Date: The date hereof.

Commitment Letter: The commitment letter between Lessor and Prime Healthcare Services, Inc. (or their Affiliates) dated August 1, 2005, as amended.

Condemnation, Condemnor: As defined in Section 15.1.

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

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

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

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

Consumer Price Index: The Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). If the Consumer Price Index is discontinued or revised during the term of this Lease, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

Contracts: As defined in Article XXXII.

Covenant Commencement Date: As defined in Section 16.2(a).

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.

DHS: As defined in Article XXXIX.

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Equity Investment: The Purchase Price.

Events of Default: As defined in Section 16.1 and Section 16.2.

Existing Leases: As defined in Section 24.1.

Expansion: As defined in Section 10.3(f).

Expansion Amount: Such amount as may be disbursed from time to time to Lessee, for use in financing certain improvements and expansions of the Facility, said amount not to exceed Five Million Dollars ($5,000,000).

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Extraordinary Repairs: All repairs to the Facility of every kind and nature, whether interior or exterior, structural or non-structural (including, without limitation, all parking decks and parking lots) which are considered to be extraordinary in nature (as opposed to being ordinary or normal in nature), as Lessee and/or Lessor may determine to be necessary or appropriate from time to time during the Term.

Facility: The licensed one hundred fifty-three (153)-bed acute care hospital facility and all improvements in connection therewith 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 in connection with the Leased Property or any part thereof, or financing provided to Lessee, if such financing is provided by Lessor or any Affiliate of Lessor, to Lessee, 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 Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Charges: The sum of Lease Payments and required principal and interest payments with respect to Total Debt as reduced for any inter-company transactions.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

Full Replacement Cost: As defined in Section 13.1.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Governmental Entity: Any national, federal, regional, state, local, provincial, municipal, foreign or multinational court or other governmental or regulatory authority, administrative body or government, department, board, body, tribunal, instrumentality or commission of competent jurisdiction.

Guarantors: Jointly and severally, Prime Healthcare Services, Inc., a Delaware corporation, Desert Valley Medical Group, Inc., a California corporation, Prime A Investments, L.L.C., a Delaware limited liability company and Desert Valley Hospital, Inc., a California corporation.

Hazardous Materials: Any substance, including without limitation, asbestos or any substance containing asbestos and deemed hazardous under any Hazardous Materials Law, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic wastes, materials or substances under any Hazardous Materials Laws.

Hazardous Materials Laws: All local, state and federal laws relating to environmental conditions and industrial hygiene, including, without limitation, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

HIPPA: As defined in Article XXV.

Impositions: Collectively, all civil monetary penalties, fines and overpayments imposed by state and federal regulatory authorities, all taxes (including, without limitation, all capital stock and franchise taxes of Lessor, all ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes), assessments (including, without limitation, all assessments, charges and costs imposed under the Permitted Exceptions, all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises, tax levies, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property and/or the Rent (including all interest and penalties thereon due to any failure in payment by Lessee), and all other fees, costs and expenses which at any time prior to, during or in respect of the Term hereof may be charged, assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property,

except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, seismic, engineering and other fees and expenses paid in connection with the inspection of the Leased Property and site visits, and fees paid to advisors and brokers, except to the extent such items are paid by Lessee.

Insurance Premiums: As defined in Section 4.4.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease Amendment: As defined in Section 10.3.

Lease Assignment: That certain Assignment of Rents and Leases to be effective the Commencement Date executed and delivered by Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease (as this Lease may be amended, modified and/or restated from time to time), the obligations of Guarantors under the Lease Guaranty and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor or any Affiliate of Lessor.

Lease Guaranty: That certain Lease Guaranty to be effective on the Commencement Date executed and delivered by Guarantors in favor of Lessor contemporaneously herewith.

Lease Payments: The payments of Base Rent of the Lessee required pursuant to this Lease.

Lease Rate: A per annum rate initially equal to ten and one-half percent (10.5%), as adjusted by the escalator described in Section 3.1(b) hereof; such rate (as escalated) to be decreased by one-half percent (0.5%) at such time as the Facility has generated a total lease coverage from EBITDAR (based on trailing twelve (12) months) of at least two hundred fifty percent (250%) for two (2) consecutive twelve-month periods.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least Fifty Million Dollars ($50,000,000).

Lessee: Prime Healthcare Services II, 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 Notice: As defined in Section 42.6.

Lessee's Personal Property: All machinery, equipment, medical equipment (including all medical equipment affixed to the Leased Property), furniture, furnishings, trailers, movable walls or partitions, computers, trade fixtures, consumable inventory and supplies and all other personal property currently owned or acquired after the execution of this Lease, and used or useful in the operation of the Facility, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses, but excluding Lessee's accounts receivable and any items included within the definition of Fixtures.

Lessor: MPT of Sherman Oaks, LLC, a Delaware limited liability company, and its successors and assigns.

Lessor's Notice: As defined in Section 42.6.

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

Licenses: As defined in Article XXXIX.

LOC Amount: As defined in Section 42.7.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property.

Market Value of Lessee: An amount equal to the EBITDAR of Lessee, on a trailing twelve (12) months basis, multiplied by four (4).

Medicaid : The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

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 Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer or representative authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Option Price: As defined in Section 35.1.

Organizational Documents: As defined in Section 8.7.

Other Lease: Any other lease entered into between Lessor or any Affiliate of Lessor, on one hand, and Lessee, any Guarantor, or any of their respective Affiliates, on the other hand.

Overdue Rate: On any date, a rate per annum equal to four (4%) percent.

Parking Space Lease: As defined in the Preamble.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, or any other sums payable under this Lease.

Permitted Exceptions: As defined in Article I.

Primary Intended Use: As defined in Article VII.

Primary Lender: As defined in Section 16.8.

Primary Lien of Lessee's Primary Lender: As defined in Section 16.8.

Prime Rate: The annual rate announced by Citibank in New York, New York, to be the prime rate for 90-day unsecured loans to its United States corporate borrowers of the highest credit standing, as in effect from time to time.

Purchase Agreement: That certain Purchase and Sale Agreement dated of even date herewith, by and among Lessor, Lessee, the Guarantors and MPT Operating Partnership, L.P.

Purchase Price: The Initial Purchase Price, plus all costs and expenses not included in the Initial Purchase Price incurred or paid in connection with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, seismic, engineering and other fees and expenses paid in connection with the inspection of the Leased Property, and paid to advisors and brokers (except to the extent such items are paid by Lessee), and shall include the costs of Capital Additions financed by Lessor (and Lessor's Affiliates) as provided in Section 10.3 of this Lease (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

RCRA: As defined in Article II.

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(b) hereof) and the Additional Charges.

Request: As defined in Section 10.3(a).

Reserve: As defined in Section 9.2.

SARA: As defined in Article II.

Security Agreement: That certain Security Agreement to be effective the Commencement Date executed and delivered by Lessee to Lessor, pursuant to the terms of which Lessee has granted to Lessor a first lien and security interest in all of Lessee's rights under this Lease (as this Lease may be amended, modified and/or restated from time to time), to all of Lessee's Personal Property (excluding accounts receivable) and to all of the Licenses.

Seismic Upgrades: Those certain upgrades and renovations to the Leased Property required for compliance with the State of California laws and regulations governing seismic structural integrity, the costs of which are anticipated to be approximately Seven Million Two Hundred Thousand Dollars ($7,200,000.00).

Sherman Oaks: As defined in Section 24.2.

Sherman Oaks Sublease: As defined in Section 24.2.

Single Purpose Entity: An entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Facility and conducting the operation of the Business, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership and/or leasing all or any portion of the Facility and the operation of the Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest in the Facility which it owns in the Facility and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by this Lease or arising in the ordinary course of the Business and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, other than as approved by Lessor, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets), (vii) holds itself out as being a company separate and apart from any other entity, and (viii) maintains all corporate formalities independent of any other entity.

Statements of Cash Flow: For any fiscal year or other accounting period for Lessee or Guarantors and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with GAAP.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant Leases: All leases, subleases, pharmacy leases and other rental agreements (written or verbal, now or hereafter in effect), if any, including, without limitation, the Existing Leases as described in Section 24.1 hereof, that grant a possessory interest in and to any space in or any part of the Leased Property, or that otherwise have rights with regard to the Leased Property, and all Credit Enhancements, if any, held in connection therewith.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Test Rate: As defined in Section 10.2.

Total Capitalization: Total Debt plus all capital account or stated capital balances according to GAAP.

Total Debt: All indebtedness which, in accordance with GAAP, will be included in determining total liabilities as shown on the liability side of a balance sheet, including any such indebtedness represented by

obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, but excluding any nonrecourse indebtedness and excluding any current liabilities.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its 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.

Upgrade EBITDAR Covenant: As defined in Section 10.3(e).

ARTICLE III

RENT

3.1 BASE RENT. During the Term, Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person, firm or entity as Lessor from time to time may designate in writing, Base Rent as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in a per annum amount equal to ten and one-half percent (10.5%) multiplied by the Purchase Price, which as of the date hereof is an annual amount of Two Million, One Hundred Thousand and 00/100 Dollars ($2,100,000.00). Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the 10th day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month based upon a three hundred sixty (360) day year).

(b) 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 percent (2%) per annum of the prior year's Base Rent, or (B) the percentage by which the CPI on the Adjustment Date shall have increased over the CPI figure in effect on the immediately preceding January 1. If the previous year's Base Rent is for a partial year, Base Rent shall be annualized based on the highest annual rate effective during the preceding year. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent as specified herein have been made by multiplying the Initial Purchase Price by the Lease Rate. In the event the Initial Purchase Price or Lease Rate is adjusted, then all calculations of Base Rent shall be adjusted accordingly.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, and all other amounts, liabilities, obligations and Impositions related to the ownership, use, possession and operation of the Leased Property, including, without limitation, all costs of owning and operating the Facility, all Real Estate Taxes, Insurance Premiums, maintenance and capital improvements, all licensure violations, violations of and defaults under any of the Permitted Exceptions, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and reimburse Lessor for all such amounts paid by Lessor and promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to

in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent. If any installment of Base Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due. At any time during the Term, Lessor may require Lessee to pay to Lessor or its Facility Lender estimates of Real Estate Taxes and 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 and may be commingled with Lessor's books, accounts and funds; however, upon an Event of Default under this Lease, the escrowed funds or deposits may be applied by 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 and the payments of Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Intentionally Omitted.

3.5 ADJUSTMENTS. Lessor and Lessee acknowledge that to the extent Lessee fails to reimburse to Lessor, any costs and expenses which otherwise would be included in the definition of Purchase Price, then the Lessor shall recalculate the Purchase Price to include such unreimbursed costs and expenses and deliver to Lessee a letter confirming the Base Rent to be paid hereunder and such letter shall constitute an amendment to the provisions of this Lease.

3.6 RENT AND PAYMENTS UNDER AIR SPACE AGREEMENT. Lessee shall pay all rents and other payments due as required under the Air Space Agreement (a copy of which has been provided to Lessee) as and when such payments become due and payable, and Lessee shall provide Lessor with reasonable evidence of payment each month confirming that the rents and payments have been timely paid or, at Lessor's request, Lessee shall pay the rents and payments due under the Air Space Agreement directly to Lessor at least five (5) business days prior to its due date under the Air Space Agreement.

3.7 RENT AND PAYMENTS UNDER THE PARKING SPACE LEASE. Lessee shall pay all rents and other payments due as required under the Parking Space Lease (a copy of which has been provided to Lessee) as and when such payments become due and payable, and Lessee shall provide Lessor with reasonable evidence of payment each month confirming that the rents and payments have been timely paid or, at Lessor's request, Lessee shall pay the rents and payments due under the Parking Space Lease directly to Lessor at least five (5) business days prior to its due date under the Parking Space Lease.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such

payments to be made directly to the taxing or assessing authorities unless, in the case of escrows and deposits required to be paid to Lessor or Facility Lender as provided in Section 3.2 hereof, 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 the full amount of escrows and deposits as required under Section 3.2 hereof) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates, unless Lessee purchases the Leased Property pursuant to the purchase options expressly provided herein, shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid when due all charges for electricity, power, gas, oil, water and other utilities used in connection with the Leased Property during the Term, including, without limitation, all impact and tap fees necessary for the operation of the Facility.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid when due all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term (the "Insurance Premiums"); provided, however, that if required by Lessor, such premiums shall be paid as required under Section 3.2 hereof. At Lessor's option and provided that the costs of such coverages collectively do not exceed the costs of such insurance obtained by Lessee, Lessor may obtain the insurance coverages required herein and, in such event, Lessee shall reimburse Lessor for the costs of such coverages immediately upon request by Lessor.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that the Leased Property is the property of Lessor (except for the rights under the Air Space Agreement with respect to which Lessor holds a leasehold interest pursuant to the Air Space Agreement and except for the rights under the Parking Space Lease with respect to which Lessor holds a leasehold interest pursuant to the Parking Space Lease) and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease, the Air Space Agreement and the Parking Space Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee, at its expense, shall install, affix, assemble and place on the Leased Property, the Lessee's Personal Property, which Lessee's Personal Property shall be subject to the security interests and liens as provided in Section 16.8 of this Lease. Lessee shall not, without the prior written consent of Lessor (which consent may be withheld in the event Lessee is in default hereunder) remove any of the Lessee's Personal Property from the Leased Property. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. If removal is authorized by Lessor as provided herein, all of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property and repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee, Lessor, any Lessee lender, or any Lessor lender.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. Lessee warrants and represents that to the best of its knowledge (a) the Leased Property is in compliance with all of the requirements, restrictions and conditions as set forth in the Permitted Exceptions, and (b) the use of the Leased Property for the Primary Intended Use will not violate any of the Permitted Exceptions. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals and requirements 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 all requirements relating to parking (including, without limitation, the parking requirements and agreements as set forth in the parking certification affidavits and agreements which are a part of the Permitted Exceptions), licensure approvals and Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a one hundred fifty-three (153) bed acute care hospital facility.

(b) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon only as a one hundred fifty-three (153) bed acute care hospital facility and for such other legal ancillary uses as may be necessary in connection with or incidental to such uses, subject to any covenants, restrictions and easements relating to the Facility (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use, nor change the number or type of beds within the Facility, nor reconfigure or rearrange any portion of the Leased Property or the Facility without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only as a provider of healthcare services in accordance with the Primary Intended Use and Lessee

shall maintain its certifications for reimbursement and licensure and all accreditations necessary to maintain its Medicare and Medicaid certifications.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

(f) Lessee agrees that during the entire term of this Lease, Lessor shall have the right and option to erect a sign on the Leased Property stating that the Leased Property is owned by the Lessor. Such sign shall be in a size, and shall be erected in a location, reasonably acceptable to Lessor and approved by Lessee, which approval shall not be unreasonably withheld, conditioned or delayed.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, has occurred and is continuing under this Lease, at the request of Lessee and at Lessee's cost and expense, but subject to the approval of Lessor (a) grant easements and other rights in the nature of easements, (b) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property, (c) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (d) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (e) execute amendments to any covenants and restrictions affecting the Leased Property and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications and transfers (to the extent of its interest in the Leased Property), but only upon delivery to Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, Medicare and Medicaid 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 or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor, its successors and assigns, at any time and from time to time by reason or arising out of any breach by Lessee of any of the representations and warranties set forth in this Section 8.1.

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 best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property and all equipment and machinery used in or in connection with the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property, the use of all equipment and machinery used in connection with the Leased Property, and the maintenance, alteration, and operation of the same, and all parts thereof, shall at all times conform to all applicable local, state and federal laws, ordinances, rules and regulations.

8.3 HAZARDOUS MATERIALS. Except for Hazardous Materials generated in the normal course of business regarding the Primary Intended Use (which Hazardous Materials shall be handled and disposed of in compliance with all Hazardous Materials Laws), no Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, 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 Material from the Leased Property within the meaning of, or otherwise bring the Leased Property within the ambit of, CERCLA or SARA or any Hazardous Materials Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Materials Laws. No activity shall be undertaken with respect to the 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 Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Leased Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous 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. Lessee shall, at its sole cost, expense, risk and liability, remove or cause to be removed from the Leased Property all Hazardous Materials generated in connection with the Primary Intended Use and as found in hospital and healthcare facilities, including, without limitation, all infectious waste materials, syringes, needles and any materials contaminated with bodily fluids of any type, character or description of whatsoever nature in accordance with all Hazardous Materials Laws. Lessee shall not dispose of any such infectious waste and Hazardous Materials in any receptacles used for the disposal of normal refuse.

8.4 HEALTHCARE LAWS. Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, that in the event it is determined that such agreement and/or sublease is in violation of the Healthcare Laws, such agreement and/or sublease shall be renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations. Lessee hereby agrees to indemnify and defend, at Lessee's sole cost and expense, and hold Lessor, its successors and assigns harmless from and against and to reimburse Lessor and its successors and assigns with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known

or unknown, fixed or contingent, asserted against or incurred by Lessor, its successors and assigns, at any time and from time to time by reason or arising out of any breach by Lessee of any of the representations and warranties set forth in this Section 8.4.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants to Lessor that as of the date hereof: (i) Lessee is a limited liability company duly organized and existing under the laws of the State of Delaware and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of Lessee, enforceable in accordance with their terms, (ii) neither the entering into this Lease or the other documents referred to herein nor the performance by Lessee of its obligations hereunder or under the other documents referred to herein will violate any provision of law or any agreement, indenture, note or other instrument binding upon Lessee, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of Lessee, threatened against or affecting Lessee or any of its Affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of Lessee or the ability of Lessee to perform its obligations under this Lease or the other documents referred to herein, (v) Lessee and each of its Affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities, and (vi) Lessee has obtained and delivered copies thereof to Lessor on the Commencement Date all certificates of need, Medicare billing numbers, other licenses and agreements required for the operation of the Facility.

8.6 SINGLE PURPOSE ENTITY. Except as otherwise set forth on SCHEDULE 8.6, Lessee represents, warrants, covenants and agrees that Lessee has always been, is, and shall remain at all times during the term of this Lease, a Single Purpose Entity created and to remain in good standing for the sole purpose of leasing and operating the Facility in accordance with the terms of this Lease. Simultaneously with the execution of this Lease, and as requested by Lessor at other times during the term of this Lease, Lessee shall provide Lessor evidence that Lessee is a Single Purpose Entity and is in good standing in the state of its organization and in the state in which the Leased Property is located.

8.7 ORGANIZATIONAL DOCUMENTS. Lessee shall not permit or suffer, without the prior written consent of Lessor an amendment or modification of its Organizational Documents (as defined below), or the organizational documents of any constituent entity within the Lessee, which changes Lessee's status as a single purpose entity, (ii) any dissolution or termination of its existence, or (iii) change in its state of formation or incorporation or its name. Lessee has, simultaneously with the execution of this Lease, delivered to Lessor a true and complete copy of its articles of organization and 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 shareholders, partners and members of Lessee, and (iv) no breach exists under the Organizational Documents and no act has occurred and no condition exists which, with the giving of notice or the passage of time or both would constitute a breach under the Organizational Documents.

ARTICLE IX

REPAIRS; RESERVE; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the

Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise), including, without limitation, all required seismic repairs, replacements and upgrades. All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Notwithstanding anything contained herein to the contrary, Lessee shall make additions, modifications and remodeling to the Leased Property which are not Capital Additions from time to time which are necessary for the Primary Intended Use and which permit the Lessee to comply fully with its obligations set forth in this Lease, provided that any such action will be undertaken expeditiously, in a workmanlike manner and will not significantly alter the character or purpose or detract from the value or operating efficiency of the Leased Property and will not significantly impair the revenue producing capability of the Leased Property or adversely affect the ability of the Lessee to comply with the provisions of this Lease. Such additions, modifications and remodeling shall, without payment by Lessor at any time, be included under the terms of this Lease and shall be the property of Lessor. Lessee shall notify the Lessor of any and all repairs, improvements, additions, modifications and remodeling made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars ($25,000.00) and obtain consent from Lessor prior to making such repairs, improvements, additions, modifications and remodeling.

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as improved, repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

9.2 RESERVES FOR EXTRAORDINARY REPAIRS. Commencing on the Commencement Date, with respect to the initial payment, and on or before the last day of each calendar quarter thereafter, beginning with the quarter ending March 31, 2006, Lessee shall make quarterly deposits to a reserve (the "Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on the Commencement Date, shall be prorated based upon a three hundred sixty (360) day year. Subject to the immediately preceding sentence, each deposit to be

made pursuant to this Section 9.2 shall be equal to the sum of Two Thousand Five Hundred and 00/100 Dollars ($2,500.00) per bed per annum. For the period commencing on the Commencement Date and ending on December 31, 2005, the number of beds shall be assumed to be one hundred fifty-three (153). Beginning on January 1, 2006, and on each January 1 thereafter, the number of beds shall be determined by the actual number of beds placed in service or certified to be available for use in the Facility, which shall not be reduced without the prior written consent of Lessor. The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. Beginning on January 1, 2007, and on each January 1 thereafter during the entire Lease Term, such payment into the Reserve shall be increased by two percent (2%) per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Reserve any amounts needed in excess of such required payments as provided herein. The amounts in the Reserve, including interest, shall be used to pay for Extraordinary Repairs on the Facility, or, in the event Lessee fails to make any required non-Extraordinary Repairs, 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 into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Reserve account and the cost to complete the present and future Extraordinary Repairs so that at all times there is an adequate amount in the Reserve account to pay for such items on a going forward basis. So long as no default has occurred under any of the terms hereof, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default hereunder, any amounts remaining in the Reserve, after the payment of and the reimbursement for the Extraordinary Repairs on the Facility, at the expiration of this Lease shall be returned to Lessee. Lessee consents to Lessor's pledge of the Reserve to any Facility Lender, subject to Lessor's obligation to return any remaining amounts in the Reserve to Lessee pursuant to this Section 9.2.

9.3 ENCROACHMENTS; RESTRICTIONS. If any of the Leased Improvements shall, at any time, encroach upon any property, street or right-of-way adjacent to the Leased Property, or shall violate the agreements or conditions contained in any federal, state or local law, restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility without such violation, encroachment or impairment. Any such alteration shall be made in conformity with the applicable requirements of Article X. Lessee's obligations under this Section 9.3 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) If no Event of Default shall have occurred or be continuing under this Lease and the Tenant Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) submit to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect the Leased Property and/or any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall, if Lessee does not purchase the Leased Property as provided herein, compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions being made with the proceeds of such loan, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, including, without limitation, Facility 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 reasonably 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, Lessee shall provide Lessor with the following prior to any advance of funds:

(i) all customary or other required loan documentation, if the Capital Addition is to be financed through the incurrence of debt;

(ii) any information, certificates of need, regulatory approvals of architectural plans and other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased to take into account an adjustment to the Purchase Price in an amount equal to the equity contributed by Lessor to finance the Capital Addition or, in the case of debt financing, the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a grant deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in subparagraph (v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in subparagraph (v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph

(vii) below); (vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition Costs; and

(ix) such other certificates (including, but not limited to, endorsements increasing the insurance coverage, if any, at the time required by Section 13.1), documents, contracts, opinions of counsel, appraisals, surveys, certified copies of duly adopted resolutions of the governing body of Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Lessor and Lessee agree that Lessor shall have the right, in the exercise of its reasonable discretion and after consulting with Lessee, to designate the general contractor, developer, architect, construction company, engineer and other parties which will participate in the development of the Capital Addition. Lessor and Lessee further agree that Lessor shall control the preparation and negotiation of the definitive agreements with such parties and Lessor will give Lessee an opportunity to review such definitive agreements prior to their execution.

(d) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses

of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

(e) Lessor and Lessee acknowledge that, in order for the Leased Property to comply with State of California laws and regulations governing seismic structural integrity requirements (the "Applicable Seismic Laws"), certain renovations and upgrades to the Land and the Facility must be made prior to the effective date of such Applicable Seismic Laws requiring such upgrades, the costs of which are expected to be approximately Seven Million Two Hundred Thousand ($7,200,000.00) (the "Seismic Upgrades"). Subject to the terms and conditions set forth in this Section 10.3, Lessee agrees to renovate and upgrade the Leased Property as necessary to comply with the Applicable Seismic Laws and Lessor agrees to provide the funding for the same as a Capital Addition under this Section 10.3, provided (i) each Seismic Upgrade is completed at least eighteen (18) months prior to the effective date of the Applicable Seismic Law requiring such an upgrade, and (ii) after taking into account the incurrence of such costs, EBITDAR shall continue to equal or exceed two hundred twenty-five percent (225%) of Lease Payments (the "Upgrade EBITDAR Covenant"), it being understood and agreed that, to the extent that the Upgrade EBITDAR Covenant is not satisfied, Lessee shall fund the costs of the Seismic Upgrades as a Capital Addition under Section 10.2 hereof to the extent necessary to remain in compliance with the Upgrade EBITDAR Covenant.

(f) Lessor and Lessee acknowledge that Lessor has agreed to provide funding up to the Expansion Amount for certain improvements and expansions to the Facility (the "Expansion"), and the parties agree that such Expansion shall be funded as a Capital Addition pursuant to and subject to the provisions of this Section 10.3. The parties further agree to use commercially reasonable efforts to enter into an expansion agreement, as soon as practicable following the Commencement Date, but in no event later than fifteen (15) business days following the Commencement Date, regarding the terms and the timing of such Expansion. Upon execution of a development agreement relating to the Expansion, as contemplated by the expansion agreement, Lessee shall pay Lessor a commitment fee equal to One-Half of One Percent (0.5%) of the Expansion Amount.

10.4 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other

appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (g) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, Lessee's Personal Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, after two (2) business days' prior written notice to Lessor, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars ($50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars ($50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars ($50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed necessary by the Lessor and as described below. After

prior written notice to Lessee, Lessor may, at Lessor's option, obtain the insurance coverages required from Lessee herein (excluding coverages for worker's compensation and professional liability) provided that (i) the insurance coverages obtained by Lessee may be terminated without penalty or cost to Lessee, (ii) the costs of such coverages obtained by Lessor collectively do not exceed the costs of the insurance obtained by Lessee and (iii) the coverages obtained by Lessor are comparable to that obtained or to be obtained by Lessee hereunder. In the event Lessor obtains such insurance coverages, Lessee shall reimburse Lessor for the costs of such coverages immediately upon request by Lessor. The insurance shall be written by insurance companies (i) acceptable to the Lessor, (ii) that are rated at least an "A-VII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. Notwithstanding the foregoing or any other provision of this Article XIII, Lessor acknowledges and agrees that the insurance coverages required under subparagraphs (d), (e), (h) and (g) for professional and general liability umbrella coverage of this Section 13.1 are being handled through a captive insurance company, the identity of which has been disclosed to the Lessee and Lessor. The aggregate amount of coverage by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor, (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In addition, the policies shall name as an additional insured 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(s). Evidence of insurance and/or Impositions shall be deposited with Lessor and, if requested, with any Facility Lender(s). 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) Flood and earthquake insurance shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone. Such insurance to be in an amount equal to the Full Replacement Cost value of the Facility, subject to no more than a Twenty-Five Thousand Dollars ($25,000) per occurrence deductible and such policy shall include coverage for subsidence.

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

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

(e) Commercial General Liability in a primary amount of at least Three Million and 00/100 Dollars ($3,000,000.00) per occurrence, bodily injury for injury or death of any one person and One Hundred Thousand and 00/100 Dollars ($100,000.00) for Property Damage for damage to or loss of property of others, subject to a 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; One Hundred Thousand and 00/100 Dollars ($100,000.00) per occurrence for property damage; subject to an annual aggregate policy limit of One Million and 00/100 Dollars ($1,000,000.00).

(g) Umbrella liability insurance in the minimum amount of Seven Million and 00/100 Dollars ($7,000,000.00) for each occurrence and aggregate combined single limit for all liability, with a Ten Thousand and 00/100 Dollar ($10,000.00) self-insured retention (Fifty Thousand and 00/100 Dollar ($50,000.00) for professional liability) for exposure not covered in underlying primary policies. The umbrella liability policy shall name in its underlying schedule the policies of professional liability, commercial general liability, garage keepers liability, automobile/vehicle liability and employer's liability under the workers compensation policy.

(h) Professional liability insurance for any physician employed or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than Three Million and 00/100 Dollars ($3,000,000.00) per individual claim and Three Million and 00/100 Dollars ($3,000,000.00) annual aggregate, subject to a deductible of no more than Fifty Thousand and 00/100 ($50,000.00) per individual claim.

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

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

may be, to the amount so determined by the impartial appraiser. Lessee shall pay the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance, including, without limitation, adequate loss of rents insurance with respect to casualty or condemnation events to the extent the coverage set forth in Section 3.1(c) is not adequate, as may be required from time to time by any Facility Lender and shall further at all times maintain adequate worker's compensation insurance coverage for all persons employed by Lessee on the Leased Property, in accordance with the requirements of applicable local, state and federal law.

13.3 WAIVER OF SUBROGATION. All insurance policies to be obtained by Lessee as required hereunder, including, without limitation, insurance policies covering the Leased Property, the Fixtures, the Facility, and/or Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the Lessor. Lessee shall obtain insurance policies which will include such a waiver clause or endorsement regardless of whether same is obtainable without extra cost, and in the event of such an extra charge Lessee shall pay the same.

13.4 FORM OF INSURANCE. All of the policies of insurance referred to in this Section shall be written in form satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee shall pay all of the premiums therefor, and shall deliver such original policies, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized agent for the insurance company as a "true and certified" copy of the policy, to the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies (if allowed hereunder) to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor sixty (60) days' prior written notice (at Lessor's notice address as specified in this Lease (the "Lessor's Notice Address")) before the policy or policies in question shall be altered, allowed to expire or canceled. The parties hereto agree that all insurance policies, endorsements and certificates which provide that the insurer will "endeavor to" give notice before same may be altered, allowed to expire or canceled will not be acceptable to Lessor. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by the Lessee hereunder shall provide (i) that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, LP, Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and (ii) that in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, LP, Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242.

13.5 INCREASE IN LIMITS. In the event that Lessor shall at any time in its reasonable discretion deem the limits of the personal injury, property damage or general public liability insurance then carried to be insufficient, the parties shall endeavor to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Section. If the parties shall be unable to agree thereon, the proper and reasonable limits for such insurance to be carried shall be determined by an impartial third party selected by the parties. Nothing herein shall permit the amount of insurance to be reduced below the amount or amounts required by any of the Facility Instruments.

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

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

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts acceptable to Lessor.

13.7 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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 thereby is rendered Unsuitable for its Primary Intended Use, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) so long as Lessee is not in monetary or payment default of any kind, and no event has occurred which with the giving of notice or the passage of time, or both, would constitute such a default, under this Lease and the Tenant Leases, purchase the Leased Property (including Lessor's interests and rights under the Air Space Agreement and the Parking Space Lease) from Lessor for a purchase price equal to the Option Price as defined in Section 35.1 (less the amount of any insurance proceeds held by Lessor), or (iii) so long as the

damage or destruction was not caused by the negligence of Lessee, its agents, servants, employees or contractors, terminate this Lease and, in this event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith. In the event Lessee purchases the Leased Property pursuant to this Section 14.2(a), the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

(b) If during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after diligent efforts to do so, in order to be able to perform all required repair and restoration work and to operate the Facility for its Primary Intended Use in substantially the same manner as immediately prior to such damage or destruction, so long as Lessee is not in monetary or payment default of any kind, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, under the terms of this Lease and the Tenant Leases, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such damage or destruction, to purchase the Leased Property (including Lessor's interests and rights under the Air Space Agreement and the Parking Space Lease) for a purchase price equal to the Option Price as defined in Section 35.1 (less the amount of any insurance proceeds held by Lessor). 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 purchases the Leased Property, this Lease shall terminate upon payment of the Option Price (less the amount of any insurance proceeds held by Lessor) and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor or the Facility Lender if applicable.

14.3 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION NOT COVERED BY INSURANCE. Except as provided in Section 14.7 below, if during the Term, the Facility is totally or materially destroyed from a risk not covered by the insurance described in Article XIII but that would have been covered if Lessee carried the insurance customarily maintained by, and generally available to, the operators of reputable health care facilities in the region in which the Facility is located, then, whether or not such damage or destruction renders the Facility Unsuitable for its Use, Lessee shall, at its sole cost and expense, restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

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

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

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

14.7 DAMAGE NEAR END OF TERM. Notwithstanding any provisions of Sections 14.2 or 14.3 to the contrary but subject to the option of Lessee to purchase the Leased Property as provided in Section 35.1 by giving Lessor written notice within sixty (60) days following the date of such damage or destruction, if damage to or destruction of the Facility occurs during the last twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within sixty (60) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee exercises an available option to extend the Term for one Extended Term within thirty (30) days following receipt of such termination notice.

14.8 TERMINATION OF RIGHT TO PURCHASE. Any termination of this Lease pursuant to this Article XIV shall cause any right to purchase under any other provisions of this Lease granted to Lessee under this Lease to be terminated and to be without further force and effect.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered 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 Lessee is not in monetary or payment default of any kind, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, under the terms of this Lease, the Other Leases and the Tenant Leases to acquire the Leased Property (including Lessor's interests and rights in the Air Space Agreement and the Parking Space Lease) from Lessor for a purchase price equal to the Option Price as defined in Section 35.1, in which event this Lease shall terminate upon payment of the Option Price. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessee exercises the option to purchase the Leased Property pursuant to this Section 15.4, the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within thirty (30) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

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

15.6 AWARD DISTRIBUTION. In the event Lessee exercises the purchase option as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no Event of Default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility 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. Notwithstanding any provision of this Lease to the contrary, any Award retained by Lessor and not used for restoration shall be taken into account as an amount received by Lessor for purposes of calculating the Option Price as defined in Section 35.1.

15.7 TEMPORARY TAKING. The Taking of the Leased Property, or any part thereof, by military or other public authority shall constitute a Taking by Condemnation only when the use and occupancy by the Taking authority has continued for longer than six (6) months. During any such six (6) month period all the provisions of this Lease shall remain in full force and effect and the Base Rent shall not be abated or reduced during such period of Taking.

ARTICLE XVI

DEFAULT

16.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events (individually, an "Event of Default") shall constitute Events of Default or defaults hereunder:

(a) if Lessee defaults under the Air Space Agreement and such default is not cured within the applicable cure period as provided therein, or

(b) if Lessee defaults under the Parking Space Lease and such default is not cured within the applicable cure period as provided therein, or

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

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

(e) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(v) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, or

(vi) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(vii) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(viii) the abandonment or vacation of the Leased Property by Lessee (Lessee's absence from the Leased Property for thirty (30) consecutive days shall constitute abandonment), or Lessee fails to continuously operate the Facility in accordance with the terms of this Lease.

(f) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other

applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(g) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(h) 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

(i) 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

(j) if any of the representations or warranties made by Lessee or any of the Sellers named in the Purchase Agreement or in the certificates delivered in connection therewith are or become untrue in any material respect, and which is not cured within ten (10) days after notice from Lessor, or

(k) a default shall occur under the Lease Guaranty, or

(l) a default or event of default shall occur under the Lease Assignment, Purchase Agreement, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor, on the one hand, and Lessee, any Guarantor, or any of their respective Affiliates, on the other hand, which is not cured within the cure period as provided therein, or

(m) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(n) if a payment default occurs with respect to any of Lessee's or any Guarantor's debt or other leases or is declared to be in material default by any of its lenders and such default is not cured within the applicable cure periods provided therefor.

Notwithstanding anything contained herein to the contrary, a default under any Other Leases or a default under any guaranty executed by the guarantors guaranteeing the obligations of the lessee under any Other Leases shall not constitute a default under this Lease.

If an Event of Default shall have occurred, Lessor may pursue any one or more of the remedies set forth in Sections 16.1A through D below and in Section 16.2 hereof, 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. Lessor may exercise these remedies at the time of an Event of Default or at any time thereafter; provided, however, that if Lessor fails to exercise any such remedy within six (6) months following the occurrence of such Event of Default, Lessee may cure such default, provided such cure occurs prior to Lessor's exercise of such remedy and, provided further, that any cure by Lessee within such six (6) month period shall have no effect on Lessor's right to exercise any such remedy within such six (6) month period.

A. Without any notice or demand whatsoever, Lessor may take any one or more of the actions permissible at law to insure performance by Lessee of Lessee's covenants and obligations under this Lease. In this regard, it is agreed that if Lessee deserts or vacates the Leased Property, Lessor may enter upon and take possession of such Leased Property in order to protect it from deterioration and continue to demand from Lessee the monthly rentals and other charges provided in this Lease, without any obligation to relet; but that if Lessor does, at its sole discretion, elect to relet the Leased Property, such action by Lessor shall not be deemed as an acceptance of Lessee's surrender of the Leased Property unless Lessor expressly notifies Lessee of such acceptance in writing pursuant to subsection B of this Section 16.1, Lessee hereby acknowledging that Lessor shall otherwise be reletting as Lessee's agent and Lessee furthermore hereby agreeing to pay to Lessor on demand any deficiency that may arise between the monthly rentals and other charges provided in this Lease and that are actually collected by Lessor. It is further agreed in this regard that in the event of any default described in this Section 16.1, Lessor shall have the right to enter upon the Leased Property without being liable for prosecution or any claim for damages therefor, and do whatever Lessee is obligated to do under the terms of this Lease; and Lessee agrees to reimburse Lessor on demand for any expenses which Lessor may incur in thus effecting compliance with Lessee's obligations under this Lease, and Lessee further agrees that Lessor shall not be liable for any damages resulting to the Lessee from such action.

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.3 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined by:

(i) The worth at the time of award of the unpaid rent which had been earned at the time of termination;

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided;

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and

(iv) Any other amount necessary to compensate the Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, all reasonable legal expenses and other related costs incurred by Lessor following an Event of Default, all costs incurred by Lessor in recovering the Leased Property and restoring the Leased Property to good order and condition, and/or in remodeling, renovating or otherwise preparing the Leased Property for reletting, and all costs (including, without limitation, any brokerage commissions and reasonable attorneys' fees) incurred by Lessor in reletting the Leased Premises.

The "worth at the time of award" of the amounts referred to in subparagraphs (i) and (ii) above is computed by allowing interest at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. The worth at the time of award of the amount referred to in subparagraph (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

C. In addition to other rights and remedies Lessor may have hereunder and at law and in equity, if an Event of Default occurs under this Lease, (i) Lessee is deemed to have assigned to Lessor, at Lessor's sole option, all service agreements (including, without limitation, all medical director agreements); (ii) to the extent permitted by law, Lessee is deemed, at Lessor's sole discretion, to have transferred and assigned to Lessor all Licenses and agreements, including, without limitation, all Medicare and Medicaid provider numbers, and (iii) to the extent permitted by law, if required by Lessor, transfer to the Lessor all of the Licenses, including, without limitation, all Medicare and Medicaid provider numbers. In the event there are legal limitations on any of the foregoing remedies, Lessee further hereby covenants and agrees that it will take all actions necessary to orderly transfer the operations and occupancy of the Leased Property to the Lessor, including cooperating with respect to the transfer to Lessor of Licenses, provider numbers and other agreements.

D. In addition to the above remedies, in the Event of any Default hereunder by Lessee, Lessor, at its option, may have one or more of the following remedies in addition to all other legal rights and remedies:

(i) Lessor may serve upon Lessee notice that its Lease and the then unexpired term hereof shall terminate and become absolutely void on a date specified in such notice, which shall be the date of such notice or such later date as may be required by law, and the Lease, and well as the right, title, and interest of Lessee hereunder shall, except as to the rights and remedies of Lessor upon termination as provided herein, terminate and become void in the same manner and with the same force and effect as if the date filed in such notice were the date originally specified for the expiration of the Lease term; and Lessee shall then immediately quit and surrender to Lessor the Leased Property, including any and all buildings and improvements thereon, and Lessor may then or at any time thereafter, without judicial proceedings of any kind, enter into and repossess the Leased Property, and may remove all occupants and any property thereon without being liable for any action or prosecution of any kind for such entry or the manner thereof, or loss of or damage to any property upon the Leased Property. In the event of any such termination of this Lease, and in addition to any other rights and remedies Lessor may have, Lessor shall have all of the rights and remedies of a Lessor provided by Section 1951.2 of the California Civil Code.

(ii) In addition, Lessor shall have all the rights and remedies described in Section 1951.4 of the California Civil Code (Lessor may continue the Lease in effect after Lessee's breach and abandonment and recover rent as it becomes due, if Lessee has the right to sublease or assign subject only to reasonable limitations).

(iii) Lessor may immediately terminate Lessee's right of possession of the Leased Property, but not terminate the Lease, and without notice or demand enter upon the Leased Property or any part thereof and take absolute possession of the same, and at Lessor's sole option may relet the Leased Property or any part thereof for such terms and such rents as Lessor may reasonable elect. In the event Lessor shall elect to so relet, then rent received by Lessor from such reletting shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Lessee to Lessor, second, to the payment of any cost of such reletting, including, without limitation, refurbishing costs and leasing commissions, and third, to the payment of Rent due and unpaid hereunder, and Lessee shall satisfy and pay any deficiency upon demand therefor from time to time. Any entry into and possession of the Leased Property by Lessor shall be without liability or responsibility to Lessee and shall not be in lieu of or in substitution for any other legal rights of Lessor hereunder. Lessee further agrees that Lessor may file suit to recover any sums due under the terms of this Lease and that no recovery of any portion due Lessor hereunder shall

be any defense to any subsequent action brought for any amount not therefore reduced to judgment in favor of Lessor. Reletting of the Leased Property shall not be construed as an election on the part of Lessor to terminate this Lease and, notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS.

(a) FIRST TIER DEFAULTS. Beginning with the date on which the Lease Guaranty is terminated (the "Covenant Commencement Date"), the failure or breach 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) EBITDAR fails to equal or exceed one hundred seventy-five percent (175%) of Fixed Charges;

(ii) Total Debt of Lessee shall not exceed fifty percent (50%) of the greater of (A) the Total Capitalization of Lessee or (B) the Market Value of Lessee; or

(iii) EBITDAR fails to equal or exceed two hundred fifty percent (250%) of Lease Payments.

The covenants described in this Section 16.2(a) (i) -- (iii) shall first become effective at the end of the first full calendar quarter subsequent to the Covenant Commencement Date and shall be tested at the end of each subsequent calendar quarter. All operating measures shall be calculated on a trailing twelve (12) month basis.

Upon the occurrence of any of the items set forth in Section 16.1 or in subparagraph (a) items (i) through (iii) of this Section 16.2(a), Lessor may, at its option, upon five (5) days' written notice to Lessee (any such notice requiring such termination being herein referred to as the "Removal Notice"), require Lessee to terminate the engagement of any Management Company managing the Facility and replace such Management Company with a manager chosen by Lessor (or, if there is no Management Company managing the Facility at that time, Lessor may require the Lessee to engage a Management Company acceptable to Lessor and enter into a contract with such Management Company upon terms and conditions acceptable to Lessor).

(b) SECOND TIER DEFAULTS. Beginning on the Covenant Commencement Date, the failure or breach of any one or more of the following covenants shall constitute a default and breach of this Section 16.2(b) and Lessor shall have the rights and remedies provided for herein:

(i) Total Debt of Lessee shall not exceed eighty percent (80%) of the greater of (A) the Total Capitalization of Lessee or (B) the Market Value of Lessee;

(ii) Lessee shall not experience six (6) consecutive quarters of falling net revenue and generate a EBITDAR of less than two hundred percent (200%) of the Lease Payments; or

(iii) Neither Lessee nor any of the Guarantors shall be in payment default on any of its corporate debt or other leases or be declared to be in material default by any of its corporate lenders, unless such default is cured within the cure periods provided for therein.

The covenants described in this Section 16.2(b) (i) - (iii) shall first become effective at the end of the first full calendar quarter subsequent to the Covenant Commencement Date and shall be tested at the end of each subsequent calendar quarter. All operating measures shall be calculated on a trailing twelve (12) month basis.

Upon the occurrence of any of the items set forth in Section 16.1 or in subparagraph (b) items (i) through (iii) of this Section 16.2(b), Lessor may, at its option, upon delivery of the Removal Notice, require Lessee to terminate the engagement of the Management Company managing the Facility and replace such Management Company with manager chosen by Lessor (or, if there is no Management Company managing the facility at that time, Lessor may require the Lessee to engage a Management Company acceptable to Lessor and enter into a contract with such Management Company upon terms and conditions acceptable to Lessor), and Lessor may, at its option, proceed with all other remedies Lessor deems necessary, including, without limitation, terminating this Lease and pursuing all other customary remedies available at law and in equity.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 Intentionally Omitted.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST. Subject to the Prior Lien of Lessee's Primary Lender (as such terms are defined herein), to secure the payment of all rent due and to become due hereunder and the faithful performance of this Lease by Lessee and to secure all other indebtedness, obligations and liabilities of Lessee to Lessor now existing or hereafter incurred, and all Obligations (as defined in the Security Agreement), Lessee hereby gives to Lessor an express first and prior contract lien and security interest in all property which may be placed on the Leased Property (including trailers and all equipment affixed therein, fixtures, equipment (including medical equipment whether or not affixed to the Leased Property), chattels and merchandise) and also upon all proceeds of any insurance which may accrue to Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Except as limited in favor of the Primary Lender as set forth in this Section 16.8, Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the

breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment (including medical equipment whether or not affixed to the Leased Property), fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least seven (7) days before the time of sale. Any sale made pursuant to the provision of this paragraph shall be deemed to have been a public sale conducted in commercially reasonable manner if held in the above-described premises or where the property is located after the time, place and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in the county in which the property is located, for five (5) consecutive days before the date of the sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorney's fees and legal expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute (if required by law; provided, however, Lessor shall have the right to file a UCC-1 financing statement (and all amendments, modifications and extensions thereto) at any time as provided in the Security Agreement) and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

As used herein, the term "Primary Lien of Lessee's Primary Lender" means any first priority lien granted by Lessee in any of Lessee's machinery, equipment (including medical equipment whether or not affixed to the Leased Property), furniture, furnishings, tools, movable walls or partitions, computers, signage, trade fixtures, supplies, inventory, or any other tangible personal property placed on the Leased Property and used or useful in Lessee's business conducted at or on the Leased Property (the "Collateral"), which may be given in connection with Lessee's lender (the "Primary Lender") providing financing for Lessee to purchase such items of Collateral or in connection with the refinancing of any such items of Collateral, including, without limitation, the first priority lien of HFG Healthco-4 LLC in inventory and those intangibles necessary to collect accounts receivable. In the event Lessee obtains financing from a Primary Lender or refinances such items of Collateral, Lessee shall use commercially reasonable efforts to obtain from its Primary Lender a consent to a secondary lien on such Collateral in favor of Lessor, in form and content reasonably acceptable to the Primary Lender and the Lessor. Lessee covenants and agrees not to place or allow any other liens to be placed on the Collateral. Lessee covenants and agrees that all indebtedness (except for the indebtedness owed to the Primary Lender) owed by Lessee under all agreements executed in connection with the Lessee's financing of Lessee's Personal Property to be used in connection with the operation of the Facility shall be subordinate to all monetary obligations under this Lease and Lessee shall not to place or allow any other liens to be placed on the Lessee's Personal Property. At the request of Lessor from time to time, Lessee shall execute and shall obtain from all parties to such financing arrangements executed written confirmation of such subordination (in form and content as is acceptable to Lessor), which shall be delivered to Lessor within ten (10) days from Lessor's request.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee or Prime purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Section 35.1, 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, assignment agreement or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, prepayment penalties and any other fees with respect to any Facility Instrument, 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

INTENTIONALLY OMITTED

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE OR SELF INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE OR SELF INSURANCE, LESSEE WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LESSOR FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, IMPOSED UPON OR INCURRED BY OR ASSERTED AGAINST LESSOR BY REASON OF: (A) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF PERCENTAGE TO PROPERTY OCCURRING ON OR ABOUT THE LEASED PROPERTY OR ADJOINING SIDEWALKS, INCLUDING WITHOUT LIMITATION ANY CLAIMS OF MALPRACTICE, (B) ANY USE, MISUSE, NO USE, CONDITION, MAINTENANCE OR REPAIR BY LESSEE OF THE LEASED PROPERTY, (C) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF LESSEE TO PAY PURSUANT TO THE APPLICABLE PROVISIONS OF THIS LEASE), (D) ANY FAILURE ON THE PART OF LESSEE TO PERFORM OR COMPLY WITH ANY OF THE TERMS OF THIS LEASE, AND (E) THE NON-PERFORMANCE OF ANY OF THE TERMS AND PROVISIONS OF ANY AND ALL EXISTING AND FUTURE SUBLEASES OF THE LEASED PROPERTY TO BE PERFORMED BY THE LANDLORD (LESSEE) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY LESSEE UNDER THIS SECTION SHALL BE PAID WITHIN FIFTEEN (15) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LESSOR IS DETERMINED BY LITIGATION OR OTHERWISE AND, IF NOT TIMELY PAID, SHALL BEAR A LATE CHARGE (TO THE EXTENT PERMITTED BY LAW) AT THE OVERDUE RATE FROM THE DATE OF SUCH DETERMINATION TO THE DATE OF PAYMENT. LESSEE, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LESSOR OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS LESSEE SEES FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LESSOR AGAINST ITS OWN NEGLIGENT ACTS OR OMISSIONS OR WILLFUL MISCONDUCT. LESSEE'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION OF THIS LEASE.

ARTICLE XXIV

ASSIGNMENT, SUBLETTING AND SUBLEASE SUBORDINATION

24.1 ASSIGNMENT AND SUBLETTING. Lessee shall not assign this Lease or sublease any portion of the Leased Property without Lessor's prior written consent. Lessor shall not unreasonably withhold its consent to any subletting or assignment, provided that (a) in the case of a subletting, the sublease and the sublessee shall comply with the provisions of this Article XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the obligations, covenants and conditions to be performed by Lessee hereunder and under all of the other documents executed in connection herewith. Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described on EXHIBIT C attached hereto (collectively the "Existing Leases"). Any modifications, amendments and restatements of the Existing Leases must be approved by Lessor in accordance with this Article XXIV. Notwithstanding anything contained herein to the contrary, any proposed assignee of Lessee and any proposed sublessee or subtenant must each have an equal or stronger credit rating than the Lessee on the Commencement Date. Lessor's failure or refusal to approve an assignment to an assignee or a subletting to a sublessee or subtenant without the required credit rating shall be reasonable. Within ten (10) business days following the Commencement Date, Lessor shall obtain from the sublessees under the Existing Leases estoppel certificates in form and substance acceptable to Lessor.

24.2 SUBLEASE LIMITATIONS. In addition to the sublease limitations as set forth in Section 24.1 above, anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee or subtenant thereunder would be based, in whole or in part, on either (a) the income or profits derived by the business activities of the sublessee or subtenant, or (b) any other formula such that any portion of the sublease rental received by Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws. Lessor and Lessee acknowledge and agree that all subleases entered into relating to the Leased Property, whether or not approved by Lessor, shall not, without the prior written consent of Lessor, be deemed to be a direct lease between Lessor and any sublessee or subtenant. Lessee agrees that all subleases submitted for Lessor approval as provided herein must include provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease, to the rights of Lessor hereunder, and to all financing documents relating to any Lessor financing in connection with the Facility, (b) in the event this Lease shall terminate or be terminated before the expiration of the sublease, the sublessee or subtenant will, at Lessor's option, attorn to Lessor and waive any right the sublessee or subtenant may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, (c) at Lessor's option, the sublease may be terminated or left in place by Lessor in the event of a termination of this Lease, (d) the obligations and performance of the sublessee or subtenant must be guaranteed by guarantors acceptable to Lessor, (e) sublessee or subtenant shall from time to time upon request of Lessee or Lessor furnish within ten (10) days from request an estoppel certificate in form and content acceptable to Lessor or its lender relating to the sublease, (f) in the event the sublessee or subtenant receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee is in default under this Lease, the sublessee or subtenant shall thereafter be obligated to pay all rentals accruing under said sublease directly to the party giving such notice, or as such party may direct (all rentals received from the sublessee by Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease), (g) and that such sublease shall at all times be subject to the obligations and requirements as set forth in this Article XXIV, and (h) sublessee or subtenant shall provide to Lessor upon written request such officer's certificates and financial statements as Lessor may

request from time to time. Notwithstanding anything contained herein to the contrary, Lessor acknowledges that Lessee has entered into that certain Interim Lease between Lessee, as landlord, and Sherman Oaks Health System, a California non-profit public benefit corporation ("Sherman Oaks"), as tenant (the "Sherman Oaks Sublease"). In the event the Sherman Oaks Sublease terminates before Lessee obtains all licenses, permits and provider numbers necessary to operate the Facility, then this Lease shall automatically terminate upon the termination of the Sherman Oaks Sublease.

24.3 SUBLEASE SUBORDINATION AND NON-DISTURBANCE. Within ten (10) days after request by Lessor, Lessee shall cause any subtenant or sublessee to execute and deliver to Lessor a subordination agreement relating to the sublease of such subtenant or sublessee, which subordination agreement shall be in such form and content as is acceptable to Lessor. At the request from time to time by any Facility Lender, within ten (10) days from the date of request, Lessee shall cause any subtenant or sublessee of the Leased Property to execute and deliver within such ten (10) day period, to such Facility Lender a written agreement in a form reasonably acceptable to such Facility Lender whereby such subtenant or sublessee subordinates the sublease and all of its rights and estate thereunder to each Facility Instrument and agrees with each such Facility Lender that such subtenant or sublessee 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of the sublease.

ARTICLE XXV

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

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish, or cause to be furnished, the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors and, if Lessee owns any assets or conducts any other operations other than for the Facility, the Facility separately, prepared by a nationally recognized accounting firm or an independent certified public accounting firm reasonably acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles for the year then ended (it being agreed that Lessor shall bear the cost of any premium over normal charges that such accounting firm may charge in order to prepare such statements on an expedited basis (so long as Lessee has ordered such statements in a timely manner)), and

(ii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and, if Lessee owns any assets or conducts any other operations other than for the Facility, the Facility separately, certified to be true and correct by an officer of Lessee, and

(iii) 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

(iv) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that any license or certification, including, without limitation,

the Medicare and/or Medicaid certification and/or managed care contract of the Facility is being downgraded to a substandard category, revoked, or suspended, or that action is pending or being considered to downgrade to a substandard category, revoke, or suspend such Facility's license or certification, and

(v) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

(c) Upon Lessor's request, Lessee will furnish to Lessor a certificate in form acceptable to Lessor certifying that no Event of Default, as defined herein, 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 such an Event of Default.

(d) Within two (2) business days of receipt, Lessee shall furnish to Lessor copies of all notices and demands from any third party payor, including, without limitation, Medicare and/or Medicaid, concerning overpayment which will or may result in a repayment or a refund in excess of One Million Dollars ($1,000,000). Lessee hereby agrees that in the event of receipt of such notices or demands Lessor shall have the right, at Lessor's option, to participate in the appeal of such notices and demands.

(e) Lessee shall furnish to Lessor on a monthly basis ongoing status reports (in form and content acceptable to Lessor) of any governmental investigations of the Lessee, the Guarantors, or any of their respective Affiliates, or the Facility, conducted by the United States Attorney, State Attorney General, the Office of the Inspector General of the Department of Health and Human Services, or any other Governmental Entity.

(f) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices of adverse events or deficiencies as defined by regulations or standards of the American Osteopathic Association or the equivalent of the accrediting body relied upon by the Lessee in the operation of the Facility or any part thereof.

(g) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices that the Lessee and/or the Guarantors are not in compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

(h) Lessor reserves the right to (A) require such other financial information from Lessee, and (B) require the Lessee to provide such other financial information from the Guarantors, at such other times as it shall deem reasonably necessary. All financial statements and information must be in such form and detail as Lessor shall from time to time, but not unreasonably, request.

Subject to the rights of Lessor as provided in Section 42.8 of this Lease, Lessor and Lessee agree that all financial information disclosed pursuant to this Article XXV shall be kept in strictest confidence and shall not be disclosed to any person or entity.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property and the Power Generation Facility 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. Lessor shall use every effort to avoid disturbing the patient care being provided at the Facility. Lessor recognizes the importance of patient privacy. Beginning on the Commencement Date and on each

anniversary thereof throughout the Term of this Lease, Lessee shall pay to Lessor, or its designated Affiliate, an annual inspection fee equal to Seven Thousand Five Hundred Dollars ($7,500), increased each January 1st by two and one-half percent (2.5%).

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that the Lessee has received and reviewed copies of the Existing Leases. Lessee agrees that it will not disturb the rights of the tenants under the Existing Leases.

Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases, if any, and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: Prime Healthcare Services II, LLC
16850 Bear Valley Road
Victorville, California 92392
Attention: Lex Reddy
Fax: (760) 242-8220

with a copy to: Desert Valley Hospital, Inc.
16850 Bear Valley Road
Victorville, California 92392
Attention: Richard Hayes, Esq.
Fax: (951) 346-3873

(b) if to Lessor: MPT of Sherman Oaks, LLC
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attn: Michael G. Stewart, Esq.
Fax: (205) 969-3756

with a copy to: Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Attn: Thomas O. Kolb, Esq.
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease or any purchase options contained herein and shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first (1st) appraiser, proceed to appraise the Leased Property to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two (2) appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or

within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitrator Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two (2) determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 LESSEE'S OPTION TO PURCHASE. So long as Lessee is not in monetary or payment default of any kind, or no event has occurred which with the giving of notice or the passage of time or both would constitute such a default (except as otherwise expressly provided in Section 16.2) under the terms of this Lease and the Tenant Leases, at any time from and after the tenth anniversary of the Commencement Date, Prime shall have the option, to be exercised by ninety (90) days' prior written notice to the Lessor, to purchase the Leased Property (including Lessor's interests and rights under the Air Space Agreement and the Parking Space Lease) at a purchase price sufficient to cause Lessor to receive, on an unleveraged basis, a sum equal to (i) the Purchase Price of the Leased Property and (ii) an amount sufficient to yield to Lessor an internal rate of return thereon that is equal to eleven percent (11%) per year, taking into account all payments of Base Rent received by Lessor prior to the closing date of such purchase (the "Option Price"), provided, however, in no event shall the Option Price be less than the Purchase Price. Unless expressly otherwise provided in this Section 35.1, in the event the option to purchase the Leased Property is exercised, (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 Prime's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Prime. If Prime declines to exercise the option provided herein, then Lessee shall have the option to purchase on the same terms and conditions, but without an extension of the time to close the purchase.

35.2 LESSEE'S OPTION TO PETITION FOR PURCHASE. Subject to the terms and conditions of Section 35.1, at anytime during the Term of this Lease while the Lease Guaranty is in effect, and has not been terminated pursuant to the terms therein, Prime shall have the right and option to petition Lessor for the purchase of the Leased Property from Lessor at the Option Price. Upon such petition by Lessee, Lessor shall have the option of either (a) agreeing to Lessee's purchase of the Leased Property in accordance with the provisions of this Section 35.2 or (b) releasing the Guarantors from their joint and several obligations under the Lease Guaranty, but retaining possession of the Leased Property. In the event Lessor agrees to Lessee's purchase of 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 Lessee's petition to Lessor for purchase of the property, unless a different closing date is agreed upon in writing by Lessor and Lessee.

35.3 LESSOR'S OPTION TO PURCHASE LESSEE'S PERSONAL PROPERTY. Effective on not less than ninety (90) days' prior written notice given at any time within one hundred eighty (180) days prior to the expiration of the Term of this Lease, but not later than ninety (90) days prior to such expiration, or such shorter notice as shall be appropriate if this Lease is terminated prior to its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee's Personal Property, if any, at the expiration or termination of this Lease, for an amount

equal to the net sound insurable value thereof (current replacement cost less accumulated depreciation on the books of Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject. Notwithstanding anything contained in this Section 35.2 to the contrary, the options to purchase granted under this Section 35.2 do not pertain to any of the Licenses, it being understood and agreed that all matters relating to the transfer of the Licenses are addressed in Article XXXIX hereof.

35.4 LESSEE'S OPTION TO PURCHASE UPON OTHER EVENTS. In the event that Lessor seeks to terminate this Lease for any reason other than (i) a failure of Lessee to pay the Base Rent or any other monetary obligation under this Lease or (ii) an intentional breach of this Lease by Lessee, and such termination is contested by Lessee, then Prime shall have the option, to be exercised by ninety (90) days prior written notice to the Lessor and within thirty (30) days following notice by Lessor of its intention to terminate, to purchase the Leased Property (including Lessor's interests and rights under the Air Space Agreement and the Parking Space Lease) at the Option Price (which, for this purpose, shall be calculated using an internal rate of return rate of twelve and one-half percent (12.5%)) and on the terms provided in Section 35.1.

ARTICLE XXXVI

INTENTIONALLY OMITTED

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR. Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after twenty (20) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more Facility Lenders, within ten (10) days from the date of request, Lessee shall execute and deliver to such Facility Lender a written agreement in a form reasonably acceptable to such Facility Lender whereby Lessee subordinates this Lease and all of its rights and estate hereunder (except for Lessee's purchase options as expressly provided in this Lease) to each Facility 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 a written agreement consenting to this Lease and agreeing that, notwithstanding any such other mortgage, deed of trust, right, title or interest, or any default, expiration, termination, foreclosure, sale, entry or other act or omission under, pursuant to or affecting any of the foregoing, Lessee shall not be disturbed in peaceful enjoyment of the Leased Property nor shall this Lease be terminated or canceled at any time, except in the event Lessee is in default under this Lease.

ARTICLE XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility (collectively, the "Licenses"), and shall qualify and comply with all applicable laws as they may from time to time exist, including those applicable to certification and participation as a provider under Medicare and Medicaid legislation and regulations.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee has or will extend any right, title, or claim of right whatsoever in and to the Licenses or the right to operate the Facility, all such right, title, or claim of right shall automatically revert to the Lessor or to Lessor's designee upon termination of this Lease, to the extent permitted by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), to the extent permitted by law, Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor's designee upon application therefor to the issuing authority, and to further have the right to have any and all provider and/or third party payor agreements as a provider in the Medicare and/or Medicaid and other federal healthcare programs issued in Lessor's name or in the name of Lessor's designee.

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

It is an integral condition of this Lease that Lessee covenants and agrees not to sell, move, modify, cancel, surrender, transfer, assign, sell, relocate, pledge, secure, convey or in any other manner encumber any License or any governmental or regulatory approval, consent or authorization of any kind to operate the Facility. To the extent permitted by law, Lessee hereby grants to Lessor a landlord's lien on the Licenses.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to sign, acknowledge, provide and deliver to Lessor (and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for such express purposes) any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all hospital licenses required for the Primary Intended Use, Department of Human Services of the State of California ("DHS") provider agreements, and/or state or federal Title XVIII and/or Title XIX provider agreements to be obtained (either in total or individually) in the name of Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (beyond any applicable grace or cure period) and the issuing government agency has threatened or asserted that such license or provider agreement will terminate or has lapsed or that Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of California, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHSS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its operation of the Primary Intended Use on the Leased Property as a licensed and Medicare and/or Medicaid certified acute care hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality acute care services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation,

certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

LESSOR'S RIGHT TO SELL

Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part at any time, subject to this Lease and the rights of Lessee as expressly provided in this Lease. The Lessee agrees that any purchaser may exercise any and all rights of Lessor as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee.

ARTICLE XLII

MISCELLANEOUS

42.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

42.2 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; (b) requests by Lessor for approval or consent under this Lease and all other documents executed between Lessor and Lessee in connection herewith, (c) any circumstances or developments which give rise to Lessor's right of consent or approval, (d) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions, and (e) a request for changes including, but not limited to, (i) the permitted use of the Leased Property, (ii) alterations and improvements to the Leased Improvements, (iii) subletting or assignment, and (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

42.3 ASSETS PURCHASED PURSUANT TO PURCHASE OPTIONS. In connection with any purchase options granted to Lessee hereunder, in the event Lessee exercises such purchase options, the term "Leased Property" shall also include any "Assets" as such term is defined in the Purchase Agreement.

42.4 ENTIRE AGREEMENT; MODIFICATIONS. This Lease embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior to contemporaneous agreements, understandings, representations and statements (oral or written) are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

42.5 LEASE GUARANTY. Lessee shall cause to be delivered to Lessor simultaneously herewith the fully executed Lease Guaranty.

42.6 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term Lessee purchases, expands or renovates or contemplates the purchase, expansion or renovation of a facility or property to be used for the operation of a business for the Primary Intended Use, Lessee shall notify Lessor in writing ("Lessee's Notice") of such purchase, expansion or renovation or contemplated purchase, expansion or renovation, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee. Lessor shall notify Lessee in writing on or before the expiration of twenty (20) business days after receipt of Lessee's Notice whether Lessor is interested in providing such financing. If Lessor agrees to provide the financing, the terms and conditions of such financing will be contingent upon, among other things, performance benchmarks acceptable to Lessor and the Lessor's satisfaction and approval of other due diligence requirements.

42.7 LETTER OF CREDIT. Intentionally Omitted.

42.8 CHANGE IN OWNERSHIP/CONTROL. So long as this Lease remains in effect, the aggregate ownership of the current members of Lessee and the Guarantors shall not be reduced below fifty-one (51%) percent.

42.9 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Lessee shall cooperate with Lessor or MPT in connection with any securities offerings and filings, or MPT's efforts to procure or maintain financing for or related to the Leased Property and Facility, and in connection therewith, the Lessee shall furnish MPT, or cause its accountants to furnish MPT, with such financial and other information as MPT shall request, including, without limitation, audited and unaudited financial statements of Lessee and Guarantors, and any necessary consents of accountants of Lessee and Guarantors, provided, however, that Lessee and Guarantors shall use their best efforts to furnish any consents of accountants of Lessee and Guarantors. MPT shall reimburse Lessee and Guarantors for any and all incremental costs (i.e. costs not otherwise incurred by Lessee or Guarantors with respect to the normal preparation of such financial statements for other purposes) incurred in furnishing, or causing its accountants to furnish, such financial statements and consents. MPT shall protect, indemnify, save harmless and defend Lessee and Guarantors from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, but excluding any such liabilities arising from any fraud on the part of Lessee, any Guarantor or the accountants of Lessee or any Guarantor) imposed upon or incurred by or asserted against Lessee by reason of the inclusion of any such financial statements or consents in any securities offerings and filings of MPT. MPT may disclose that Lessor has entered into this Lease with Lessee and Prime and may provide and disclose information regarding this Lease, the Lessee, the Guarantors, the Leased Property and the Facility, and such additional information which MPT may reasonably deem necessary, to its proposed investors in such public offering or private offering of securities, or any current or prospective lenders with respect to such financing. Upon reasonable advance notice, MPT and any lender providing financing for the Leased Property shall have the right, subject to the execution of a written confidentiality agreement on terms reasonably acceptable to MPT, such lender and Lessee, to access, examine and copy all agreements, records, documentation and information relating to the Lessee and Guarantors, the Leased Property and Facility, and to discuss such affairs and information with the officers, employees and independent public accountants of the Lessee and Guarantors as often as may reasonably be desired.

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

directors, employees or agents or any predecessor or successor partnership or corporation (or other entity), or (iv) any person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof.

42.11 PRIME A INVESTMENTS, L.L.C.'S RIGHT TO EXERCISE PURCHASE OPTIONS. Lessor hereby consents to and agrees that Prime may exercise any of Lessee's rights and options to purchase as set forth under this Lease not otherwise granted to Prime pursuant to the same terms and conditions provided to Lessee under this Lease. Prime shall be deemed to be a third party beneficiary of this Lease with respect to the right of such options.

42.12 MANAGEMENT AGREEMENTS. Lessee shall not engage any Management Company or allow any tenants, subtenants or sublessees of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, Lessor's rights relating to any Management Company as set forth in Section 16.2 hereof shall be at Lessor's sole and absolute discretion. Lessee shall, if required by Lessor, assign all of Lessee's rights under the Management Agreements to Lessor and Lessor shall be entitled to assign same to Lessor's lender. At the request of the Lessor from time to time, Lessee shall execute and deliver (and require the tenants, subtenants or sublessees to execute and deliver, if applicable) an assignment and/or subordination agreement relating to the Management Agreements, which assignment and/or subordination agreement shall be in such form and content as reasonably acceptable to Lessor and/or any lender providing financing to Lessor, and shall be delivered to Lessor within ten (10) days after Lessor's request. Lessee hereby agrees that all payments and fees payable under the Management Agreements are and shall be subordinate to the payment of the obligations under this Lease and all other documents executed in connection with this Lease and the Purchase Agreement. Lessee agrees that all Management Agreements entered into in connection with the Leased Property shall expressly contain provisions acceptable to Lessor which (i) require an assignment of the Management Agreements to Lessor upon request by Lessor, (ii) confirm and warrant that all sums due and payable under the Management Agreements are subordinate to this Lease, (iii) grant Lessor the right to terminate the Management Agreement (individually or collectively, if more than one (1)) upon a default hereunder or upon a default under such applicable Management Agreement, (iv) require the Management Company to execute and deliver to Lessor within ten (10) days from Lessor's request an estoppel certificate, assignment and/or subordination agreement as required by Lessor and/or Lessor's lender providing financing to Lessor, in such form and content as is acceptable to Lessor and/or its lender, and (v) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. At the request of the Lessor from time to time, Lessee shall execute and obtain from all parties subject to such Management Agreements executed written confirmation of such assignment or subordination, which shall be delivered to Lessor within ten (10) days from Lessor's request.

42.13 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.

42.14 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 ANY INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY CERTIFIED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO ARTICLE XXXIII 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.

42.15 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

ARTICLE XLIII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[Signatures on the following pages]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

MPT OF SHERMAN OAKS, LLC

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Name: Edward K. Aldag, Jr.
Its: President and
Chief Executive Officer

STATE OF ALABAMA
JEFFERSON COUNTY

On this _____ day of _____, 20__, before me, the undersigned authority, a Notary Public of said State, duly commissioned and sworn, personally appeared EDWARD K. ALDAG, JR., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President and Chief Executive Officer of MPT Operating Partnership, L.P., the Sole Member of MPT OF SHERMAN OAKS, LLC, a Delaware limited liability company, and acknowledged to me that such limited partnership, as the Sole Member of such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name:

My Commission Expires:

[AFFIX NOTARY SEAL]

LESSEE:

PRIME HEALTHCARE SERVICES II, LLC

By: /s/ Lex Reddy

Name: Lex Reddy

Its: President/CEO

STATE OF CALIFORNIA
_____ COUNTY

On this _____ day of _____, 20__, before me, the undersigned authority, a Notary Public of said State, duly commissioned and sworn, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as _____ of Prime Healthcare Services II, LLC, a California limited liability company, and acknowledged to me that such company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name:

My Commission Expires:

[AFFIX NOTARY SEAL]

SCHEDULE 8.6

EXCEPTIONS TO SINGLE PURPOSE ENTITY REQUIREMENTS

None.

EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1:

Lot(s) 1 of Tract No. 19339, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded in Book 535, Page(s) 1 of Maps, in the Office of the County Recorder of said County.

PARCEL 1A:

An easement for ingress and egress and parking for 57 motor vehicles over the North 200 feet of the West 114 feet of Lot 1 of Tract 15587, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded in Book 346, Page(s) 30 and 31 of Maps, in the Office of the County Recorder of said County, to be used in conjunction with the operation of the building located on Parcel 1.

PARCEL 2:

Lot(s) 1 of Tract No. 23375, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded in Book 628, Page(s) 83 of Maps, in the Office of the County Recorder of said County.

PARCEL 3:

Lot(s) 1 of Tract No. 19397, in the City of Los Angeles, County of Los Angeles, State of California, as per Map filed in Book 610, Page(s) 76 of Maps, in the Office of the County Recorder of said County, together with that portion of Lots 1, 2, 3 and 4 of Tract No. 6595, in said City, County and State, as per Map recorded in Book 70, Page(s) 88 of Maps, records of said County, described as follows:

Beginning at the Northeast corner of said Lot 1 of Tract No. 19397; thence Northerly along the prolongation of the Easterly line of said last mentioned Lot 25 feet more or less, to the Southerly line of the Northerly 75.00 feet of said Lot 3; thence Westerly along said Southerly line 145 feet to the Westerly line of the Easterly 150.00 feet of said Lot 3; thence Northerly along said Westerly line to and along the Westerly line of the Easterly 150.00 feet of said Lot 2; to and along the Westerly line of the Easterly 150.00 feet of said Lot 1, of Tract No. 6595 to the Northerly line of last said Lot 1; thence Westerly along said Northerly line 200 feet more or less to the Easterly line of the Westerly 50.00 feet of said Lot 4; thence Southerly along last said Easterly line 300 feet more or less to the Westerly prolongation of the Northerly line of said Lot

1 of Tract 19397 being also the Southerly line of said Lot 4; thence Easterly along said Westerly prolongation to and along last said Northerly line to the point of beginning.

Except therefrom that certain air space lying within the boundary line of Lots 1, 2, 3 and 4 of Tract No. 6595 in the City of Los Angeles, County of Los Angeles, State of California, as per Map filed in Book 70, Page(s) 88 of Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Beginning at a point in the Westerly line of the East 150.00 feet of said Lots 1, 2 and 3 distant Southerly along said line 10.00 feet from the Northerly line of said Lot 1; thence Westerly, parallel to said Northerly line 195 feet more or less to a line parallel with and distant Easterly 5.00 feet measured at right angles from the Easterly line of the West 50 feet of said Lot 4; thence Southerly along last said parallel line 209.50 feet; thence Easterly parallel with said Northerly line 191.00 feet more or less to a line parallel with and distant Westerly 4.00 feet measured at right angles from said Westerly line of the East 150.00 feet of Lots 1, 2 and 3; thence Southerly along said parallel line 11.50 feet; thence Easterly at right angles 4.00 feet to said Westerly line; thence Northerly along said Westerly line to the point of beginning.

The lower limit of said air space is an inclined place sloping upward to the South at a rate of 1.002 percent from the horizontal and passing through the Northerly line of said above described Parcel at an elevation of 667.22 feet above mean sea level as established by the Los Angeles City Engineer's Precise Level Loop, 1960 Adjustment.

The upper limit of said air space is an inclined place sloping upward to the South at a rate of 1.002 percent from the horizontal and passing through last Northerly line at an elevation of 702.22 feet above said mean sea level.

PARCEL 4:

The Northerly 25 feet of the Southerly 50 feet of the Easterly 150 feet of Lot 3, of Tract 6595, in the City of Los Angeles, County of Los Angeles, State of California, as per Map thereof recorded in Book 70, Page(s) 88 of Maps, in the Office of the County Recorder of said County.

PARCEL 5:

Parcel B of Parcel Map L.A. No. 1398, in the City of Los Angeles, County of Los Angeles, State of California, as per Map filed in Book 18, Page(s) 57 of Parcel Recorder of said County.

PARCEL 5A:

An easement for ingress and egress over the South 28 feet of the North 30 feet of the East 150 feet of Lot 3, of Tract No. 6595, in the City of Los Angeles, County of Los Angeles, State of California, as per Map recorded in Book 70, Page(s) 88 of Maps, in the Office of the County Recorder of said County, as shown in a document recorded June 6, 1968, as Instrument No. 1820 of Official Records.

EXHIBIT B

PERMITTED EXCEPTIONS

EXHIBIT C

EXISTING LEASES

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

Birmingham, Alabama
January 10, 2006

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member
Vibra Healthcare, LLC:

We hereby consent to the incorporation in this Post-Effective 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
January 10, 2006