

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 5, 2005.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 7

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 AND CHIEF EXECUTIVE OFFICER

MEDICAL PROPERTIES TRUST, INC.

1000 URBAN CENTER DRIVE, SUITE 501, BIRMINGHAM, ALABAMA 35242

(205) 969-3755

(Name, address, including zip code, and telephone number, including area code,
of agent for service)

WITH A COPY TO:

THOMAS O. KOLB

B.G. MINISMAN, JR.

BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC

SUITE 1600

420 20TH STREET NORTH

BIRMINGHAM, ALABAMA 35203

(205) 328-0480

DANIEL M. LEBEY

EDWARD W. ELMORE, JR.

HUNTON & WILLIAMS LLP

RIVERFRONT PLAZA, EAST TOWER

951 EAST BYRD STREET

RICHMOND, VIRGINIA 23219-4074

(804) 788-8200

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES
BEING REGISTERED

PROPOSED MAXIMUM AGGREGATE
OFFERING PRICE(1)

AMOUNT OF REGISTRATION FEE(2)

Common Stock, \$.001 par value.....	\$166,522,152	\$19,539

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

(2) Previously paid.

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

EXPLANATORY NOTE

Medical Properties Trust, Inc. has prepared this Amendment No. 7 to the Registration Statement on Form S-11 (File No. 333-119957) for the purpose of filing with the Securities and Exchange Commission certain exhibits to the Registration Statement. Amendment No. 7 does not modify any provision of the Prospectus that forms a part of the Registration Statement and accordingly such Prospectus has not been included herein.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 31. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses payable by the Registrant in connection with the issuance and distribution of common stock being registered. All amounts except the SEC registration fee are estimates.

	AMOUNT TO BE PAID

SEC registration fee.....	\$ 19,539
NASD Fee.....	25,500
NYSE Listing Fees.....	205,000
Transfer agent and registrar fees.....	10,000
Legal fees and expenses.....	1,150,000
Accounting fees and expenses.....	575,000
Printing and mailing fees.....	400,000
Miscellaneous.....	609,461
Blue sky fees and expenses.....	2,500
Total.....	3,000,000

* To be filed by amendment.

ITEM 32. SALES TO SPECIAL PARTIES.

Not applicable.

ITEM 33. RECENT SALES OF UNREGISTERED SECURITIES.

On April 6, 2004 and April 7, 2004, we sold in a private placement 21,857,329 shares of common stock to Friedman, Billings, Ramsey & Co., Inc., as initial purchaser, pursuant to the exemptions from registration provided in Section 4(2) of the Securities Act of 1933, as amended, or the Securities Act, and Rule 506 of Regulation D thereunder. Friedman, Billings, Ramsey & Co., Inc.

promptly resold 20,244,426 of these shares to qualified institutional buyers in accordance 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

II-1

it had the knowledge and experience necessary to evaluate the risks and merits of the investment in our common stock. In addition, each purchaser of our common stock in the private placements and resales that occurred on April 6 and April 7, 2004 was solicited on a private and confidential basis in a manner not involving any general solicitation or advertising in compliance with Regulation D.

Pursuant to our 2004 Equity Incentive Plan, we have granted options to purchase a total of 160,000 shares of common stock, and awarded 20,000 deferred stock units, to our current or former independent directors. In addition, on April 25, 2005, we awarded 82,000 shares of restricted common stock to certain of our employees. In granting these options to purchase common stock and deferred stock units and in making these restricted stock awards, we relied upon exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 701 under the Securities Act.

In August and September 2003, Mr. Aldag, Mr. McLean, Mr. McKenzie and Mr. Hamner, or our founders, were collectively issued 1,630,435 shares of our common stock in exchange for nominal cash consideration. Upon completion of our private placement in April 2004, 1,108,527 shares of common stock held by our senior management were redeemed for nominal value and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement. We relied upon Section 4(2) of the Securities Act in issuing these shares of common stock to our founders.

ITEM 34. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

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

reasonable cause to believe his or her act or omission was unlawful.

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

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

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

We have entered into indemnification agreements with each of our directors and executive officers, which we refer to in this context as indemnitees. The indemnification agreements provide that we will, to the fullest extent permitted by Maryland law, indemnify and defend each indemnitee against all losses and expenses incurred as a result of his current or past service as our director or officer, or incurred by reason of the fact that, while he was our director or officer, he was serving at our request as a director, officer, partners, trustee, employee or agent of a corporation, partnership, joint venture, trust, other enterprise or employee benefit plan. We have agreed to pay expenses incurred by an indemnitee before the final

II-2

disposition of a claim provided that he provides us with a written affirmation that he has met the standard of conduct required for indemnification and a written undertaking to repay the amount we pay or reimburse if it is ultimately determined that he has not met the standard of conduct required for indemnification. We are to pay expenses within 20 days of receiving the indemnitee's written request for such an advance. Indemnitees are entitled to select counsel to defend against indemnifiable claims.

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

ITEM 35. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED.

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

ITEM 36. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Not applicable.

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

EXHIBIT NUMBER

EXHIBIT TITLE

1.1	Form of Underwriting Agreement
3.1**	Registrant's Second Articles of Amendment and Restatement
3.2**	Registrant's Amended and Restated Bylaws
4.1	Form of Common Stock Certificate
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

II-3

EXHIBIT NUMBER -----	EXHIBIT TITLE -----
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 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

II-4

EXHIBIT
NUMBER

EXHIBIT TITLE

10.34** Letter of Commitment between MPT Operating Partnership, L.P., Hammond Healthcare Properties, LLC and Hammond Rehabilitation Hospital, LLC, dated April 1, 2005

10.35** Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 3, 2005

10.36** Amendment to Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 31, 2005

10.37** Letter of Commitment between MPT Operating Partnership, L.P., MPT of Victorville, LLC and Desert Valley Hospital, Inc., dated February 28, 2005

10.38** Amendment to Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, DSI Facility Development, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D., dated April 29, 2005

10.39** Sublease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005

10.40** Net Ground Lease between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005

10.41** Purchase and Sale Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company,

Ltd., dated as of June 1, 2005

10.42** Contract for Purchase and Sale of Real Property between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005

10.43** Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005

10.44** Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005

10.45** Amendment to the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.

10.46** Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC, dated June 1, 2005

10.47** Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long Term Acute Care of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005

10.48** Lease Agreement between MPT of Covington, LLC and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005

10.49** Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005

10.50 Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005

10.51 Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005

10.52 Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Guardian Postacute Services, Inc., dated November 14, 1997

10.53 Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993

10.54 Amendment No. 1 to Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001

10.55 Form of Indemnification Agreement between the Registrant and executive officers and directors

21.1 Subsidiaries of the Registrant

II-5

EXHIBIT
NUMBER

EXHIBIT TITLE

23.1** Consent of KPMG LLP

23.2** Consent of Parente Randolph, LLC

23.3 Consent of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. (included in Exhibits 5.1 and 8.1)

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

24.2** Power of Attorney, included on signature page of Amendment No. 3 to the Registrant's Form S-11 filed with the Commission on May 13, 2005

** Previously filed.

ITEM 37. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

II-6

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 July 5, 2005.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. STEVEN HAMNER

R. Steven Hamner
Executive Vice President,
Chief Financial Officer and Director

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

SIGNATURE

TITLE

DATE

<p style="text-align: center;">* ----- Edward K. Aldag, Jr.</p>	<p>Chairman of the Board, President and Chief Executive Officer</p>	<p>July 5, 2005</p>
<p style="text-align: center;">/s/ R. STEVEN HAMNER ----- R. Steven Hamner</p>	<p>Executive Vice President, Chief Financial Officer and Director</p>	<p>July 5, 2005</p>
<p style="text-align: center;">* ----- Virginia A. Clarke</p>	<p>Director</p>	<p>July 5, 2005</p>
<p style="text-align: center;">* ----- G. Steven Dawson</p>	<p>Director</p>	<p>July 5, 2005</p>
<p style="text-align: center;">* ----- Bryan L. Goolsby</p>	<p>Director</p>	<p>July 5, 2005</p>
<p style="text-align: center;">* ----- Robert E. Holmes, Ph.D.</p>	<p>Director</p>	<p>July 5, 2005</p>
<p style="text-align: center;">* ----- William G. McKenzie</p>	<p>Vice Chairman of the Board</p>	<p>July 5, 2005</p>
<p style="text-align: center;">* ----- L. Glenn Orr, Jr.</p>	<p>Director</p>	<p>July 5, 2005</p>
<p>*By: /s/ R. STEVEN HAMNER ----- R. Steven Hamner Attorney-in-Fact</p>		<p>July 5, 2005</p>

II-7

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II-8

EXHIBIT
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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

II-9

EXHIBIT
NUMBER

EXHIBIT TITLE

10.43** Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005

10.44** Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005

10.45** Amendment to the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.

10.46** Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC,

- dated June 1, 2005
- 10.47** Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long Term Acute Care of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005
- 10.48** Lease Agreement between MPT of Covington, LLC and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005
- 10.49** Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005
- 10.50 Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005
- 10.51 Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005
- 10.52 Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Guardian Postacute Services, Inc., dated November 14, 1997
- 10.53 Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993
- 10.54 Amendment No. 1 to Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001
- 10.55 Form of Indemnification Agreement between the Registrant and executive officers and directors
- 21.1 Subsidiaries of the Registrant
- 23.1** Consent of KPMG LLP
- 23.2** Consent of Parente Randolph, LLC
- 23.3 Consent of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. (included in Exhibits 5.1 and 8.1)
- 24.1** Power of Attorney, included on signature page of the Registrant's Form S-11 filed with the Commission on October 26, 2004
- 24.2** Power of Attorney included on signature page of Amendment No. 3 to the Registrant's Form S-11 filed with the Commission on May 13, 2005

** Previously filed.

MEDICAL PROPERTIES TRUST, INC.
SHARES OF COMMON STOCK

FORM OF UNDERWRITING AGREEMENT

_____, 2005

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.
J.P. MORGAN SECURITIES INC.
WACHOVIA CAPITAL MARKETS, LLC
STIFEL, NICOLAUS & COMPANY, INCORPORATED
c/o FRIEDMAN, BILLINGS, RAMSEY & CO., INC.
1001 19th Street North
Arlington, Virginia 22209

Ladies and Gentlemen:

Medical Properties Trust, Inc., a Maryland corporation (the "Company"), MPT Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), and certain stockholders of the Company listed on Schedule I hereto (the "Selling Stockholders"), each confirms their agreement with each of the Underwriters listed on Schedule II hereto (collectively, the "Underwriters"), for whom Friedman, Billings, Ramsey & Co., Inc. ("FBR") is acting as representative (in such capacity, the "Representative"), with respect to (i) the sale by the Company and the Selling Stockholders of _____ shares (the "Initial Shares") of Common Stock, par value \$0.001 per share, of the Company ("Common Shares") in the respective numbers of shares set forth opposite the names of the Company and each such Selling Stockholder in Schedule I hereto, and the purchase by the Underwriters, acting severally and not jointly, of the respective number of Initial Shares set forth opposite the names of the Underwriters in Schedule II hereto, and (ii) the grant of the option described in Section 1(b) hereof to purchase all or any part of _____ additional Common Shares to cover over-allotments (the "Option Shares"), if any, from the Company to the Underwriters, acting severally and not jointly, in amounts proportionate to the respective numbers of Initial Shares set forth opposite the names of the Underwriters in Schedule II hereto. The Initial Shares to be purchased by the Underwriters and all or any part of the Option Shares are hereinafter called, collectively, the "Shares."

The Company understands that the Underwriters propose to make a public offering of the Shares as soon as the Underwriters deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission"), a registration statement on Form S-11 (No. 333-119957) and a related preliminary prospectus for the registration of the Shares under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations thereunder (the "Securities Act Regulations"). The Company has prepared and filed such amendments thereto, if any, and such amended preliminary prospectuses, if any, as may have been required to the date hereof, and will

file such additional amendments thereto and such amended prospectuses as may hereafter be required. The registration statement has been declared effective under the Securities Act by the Commission. The registration statement as amended at the time it became effective (including all information deemed to be a part of the registration statement at the time it became effective pursuant to Rule 430A(b) of the Securities Act Regulations) is hereinafter called the "Registration Statement," except that, if the Company files a post-effective amendment to such registration statement which becomes effective prior to the First Closing Date (as defined below), "Registration Statement" shall refer to such registration statement as so amended. Any registration statement filed by the Company pursuant to Rule 462(b) of the Securities Act Regulations is hereinafter called the "Rule 462(b) Registration Statement" and from and after the date and time of filing the Rule 462(b) Registration Statement, the term

Registration Statement shall include the Rule 462(b) Registration Statement. Each prospectus included in the Registration Statement, or amendments thereof or supplements thereto, before it became effective under the Securities Act and any prospectus filed with the Commission by the Company with the consent of the Underwriters pursuant to Rule 424(a) of the Securities Act Regulations is hereinafter called the "Preliminary Prospectus." The term "Prospectus" means the final prospectus, as first filed with the Commission pursuant to Rule 424(b) of the Securities Act Regulations, and any amendments thereof or supplements thereto. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

The Operating Partnership or a Subsidiary owns a portfolio of eight operating facilities and three facilities that are under development (the "Current Properties"). The Operating Partnership or a Subsidiary (as defined below) has entered into agreements (the "Acquisition Agreements") as described in the prospectus to acquire or develop six additional properties (the "Pending Acquisition Properties").

Each Selling Stockholder has executed and delivered a (i) Custody Agreement signed by such Selling Stockholder and American Stock Transfer & Trust Co., as custodian (the "Custodian"), in the form attached hereto as Exhibit A, pursuant to which each Selling Stockholder party thereto has placed the Initial Shares to be sold by it pursuant to this Agreement in custody (the "Custody Agreement") and a (ii) Power of Attorney, in the form attached hereto as Exhibit B (the "Power of Attorney"), appointing certain individuals named therein as such Selling Stockholder's attorneys-in-fact (each, an "Attorney-in-Fact," and collectively, the "Committee") with the authority to execute and deliver this Agreement on behalf of such Selling Stockholder and to take certain other actions with respect thereto and to the extent set forth therein relating to the transactions contemplated by this Agreement and by the Prospectus.

The Company, each of the Selling Stockholders and the Underwriters agree as follows:

1. Sale and Purchase:

(a) Initial Shares. Upon the basis of the representations and warranties and other terms and conditions herein set forth at a purchase price per share of \$_____, the Company agrees to sell to the Underwriters the number of Initial Shares set forth in Schedule I opposite its name, and each Selling Stockholder agrees to sell to the Underwriters the number of Initial Shares set forth in Schedule I opposite such Selling Stockholder's name, and each

2

Underwriter agrees, severally and not jointly, to purchase from the Company and the Selling Stockholders the number of Initial Shares set forth in Schedule II opposite such Underwriter's name, plus any additional number of Initial Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 8 hereof, subject in each case, to such adjustments among the Underwriters as the Representative, in its sole discretion, shall make to eliminate any sales or purchases of fractional shares.

(b) Option Shares. In addition, upon the basis of the representations and warranties and other terms and conditions herein set forth, at the purchase price per share set forth in Section 1(a) hereof, the Company hereby grants an option to the Underwriters, acting severally and not jointly, to purchase from the Company all or any part of the Option Shares, plus any additional number of Option Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 8 hereof. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial Shares upon notice by the Representative to the Company setting forth the number of Option Shares as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Shares. Any such time and date of delivery (an "Option Closing Date") shall be determined by the Representative, and may be the First Closing Date (as hereinafter defined), but otherwise shall not be later than five full business days after the exercise of such option, nor in any event prior to the First

Closing Date, as hereinafter defined. If the option is exercised as to all or any portion of the Option Shares, the Company will sell the total number of Option Shares then being purchased and each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Shares then being purchased which the number of Initial Shares set forth in Schedule II opposite the name of such Underwriter bears to the total number of Initial Shares, subject in each case to such adjustments among the Underwriters as the Representative, in its sole discretion, shall make to eliminate any sales or purchases of fractional shares.

2. Payment and Delivery:

(a) Initial Shares. The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as the Representative may request upon prior notice to the Company and the Selling Stockholders shall be delivered by or on behalf of the Company and the Selling Stockholders to the Representative, including, at the option of the Representative, through the facilities of The Depository Trust Company ("DTC") for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified to the Representative by the Company and each of the Selling Stockholders, upon prior notice. The Company will cause any certificates representing the Initial Shares to be made available for checking and packaging at least forty-eight hours prior to the First Closing Date (as defined below) with respect thereto at the office of Friedman, Billings, Ramsey & Co., Inc., 1001 19th Street North, Arlington, Virginia 22209, or at the office of DTC or its designated custodian, as the case may be (the "Designated Office"). The time and date of such delivery and payment shall be 9:30 a.m., New York City time, on the third (fourth, if pricing occurs after 4:30 p.m., New York City time) business day after the date hereof (unless another time and date shall

3

be agreed to by the Representative and the Company). The time and date at which such payment and delivery are actually made is hereinafter called the "First Closing Date."

(b) Option Shares. Any Option Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as the Representative may request upon prior notice to the Company shall be delivered by or on behalf of the Company to the Representative, including, at the option of the Representative, through the facilities of DTC for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified to the Representative by the Company upon prior notice. The Company will cause any certificates representing the Option Shares to be made available for checking and packaging at least twenty-four hours prior to an Option Closing Date with respect thereto at the Designated Office. The time and date of such delivery and payment shall be 9:30 a.m., New York City time, on the date specified by the Representative in the notice given by the Representative to the Company of the Underwriters' election to purchase such Option Shares or on such other time and date as the Company and the Representative may agree upon in writing.

(c) Directed Shares. It is understood that approximately _____ shares of the Initial Shares ("Directed Shares") initially will be reserved by the Underwriters for offer and sale to employees and persons having business relationships with the Company ("Directed Share Participants") upon the terms and conditions set forth in the Prospectus and in accordance with the rules and regulations of the National Association of Securities Dealers, Inc. (the "Directed Share Program"). Under no circumstances will the Representative or any Underwriter be liable to the Company or to any Directed Share Participant for any action taken or omitted to be taken in good faith in connection with such Directed Share Program. To the extent that any Directed Shares are not affirmatively reconfirmed for purchase by any Directed Share Participant on or immediately after the date of this Agreement, such Directed Shares may be offered to the public as part of the public offering contemplated herein.

Each of the Company and the Selling Stockholders acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Company and the Selling Stockholders with

respect to the offering of Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company, the Selling Stockholders or any other person. Additionally, neither the Representative nor any other Underwriter is advising the Company, the Selling Stockholders or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company and the Selling Stockholders shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Company or the Selling Stockholders with respect thereto. Any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company or the Selling Stockholders.

3. Representations and Warranties:

4

The Company and the Operating Partnership represent and warrant to each Underwriter that:

(a) the authorized shares of capital stock of the Company conform in all material respects to the description thereof contained in the Prospectus; the Company has an authorized, issued and outstanding capitalization as set forth in the Prospectus under the caption "Capitalization"; at the First Closing Date, _____ Common Shares will be issued and outstanding and no other shares of preferred stock or any other class of capital stock will be issued and outstanding; the outstanding shares of capital stock of the Company and the outstanding capital stock, limited liability company membership interests and units of limited partnership interest of each subsidiary of the Company (each, including the Operating Partnership, except where noted, a "Subsidiary" and, collectively, "Subsidiaries") including Common Shares owned by Selling Stockholders have been duly and validly authorized and issued and are fully paid and nonassessable, have been issued in compliance with federal and state securities laws, and all of the outstanding capital stock, units of limited partnership interest and limited liability company membership interests of the Subsidiaries, excluding the Operating Partnership, are directly or indirectly owned of record and beneficially by the Company; except as disclosed in the Prospectus, there are no outstanding (i) securities or obligations of the Company or any of the Subsidiaries convertible into or exchangeable for any capital stock of the Company or any such Subsidiary, (ii) warrants, rights or options to subscribe for or purchase from the Company or any such Subsidiary any such capital stock or any such convertible or exchangeable securities or obligations, or (iii) obligations of the Company or any such Subsidiary to issue any shares of capital stock, any such convertible or exchangeable securities or obligation, or any such warrants, rights or options; the description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights;

(b) the Company has been duly formed and is validly existing as a corporation under and by virtue of the laws of the State of Maryland and is in good standing with the State Department of Assessments and Taxation of Maryland, with all requisite corporate power and authority to own, lease and operate its properties, and conduct its business as described in the Registration Statement and the Prospectus, and is duly qualified as a foreign corporation to transact business or licensed and is in good standing in each jurisdiction in which the nature or conduct of its business requires such qualification or license; except as disclosed in the Prospectus, all of the issued and outstanding shares of beneficial interest, capital stock, limited liability company membership interests or units of limited partnership interests of each Subsidiary is owned by the Company directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance or claim; except as disclosed in the Prospectus, no Subsidiary is prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such Subsidiary's capital stock or from repaying to the Company or any other Subsidiary any amounts which may from time to time become due under any loans or advances to such Subsidiary from the Company or such other Subsidiary, or from transferring any such Subsidiary's property or assets to the Company or to any other Subsidiary; other than as disclosed in the

Prospectus and the next paragraph, the Company does not own, directly or indirectly, any capital stock or other equity

5

securities of any other corporation or any ownership interest in any partnership, joint venture or other association;

(c) upon completion of the offering of the Shares (i) the Company will be a holder of units of limited partnership interest in the Operating Partnership (the "Units") representing an approximate ____% interest in the Operating Partnership, (ii) Medical Properties Trust, LLC (the "General Partner") will be the holder of Units representing an approximate ____% interest in the Operating Partnership, as its sole general partner, and (iii) the Company will own a 100% membership interest in the General Partner; the Subsidiaries (all of which are named in Exhibit 21.1 to the Registration Statement) have been duly incorporated, formed or organized, as the case may be, and are validly existing as a corporation, limited liability company, general partnership or limited partnership, as the case may be, in good standing under the laws of their respective jurisdictions of incorporation, formation or organization, as applicable, with all requisite power and authority to own, lease and operate their respective properties and to conduct their respective businesses as described in the Registration Statement and the Prospectus; each Subsidiary is duly qualified as a foreign corporation, foreign limited partnership or foreign limited liability company, as applicable, to transact business or licensed and is in good standing in each jurisdiction in which the conduct or nature of their business requires such qualification or license;

(d) the First Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as further amended and/or restated (the "Partnership Agreement"), has been duly and validly authorized, executed and delivered by or on behalf of the partners of the Operating Partnership and constitutes a valid and binding agreement of the parties thereto, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by general principles of equity;

(e) the Company has delivered to the Representative two complete manually signed copies of the Registration Statement and of each consent and certificate of experts filed as a part thereof, and conformed copies of the Registration Statement (with exhibits) and the Preliminary Prospectus, as amended or supplemented, in such quantities and at such places as the Representative have reasonably requested for each of the Underwriters;

(f) the Company has not distributed and will not distribute, prior to the later of the last Option Closing Date or the completion of the Underwriters' distribution of the Shares, any offering material in connection with the offering and sale of the Shares other than a Preliminary Prospectus, the Prospectus and the Registration Statement;

(g) the Company and the Subsidiaries are in compliance in all material respects with all applicable laws, rules, regulations, orders, decrees and judgments, including those relating to transactions with affiliates;

(h) the Company is not in violation of its Second Articles of Amendment and Restatement, as amended or restated, (the "Articles of Amendment") or Bylaws; the Operating Partnership is not in violation of its Certificate of Limited Partnership or the Partnership Agreement, and no Subsidiary is in violation of its applicable organizational documents

6

(including, without limitation limited liability company agreements); neither the Company nor any Subsidiary is in breach of or default in (nor has any event occurred which with notice, lapse of time, or both would constitute a breach of, or default in) the performance or observance of any obligation, agreement, contract, franchise, covenant or condition contained in any license, indenture, mortgage, deed of trust, loan or credit agreement, lease or other agreement or instrument to which the Company or any Subsidiary is a party or by which any of

them or their respective properties is bound;

(i) the execution, delivery and performance of this Agreement and the Acquisition Agreements and the issuance, sale and delivery by the Company of the Shares and the consummation of the transactions contemplated herein and therein will not (A) conflict with, or result in any breach or constitute a default (nor constitute any event which with notice, lapse of time, or both would constitute a breach or default) (i) by the Company of any provision of its Articles of Amendment or Bylaws, by the Operating Partnership of any provision under its Certificate of Limited Partnership or Partnership Agreement, by any Subsidiary (excluding the Operating Partnership) of any provision of its applicable organizational documents, or (ii) of any provision of any obligation, agreement, contract, franchise, license, indenture, mortgage, deed of trust, loan or credit agreement, lease or other agreement or instrument to which the Company or any Subsidiary is a party or by which any of them or their respective properties may be bound or affected, or (iii) under any federal, state, local or foreign law, regulation or rule or any decree, judgment or order applicable to the Company or any Subsidiary; or (B) result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Company or any Subsidiary;

(j) the Company or a Subsidiary, as applicable, has the full legal right, corporate power and authority to enter into this Agreement and the Acquisition Agreements and to consummate the transactions contemplated herein and therein; the Company has the corporate power to issue, sell and deliver the Shares as provided herein; this Agreement and each of the Acquisition Agreements has been duly authorized, executed and delivered by the Company and each is a legal, valid and binding agreement of the Company enforceable in accordance with its terms;

(k) the Operating Partnership or a Subsidiary, as applicable, has the full legal right, power and authority to enter into this Agreement and the Acquisition Agreements and to consummate the transactions contemplated herein and therein; this Agreement and each of the Acquisition Agreements has been duly authorized, executed and delivered by the Operating Partnership or a Subsidiary, as applicable, and each constitutes the valid and binding agreement of the Operating Partnership or a Subsidiary, as applicable, enforceable against the Operating Partnership or a Subsidiary, as applicable, in accordance with its terms;

(l) no approval, authorization, consent or order of, or registration or filing with any federal, state or local governmental or regulatory commission, board, body, authority or agency is required for the Company's, Operating Partnership's or a Subsidiary's execution, delivery and performance of this Agreement and the Acquisition Agreements and their consummation of the transactions contemplated herein and in the Prospectus, including the sale and delivery of the Shares, other than (A) such as have been obtained, or will have been obtained before the First Closing Date or the applicable Option Closing Date, as the case may be, under the Securities Act

and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (B) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters;

(m) each of the Company and the Subsidiaries and to the best knowledge of the Company, each tenant or proposed tenant of the Current Facilities and the Pending Acquisition Facilities has all necessary licenses, permits, authorizations, consents and approvals, possess valid and current certificates, has made all necessary filings required under any federal, state or local law, regulation or rule, and has obtained all necessary authorizations, consents and approvals from other persons, required in order to conduct their respective businesses and own their respective properties and other assets as described in the Prospectus, except to the extent that any failure to have any such licenses, permits, authorizations, consents or approvals, to make any such filings or to obtain any such authorizations, consents or approvals could not, individually or in the aggregate, have a material adverse effect on the assets, business, operations, earnings, prospects, properties or condition (financial or otherwise), present or prospective, of the Company and the Subsidiaries taken as a whole (any such effect or change, where the context so requires, is hereinafter called a "Material Adverse Effect" or "Material Adverse Change");

neither the Company nor any of the Subsidiaries and to the best knowledge of the Company, each tenant or proposed tenant of the Current Facilities and the Pending Acquisition Facilities is required by any applicable law to obtain accreditation or certification from any governmental agency or authority in order to conduct the business and own the properties and other assets which it currently provides or owns or which it proposes to provide or own as described in the Prospectus, except for such accreditations and certifications described in the Prospectus, all of which have been obtained; neither the Company nor any of the Subsidiaries and to the best knowledge of the Company, each tenant or proposed tenant of the Company's facilities and the Pending Acquisition Facilities is in violation of, in default under, or has received any notice regarding a possible violation, default or revocation of any such certificate, license, permit, authorization, consent or approval or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or any of the Subsidiaries the effect of which could result in a Material Adverse Change; and no such license, permit, authorization, consent or approval contains a materially burdensome restriction that is not adequately disclosed in the Registration Statement and the Prospectus;

(n) each of the Registration Statement and any Rule 462(b) Registration Statement has been declared effective under the Securities Act by the Commission and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the best knowledge of the Company and the Operating Partnership, are contemplated or threatened by the Commission, and the Company has complied to the Commission's satisfaction with any request on the part of the Commission for additional or supplemental information;

(o) the Preliminary Prospectus and the Registration Statement comply, and the Prospectus and any further amendments or supplements thereto will, when they have become effective or are filed with the Commission, as the case may be, comply, in all material respects with the requirements of the Securities Act and the Securities Act Regulations; the Registration Statement did not, and any amendment thereto will not, in each case as of the applicable

effective date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading; and the Preliminary Prospectus does not, and the Prospectus or any amendment or supplement thereto will not, as of the applicable filing date and on the First Closing Date and on each Option Closing Date (if any), contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no warranty or representation with respect to any statement contained in the Registration Statement, the Preliminary Prospectus or the Prospectus, or any amendments or supplements thereto, in reliance upon and in conformity with the information concerning the Underwriters and furnished in writing by or on behalf of the Underwriters through the Representative to the Company expressly for use in the Registration Statement or the Prospectus, or any amendments or supplements thereto (that information being limited to that described in the penultimate sentence of the first paragraph of Section 9(c) hereof);

(p) the Preliminary Prospectus was, and the Prospectus delivered to the Underwriters for use in connection with this offering will be, identical to the versions of the Preliminary Prospectus and Prospectus transmitted to the Commission for filing via the Electronic Data Gathering Analysis and Retrieval System ("EDGAR"), except to the extent permitted by Regulation S-T;

(q) there are no actions, suits, proceedings, inquiries or investigations pending or, to the knowledge of the Company and the Operating Partnership, threatened (i) against or affecting the Company or any of the Subsidiaries, or (ii) which has the subject thereof any of the respective officers and directors of the Company or any officers, directors, managers or partners of its Subsidiaries, or to which the properties, assets or rights of any such entity are subject, at law or in equity, before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority, arbitral panel or agency, or (iii) relating to environmental or

discrimination matters, where in any such case (A) there is a reasonable possibility that such action, suit or proceeding might be determined adversely to the Company or such Subsidiary and (B) if so determined adversely, could result in a judgment, decree, award or order having a Material Adverse Effect or could adversely affect the consummation of the transactions contemplated by this Agreement;

(r) the financial statements, including the notes thereto, included in the Registration Statement and the Prospectus present fairly the consolidated financial position of the entities to which such financial statements relate (the "Covered Entities") as of the dates indicated and the consolidated results of operations and changes in financial position and cash flows of the Covered Entities for the periods specified; the supporting schedules included in the Registration Statement fairly present the information required to be stated therein; such financial statements have been prepared in conformity with generally accepted accounting principles as applied in the United States ("GAAP") and on a consistent basis during the periods involved (except as may be expressly stated in the related notes thereto) and in accordance with Regulation S-X promulgated by the Commission; the financial data set forth in the Registration Statement and in the Prospectus under the captions "Summary - Summary Financial Information," "Selected Financial Information," and "Capitalization" fairly present the information shown therein and have been

9

compiled on a basis consistent with the financial statements included in the Registration Statement and the Prospectus; no other financial statements or supporting schedules are required to be included in the Registration Statement; no other pro forma financial information is required to be included in the Registration Statement; the unaudited pro forma financial information (including the related notes) included in the Prospectus and any Preliminary Prospectus complies as to the form in all material respects with the applicable accounting requirements of the Securities Act and the Securities Act Regulations, and management of the Company believes that the assumptions underlying the pro forma adjustments are reasonable; such pro forma adjustments have been properly applied to the historical amounts in the compilation of the information and such information fairly presents with respect to the Company and the Subsidiaries, the financial position, results of operations and other information purported to be shown therein at the respective dates and for the respective periods specified;

(s) (i) KPMG LLP, who have audited certain financial statements of the Company and its consolidated subsidiaries and expressed their opinions in reports with respect to the consolidated financial statements of the Company and the Subsidiaries filed with the Commission as part of the Registration Statement and Prospectus are, and were during the periods covered by its reports, independent public accountants with respect to the Company as required by the Securities Act and the Securities Act Regulations and the Exchange Act and the rules and regulations thereunder (the "Exchange Act Regulations"); and (ii) to the Company's and the Operating Partnership's knowledge, KPMG LLP is not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Sarbanes-Oxley Act");

(t) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, and except as may be otherwise stated in the Registration Statement or Prospectus, there has not been (A) any Material Adverse Change or any development that could reasonably be expected to result in a Material Adverse Change, whether or not arising in the ordinary course of business, (B) any transaction that is material to the Company and the Subsidiaries taken as a whole, contemplated or entered into by the Company or any of the Subsidiaries or any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business, (C) any obligation, contingent or otherwise, directly or indirectly incurred by the Company or any Subsidiary that is material to the Company and Subsidiaries taken as a whole or (D) any dividend or distribution of any kind declared, paid or made by the Company or, except for dividends paid to the Company or other Subsidiaries, any of its Subsidiaries on any class of its capital stock or repurchase or redemption by the Company or any of its Subsidiaries of any class of capital stock;

(u) the Shares conform in all material respects to the description

thereof contained in the Registration Statement and the Prospectus;

(v) there are no persons with registration or other similar rights to have any equity or debt securities, including securities that are convertible into or exchangeable for equity securities, registered pursuant to the Registration Statement or otherwise registered by the Company under the Securities Act, (i) except for certain of the Selling Stockholders, to the extent of the equity securities to be offered and sold by such Selling Stockholders as contemplated by this Agreement, and (ii) except for those registration or similar rights that have

10

been waived with respect to the offering contemplated by this Agreement, all of which registration or similar rights described in clauses (i) and (ii) are fairly summarized in the Prospectus; no person has a right of participation or first refusal with respect to the sale of the Shares by the Company;

(w) the issuance and sale of the Shares to the Underwriters hereunder have been duly authorized by the Company, and, when issued and duly delivered against payment therefor as contemplated by this Agreement, will be validly issued, fully paid and nonassessable, free and clear of any pledge, lien, encumbrance, security interest or other claim, and the issuance and sale of the Shares by the Company is not subject to preemptive or other similar rights arising by operation of law, under the organizational documents of the Company or under any agreement to which the Company or any Subsidiary is a party or otherwise; except as contemplated herein or as otherwise disclosed in the Registration Statement and the Prospectus, there are no contracts, agreements or understandings between the Company and any person or entity granting such person or entity the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company;

(x) the Shares have been registered pursuant to Section 12(b) of the Exchange Act and the Shares have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance;

(y) the Company has not taken, and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(z) neither the Company nor any of its affiliates is (i) required to register as a "broker" or "dealer" in accordance with the provisions of the Exchange Act or the Exchange Act Regulations, (ii) an affiliate of a broker or dealer or (iii) a person associated with a member of the NASD (within the meaning of Article I of the Bylaws of the NASD);

(aa) the Company has not relied upon the Representative or legal counsel for the Underwriters for any legal, tax or accounting advice in connection with the offering and sale of the Shares;

(bb) the form of certificate used to evidence the Common Shares complies in all material respects with all applicable statutory requirements, with any applicable requirements of the Articles of Amendment and Bylaws of the Company and the requirements of the New York Stock Exchange;

(cc) the Company and the Subsidiaries have good and marketable title in fee simple to all real property, and good title to all personal property, owned by them, in each case free and clear of all liens, security interests, pledges, charges, encumbrances, encroachments, restrictions, mortgages and other defects, except such as are disclosed in the Prospectus or such as do not materially and adversely affect the value of such property and do not interfere with the use made or proposed to be made of such property by the Company and the Subsidiaries; any real property, improvements, equipment and personal property held under lease by the Company or any

11

Subsidiary are held under valid, existing and enforceable leases, with such exceptions as are disclosed in the Prospectus or are not material and do not interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company or such Subsidiary; the Company or a Subsidiary has obtained an owner's or leasehold title insurance policy, from a title insurance company licensed to issue such policy, on any real property owned in fee or leased, as the case may be, by the Company or any Subsidiary, that insures the Company's or the Subsidiary's fee or leasehold interest, as the case may be, in such real property, which policies include only commercially reasonable exceptions, and with coverages in amounts at least equal to amounts that are generally deemed in the Company's industry to be commercially reasonable in the markets where the Company's properties are located, or a lender's title insurance policy insuring the lien of its mortgage securing the real property with coverage equal to the maximum aggregate principal amount of any indebtedness held by the Company or a Subsidiary and secured by the real property;

(dd) all real property owned or leased by the Company or any Subsidiary, including the Current Facilities, whether owned in fee simple or through a joint venture or other partnership, (each, a "Property" and collectively "Properties"), is free of any material structural defects and all building systems contained therein are in good working order in all material respects, subject to ordinary wear and tear or, in each instance, the Company or any Subsidiary, as the case may be, has created an adequate reserve to effect reasonably required repairs, maintenance and capital expenditures; water, storm water, sanitary sewer, electricity and telephone service are all available at the property lines of such property over duly dedicated streets or perpetual easements of record benefiting such property; except as described in the Prospectus, there is no pending or, to the knowledge of the Company, the Partnership or any Subsidiary, threatened special assessment, tax reduction proceeding or other action that could reasonably be expected to materially increase the real property taxes and assessments of any Property; the personal property (including, but not limited to furniture, equipment, bedding and towels) owned by the Company and its Subsidiaries immediately prior to the First Closing Date is adequate to enable the Company and its Subsidiaries to continue to conduct the operations of the Properties in the manner in which such operations have normally been conducted;

(ee) each of the properties listed in the Prospectus as a property with respect to which the Company or one of its Subsidiaries has a leasehold interest is the subject of a lease that has been duly and validly authorized, executed and delivered by or on behalf of the Company and the Partnership, and to the knowledge of the Company and the Partnership, by each of the other parties thereto and each such lease constitutes a valid and binding agreement of the parties thereto, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by general principles of equity;

(ff) the descriptions in the Registration Statement and the Prospectus of legal or governmental proceedings, contracts, leases and other legal documents are accurate and present fairly the information required to be shown, and there are no legal or governmental proceedings, contracts, leases, or other documents of a character required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required; all agreements between the Company or any of the Subsidiaries and third parties expressly referenced in the Registration Statement and the Prospectus are legal,

valid and binding obligations of the Company or one or more of the Subsidiaries, enforceable in accordance with their respective terms;

(gg) there are no real property interests or loans in respect of real property that any of the Company and the Subsidiaries directly or indirectly intends to acquire, lease, originate or underwrite or any contracts, letters of intent, term sheets, agreements, arrangements or understandings with respect to the direct or indirect acquisition, disposition, origination or underwriting by the Company or the Subsidiaries of interests in real property or loans in respect of real property that are required to be described in the Registration Statement or the Prospectus and are not so described;

(hh) the Company and each Subsidiary owns or possesses, adequate and sufficient licenses or other rights to use all patents, trademarks, service marks, trade names, copyrights, domain names, software and design licenses, approvals, trade secrets, manufacturing processes, other intangible property rights and know-how (collectively "Intellectual Property Rights") necessary to entitle the Company, the General Partner and each Subsidiary to conduct its business as described in the Prospectus, and the expected expiration of any of such Intellectual Property Rights would not result in a Material Adverse Change; neither the Company nor any Subsidiary has received notice of infringement of or conflict with (and the Company knows of no such infringement of or conflict with) asserted rights of others with respect to any Intellectual Property Rights; the Company nor any Subsidiary is a party to or bound by any options, licenses or agreements with respect to the Intellectual Property Rights of any other person or entity that are required to be set forth in the Prospectus and are not described in all material respects; none of the technology employed by the Company or any Subsidiary has been obtained or is being used by the Company or any Subsidiary in violation of any contractual obligation binding on the Company or any Subsidiary or, to the Company's and the Operating Partnership's knowledge, any of the officers, directors, managers, partners, directors or employees of the Company or any Subsidiary, or otherwise in violation of the rights of any persons;

(ii) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) which (i) are designed to ensure that material information relating to the Company, including the Subsidiaries, is made known to the Company's principal executive officer and principal financial officer by others within those entities, particularly during the preparation of the Registration Statement; (ii) have been evaluated for effectiveness as of each date of filing of the Registration Statement with the Commission; and (iii) are effective to ensure that information required to be disclosed by the Company in the Registration Statement is recorded, processed, summarized and reported in a manner that allows timely decisions regarding required disclosure;

(jj) the Company and each of the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that

13

receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements;

(kk) the Company is not aware of any (i) control deficiency, significant deficiency or material weakness in the design or operation of internal control over financial reporting which is reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information or (ii) fraud, whether or not material, that involves management or other employees of the Company who have a significant role in the Company's internal control over financial reporting;

(ll) each of the Company, the General Partner, and the Subsidiaries has filed on a timely basis all necessary federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof or have properly requested extensions thereof, and have paid all taxes shown as due thereon, and if due and payable, any related or similar assessment, fine or penalty levied against the Company, the General Partner, or any of the Subsidiaries; no tax deficiency has been asserted against any such entity, nor does the Company or any of the Subsidiaries know of any tax deficiency which is likely to be asserted against any such entity; all tax liabilities are adequately provided for on the respective books of such entities;

(mm) each of the Company and the Subsidiaries maintains insurance, issued by insurers of recognized financial responsibility, of the types and with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate for their respective businesses and consistent with insurance coverage maintained by similar companies in similar businesses, including, but not limited to, insurance covering real and personal property owned or leased by the Company and the Subsidiaries against theft, damage, destruction, environmental liabilities, acts of vandalism, terrorism, earthquakes, floods and all other risks customarily insured against, all of which insurance is in full force and effect; the Company has no reason to believe that it or any Subsidiary will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change; neither of the Company nor any Subsidiary has been denied any insurance coverage which it has sought or for which it has applied;

(nn) except as otherwise disclosed in the Prospectus, (i) none of the Operating Partnership, the Company, any of the Subsidiaries nor, to the best knowledge of the Operating Partnership and the Company, any other owners, tenants or proposed tenants of the Current Facilities or the Pending Acquisition Facilities at any time, used, handled, stored, treated, transported, manufactured, spilled, leaked, or discharged, dumped, transferred or otherwise disposed of or dealt with, Hazardous Materials (as defined below) on, in, under or affecting any real property currently leased or owned or by any means controlled by the Company or any of the Subsidiaries, or to be leased or owned or by any means to be controlled by the Company or any of the Subsidiaries, including any real property underlying any loan held by the Company or the Subsidiaries (collectively, the "Real Property"), except in connection with the ordinary use of residential, retail or commercial properties owned by the Operating Partnership; (ii) the Operating Partnership and the Company do not intend to use the Real Property or any

14

subsequently acquired properties for the purpose of using, handling, storing, treating, transporting, manufacturing, spilling, leaking, discharging, dumping, transferring or otherwise disposing of or dealing with Hazardous Materials other than in connection with the ordinary use of residential, retail or commercial properties owned by the Operating Partnership; (iii) there has not been and currently is no seepage, leak, discharge, release, emission, spill, or dumping of Hazardous Materials originating on, in or under the Real Property into waters on or adjacent to the Real Property, or onto lands from which Hazardous Materials might seep, flow or drain into such waters; (iv) none of the Operating Partnership, the Company, nor any of the other Subsidiaries has received any notice of, or has any knowledge of, any occurrence or circumstance which, with notice or passage of time or both, would give rise to a claim under or pursuant to any federal, state or local environmental statute or regulation or under common law, pertaining to Hazardous Materials on or originating from any of the Real Property or any assets described in the Prospectus (or, the most recent Preliminary Prospectus) or any other real property owned or occupied by any such party or arising out of the conduct of any such party, including without limitation a claim under or pursuant to any Environmental Statute; (v) the Real Property is not included or proposed for inclusion on the National Priorities List issued pursuant to CERCLA (as defined below) by the United States Environmental Protection Agency (the "EPA") or, to the best of the Operating Partnership's and the Company's knowledge, proposed for inclusion on any similar list or inventory issued pursuant to any other Environmental Statute or issued by any other Governmental Authority (as defined below); in the operation of the Company's and the Operating Partnership's businesses, the Company acquires before acquisition and conducts periodically an environmental assessment of the Real Property and, to the extent they become aware of (a) any condition that would reasonably be expected to result in liability associated with the presence or release of a Hazardous Material, or (b) any violation or potential violation of any Environmental Statute, the Company and the Operating Partnership take all commercially reasonable action necessary or advisable (including any capital improvements) for clean-up, closure or other compliance with such Environmental Statute;

As used herein, "Hazardous Material" shall include, without limitation, any flammable explosive, radioactive material, hazardous substance, hazardous

material, hazardous waste, toxic substance, asbestos or related material, as defined by any federal, state or local environmental law, ordinance, rule or regulation including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601-9675 ("CERCLA"), the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Sections 1801-1819, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Sections 6901-6992K, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Sections 11001-11050, the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2671, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Sections 136-136y, the Clean Air Act, 42 U.S.C. Sections 7401-7642, the Clean Water Act (Federal Water Pollution Control Act), 33 U.S.C. Sections 1251-1387, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j-26, and the Occupational Safety and Health Act, 29 U.S.C. Sections 651-678, as any of the above statutes may be amended from time to time, and in the regulations promulgated pursuant to each of the foregoing (individually, an "Environmental Statute") or by any federal, state or local governmental authority having or claiming jurisdiction over the properties and assets described in the Prospectus (a "Governmental Authority");

15

(oo) there are no costs or liabilities associated with any Environmental Statute (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with any Environmental Statute or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, individually or in the aggregate, have a Material Adverse Effect;

(pp) none of the entities which prepared appraisals of the Real Property, nor the entities which prepared Phase I or other environmental assessments with respect to the Real Property, was employed for such purpose on a contingent basis or has any substantial interest in the Company or any of the Subsidiaries, and none of their directors, officers or employees is connected with the Company or any of the Subsidiaries as a promoter, selling agent, director, officer, director or employee;

(qq) neither the Company nor any Subsidiary is in violation of or has received notice of any violation with respect to any federal or state law, rule or regulation, including without limitation any federal or state law relating to discrimination in the hiring, termination, promotion, terms or conditions of employment or pay of employees, nor any applicable federal or state wages and hours law, nor any state law precluding the denial of credit due to the neighborhood in which a property is situated, the violation of any of which could have a Material Adverse Effect;

(rr) the Company, the Subsidiaries and their "ERISA Affiliates" (as defined below) and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company, the Subsidiaries or their ERISA Affiliates or to which the Company, the Subsidiaries or their ERISA Affiliates contribute or are required to contribute are in compliance in all material respects with ERISA; "ERISA Affiliate" means any trade or business, whether or not incorporated, which with the Company or a Subsidiary is treated as a single employer under Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder and the corresponding provisions of state income tax codes (the "Code"); no such employee benefit plan is subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA; all contributions required to have been made under each such employee benefit plan have been made on a timely basis; there has been no "prohibited transaction" (as defined in Section 4975 of the Code or Section 406 or 407 of ERISA) for which the Company, the Subsidiaries or their ERISA Affiliates have any liability; each such employee benefit plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification;

(ss) neither the Company nor any of the Subsidiaries nor any officer, director, manager or director purporting to act on behalf of the Company or any of the Subsidiaries has at any time (i) made any contributions to any candidate for political office, or failed to disclose fully any such contributions, in

violation of law, (ii) made any payment to any state, federal or foreign governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or allowed by applicable law, (iii) made any payment outside the ordinary course of business to any investment officer or loan broker or person charged with similar duties of any entity to which the Company or any of the Subsidiaries sells or from which the Company or any of the Subsidiaries buys loans or servicing arrangements for

16

the purpose of influencing such agent, officer, broker or person to buy loans or servicing arrangements from or sell loans to the Company or any of the Subsidiaries, or (iv) engaged in any transactions, maintained any bank account or used any corporate funds except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Company and the Subsidiaries;

(tt) there are no material outstanding loans or advances or material guarantees of indebtedness by the Company or any of the Subsidiaries to or for the benefit of any of the officers, directors, managers or directors of the Company or any of the Subsidiaries or any of the members of the families of any of them;

(uu) there is and has been no failure on the part of the Company or any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act, including Section 402 related to loans and Sections 302 and 906 related to certifications;

(vv) neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its Subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the FCPA, including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company, its Subsidiaries, and to the knowledge of the Company, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith. "FCPA" means Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder;

(ww) the operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened;

(xx) neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of

17

financing the activities of any person currently subject to any U.S. sanctions

administered by OFAC;

(yy) except as disclosed in the Registration Statement and the Prospectus, the Company (i) does not have any material lending or other relationship with any bank or lending affiliate of any Underwriter and (ii) does not intend to use any of the proceeds from the sale of the Shares hereunder to repay any outstanding debt owed to any affiliate of any Underwriter;

(zz) neither the Company nor any of the Subsidiaries nor, to the best knowledge of the Company or the Operating Partnership, any officer, director, employee or agent of the Company or any of the Subsidiaries, has made any payment of funds of the Company or of any Subsidiary or received or retained any funds in violation of any law, rule or regulation or of a character required to be disclosed in the Prospectus and which has not been properly described therein;

(aaa) all securities issued by the Company, any of the Subsidiaries or any trusts established by the Company or any Subsidiary, have been issued and sold in compliance with (i) all applicable federal and state securities laws, (ii) the laws of the applicable jurisdiction of incorporation of the issuing entity and, (iii) to the extent applicable to the issuing entity, the requirements of the New York Stock Exchange;

(bbb) none of the Operating Partnership, the Company nor any Subsidiary knows of any violation of any municipal, state or federal law, rule or regulation (including those pertaining to environmental matters) concerning any real property owned in fee simple or leased by the Company or the Subsidiaries as of the date of this Agreement including the Current Facilities or the Pending Acquisition Facilities (collectively, for purposes of this subsection only, the "Properties") or any part thereof which could have a Material Adverse Effect; the Company has disclosed in the Prospectus with an adequate amount of detail all options and rights of first refusal to purchase all or part of any Property or any interest therein; each of the Properties complies with all applicable zoning laws, ordinances, regulations and deed restrictions or other covenants in all material respects and, if and to the extent there is a failure to comply, such failure does not materially impair the value of any of the Properties and will not result in a forfeiture or reversion of title; none of the Operating Partnership, the Company nor any Subsidiary has received from any governmental authority any written notice of any condemnation of or zoning change affecting the Properties or any part thereof, and none of the Operating Partnership, the Company nor any Subsidiary knows of any such condemnation or zoning change which is threatened and which if consummated could have a Material Adverse Effect; all liens, charges, encumbrances, claims, or restrictions on or affecting the properties and assets (including the Properties) of the Operating Partnership or any of the Subsidiaries that are required to be described in the Prospectus (or, the most recent Preliminary Prospectus) are disclosed therein; no lessee of any portion of any of the Properties is in default under any of the leases governing such properties and there is no event which, but for the passage of time or the giving of notice or both would constitute a default under any of such leases, except such defaults that could not have a Material Adverse Effect; and no tenant under any lease pursuant to which the Operating Partnership or any of the Subsidiaries leases the Properties has an option or right of first refusal to purchase the premises leased thereunder or the building of which such premises are a part, except as such options or rights of first refusal which, if exercised, could not have a Material Adverse Effect;

(ccc) each healthcare facility of the Company described in the Prospectus is accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"). To the Company's best knowledge, there are no known deficiencies currently in existence that would preclude any of the Current Facilities' or the Pending Acquisition Facilities unconditional accreditation by the JCAHO. The facilities, equipment, staffing and operation of each Current Facility and Pending Acquisition Facility satisfy, without exception, the applicable general hospital licensing requirements and a new license should issue to each tenant if resurveyed. No notice or warning from any authority with respect to the suspension, revocation or termination of any license, permit, order, approval, authorization or accreditation required of the Company, any tenant of the Company, any Current Facility or Pending Acquisition/Facility owned or leased by the Company has been issued or given. The Company has no

knowledge of the proposed or threatened issuances of any such notice or warning;

(ddd) the mortgages and deeds of trust encumbering the real property owned by the Company and its Subsidiaries are not convertible nor will the Company or the Partnership hold a participating interest therein and such mortgages and deeds of trust are not cross-defaulted or cross-collateralized to any property not to be owned directly or indirectly by the Company or the Partnership;

(eee) in connection with this offering, the Company has not offered and will not offer its Common Shares or any other securities convertible into or exchangeable or exercisable for Common Shares in a manner in violation of the Securities Act; the Company has not distributed and will not distribute any prospectus or other offering material, other than the Preliminary Prospectus and the Prospectus, in connection with the offer and sale of the Shares;

(fff) the Company has complied and will comply with all the provisions of Florida Statutes, Section 517.075 (Chapter 92-198, Laws of Florida); neither the Company nor any of the Subsidiaries or affiliates does business with the government of Cuba or with any person or affiliate located in Cuba;

(ggg) except as otherwise disclosed in the Prospectus, the Company has not incurred any liability for any broker's or finder's fees or similar payments in connection with the transactions herein contemplated;

(hhh) no business relationship, direct or indirect, exists between or among the Company or any of the Subsidiaries on the one hand, and the directors, officers, directors, managers, shareholders, partners, customers or suppliers of the Company or any of the Subsidiaries on the other hand, that is required by the Securities Act and the Securities Act Regulations to be described in the Registration Statement and the Prospectus and which is not so described;

(iii) the board of directors of the Company has determined that each of the directors of the Company described as an "Independent Director" in the Prospectus is "independent" in accordance with the rules and regulations of the New York Stock Exchange;

(jjj) neither the Company nor any of the Subsidiaries is and, after giving effect to the offering and sale of the Shares, will not be an "investment company" or an entity "controlled" by

19

an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(kkk) there are no existing or, to the knowledge of the Company or the Operating Partnership, threatened labor disputes with the employees of the Company or any of the Subsidiaries which are likely to have individually or in the aggregate a Material Adverse Effect;

(lll) no consent, approval, authorization or order of, or qualification with, any governmental body or agency, other than those obtained, is required in connection with the offering of the Directed Shares in any jurisdiction where the Directed Shares are being offered; the Company has not offered, or caused the Representative to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products;

(mmm) the statistical and market related data included in the Prospectus and the Registration Statement are based on or derived from sources that the Company believes to be reliable and accurate;

(nnn) the Company has qualified to be taxed as a real estate investment trust pursuant to Sections 856 through 860 of the Code for its taxable year ended December 31, 2004, and its current and proposed method of operation as described in the Prospectus will enable the Company to continue to meet the requirements for qualification and taxation as a real estate investment trust under the Code for its taxable year ending December 31, 2005 and

thereafter; the Company intends to continue to qualify as a real estate investment trust under the Code this year and for all subsequent years, and the Company does not know of any event that would cause or is likely to cause the Company to fail to qualify as a real estate investment trust under the Code at any time;

(ooo) the factual description of, and the assumptions and representations regarding, the Company's organization and actual and proposed method of operation set forth in the Prospectus under the heading "Federal Income Tax Consequences Of Our Status As A REIT" are accurate and present fairly the matters referred to therein;

(ppp) the conduct of business by the Company and the Subsidiaries as presently and proposed to be conducted is not subject to continuing oversight, supervision, regulation or examination by any governmental official or body of the United States or any other jurisdiction wherein the Company or the Subsidiaries conducts or proposes to conduct such business, except as described in the Prospectus and except such regulation as is applicable to commercial enterprises generally;

(qqq) the pro forma financial data included in the Prospectus have been properly compiled on the pro forma basis described therein and are based upon good faith estimates and assumptions believed by the Company and the Operating Partnership to be reasonable;

(rrr) neither the Company, any of its Subsidiaries, nor any Real Property owned, directly or indirectly, by the Company has sustained, since the Company's inception, any loss or

20

interference with its business from fire, explosion, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or arbitrators' or court or governmental action, order or decree that would, individually or in the aggregate, have a Material Adverse Effect, otherwise than as set forth in the Prospectus;

(sss) No Subsidiary is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock or other equity interests, from repaying to the Company any loans or advances to such Subsidiary from the Company or, except as described in the Prospectus, from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary; and

(ttt) any certificate signed by any officer of the Company or any Subsidiary delivered to the Representative or to legal counsel for the Underwriters pursuant to or in connection with this Agreement shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

Each Selling Stockholder severally and not jointly represents and warrants to the Underwriters that:

(a) such Selling Stockholder has full legal power and authority to enter into this Agreement; this Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms;

(b) such Selling Stockholder has full legal power and authority to enter into each of the Custody Agreement and the Power of Attorney; the Custody Agreement and the Power of Attorney of such Selling Stockholder has been duly authorized, executed and delivered by such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, and is enforceable against such Selling Stockholder in accordance with the terms thereof;

(c) certificates, or book entries, in negotiable form for the Shares to be sold hereunder by such Selling Stockholder have been placed in custody under and may be transferred under the Custody Agreement and the Power of Attorney for such Selling Stockholder; such Selling Stockholder agrees that the Shares represented by the certificates held in custody for him or it under the Custody Agreement are for the benefit of and coupled with and subject to the interest hereunder of the Custodian, the Committee, the Underwriters, each other

Selling Stockholder and the Company; and that the Power of Attorney, the arrangements made by such Selling Stockholder for such custody and the appointment of the Custodian and the Committee by such Selling Stockholder are irrevocable; and that the obligations of such Selling Stockholder hereunder shall not be terminated by operation of law, whether by the death, disability, incapacity or liquidation of any Selling Stockholder or the occurrence of any other event; if any Selling Stockholder should die, become disabled or incapacitated or be liquidated or if any other such event should occur before the delivery of the Shares hereunder; certificates for the Shares shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement and actions taken by the Committee and the Custodian pursuant to the Custody Agreement and the Power of Attorney shall be as valid as if such death, liquidation, incapacity or

21

other event had not occurred, regardless of whether or not the Custodian or the Committee, or either of them, shall have received notice thereof;

(d) such Selling Stockholder now has, and before the First Closing Date or the applicable Option Closing Date will have, (i) good and marketable title to the Shares to be sold by such Selling Stockholder hereunder, free and clear of all liens, encumbrances and claims whatsoever (other than pursuant to the Custody Agreement and the Power of Attorney), and (ii) full legal right and power, and all authorizations and approvals required by law and under its organizational documents, if applicable, to enter into this Agreement and the Custody Agreement and the Power of Attorney, to sell, transfer and deliver such Shares to the Underwriters hereunder and to make the representations, warranties and agreements made by such Selling Stockholder herein; upon the delivery of and payment for such Shares hereunder, such Selling Stockholder will deliver good, valid and marketable title thereto, free and clear of any pledge, lien, mortgage, encumbrance, security interest or other claim;

(e) before the First Closing Date or the applicable Option Closing Date, all stock transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Shares to be sold by such Selling Stockholder to the Underwriters hereunder will have been fully paid or provided for by such Selling Stockholder and all laws imposing such taxes will have been fully complied with;

(f) the execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement, the Custody Agreement and the Power of Attorney will not contravene or conflict with, result in a breach of, or constitute a default under (nor constitute any event which with notice, lapse of time, or both would constitute a breach of, or default under), or require the consent of any other party to, (i) any provision of the organizational documents of such Selling Stockholder, if applicable, or any other agreement or instrument to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit, (ii) any provision of applicable law or any judgment, order, decree or regulation applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder, or (iii) any provision of any license, indenture, mortgage, deed of trust, loan or credit agreement or other agreement or instrument to which the Selling Stockholder is a party or by which it or its properties may be bound or affected, or under any federal, state, local or foreign law, regulation or rule or any decree, judgment or order applicable to the Selling Stockholder; or result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Selling Stockholder;

(g) no approval, authorization, consent or order of, or registration or filing with any federal, state or local governmental or regulatory commission, board, body, authority or agency is required for the Selling Stockholder's execution, delivery and performance of this Agreement, its consummation of the transactions contemplated herein, and its sale and delivery of the Shares, other than (i) such as have been obtained, or will have been obtained before the First Closing Date or the applicable Option Closing Date, as the case may be, under the Securities Act and the Exchange Act, and from the NASD, (ii) such approvals as have been obtained in connection with the approval of the listing of the Shares on the New York Stock Exchange and (iii) any necessary

qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters;

(h) such Selling Stockholder (i) has carefully reviewed the representations and warranties of the Company contained in this Agreement and has no reason to believe that such representations and warranties are untrue or incorrect; (ii) is familiar with the Registration Statement and the Prospectus and has no knowledge of any material fact, condition or information not disclosed in the Registration Statement or the Prospectus which has had or may have a Material Adverse Effect and (iii) is not prompted to sell Shares by any information concerning the Company which is not set forth in the Registration Statement or the Prospectus;

(i) all material information with respect to such Selling Stockholder contained in the Registration Statement and the Prospectus (as amended or supplemented, if the Company shall have filed with the Commission any amendment or supplement thereto) complied and will comply in all material respects with all applicable provisions of the Securities Act and the Securities Act Regulations, contains and will contain all statements of material fact required to be stated therein in accordance with the Securities Act and the Securities Act Regulations, and does not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; such Selling Stockholder confirms as accurate the number of shares of Common Shares set forth opposite such Selling Stockholder's name in the Prospectus under the caption "Principal and Selling Stockholders" (both prior to and after giving effect to the sale of the Shares);

(j) other than as permitted by the Securities Act and the Securities Act Regulations, such Selling Stockholder has not distributed and will not distribute any Preliminary Prospectus, the Prospectus or any other offering material in connection with the offering and sale of the Shares; such Selling Stockholder has not taken, directly or indirectly, any action intended, or which might reasonably be expected, to cause or result in, under the Securities Act, the Securities Act Regulations or otherwise, or which has constituted, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(k) such Selling Stockholder has not relied upon the Representative or legal counsel for the Underwriters for any legal, tax or accounting advice in connection with the offering and sale of the Shares;

(l) such Selling Stockholder does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as are described in the Prospectus under "Shares Eligible for Future Sale;"

(m) no consent, approval or waiver is required under any instrument or agreement to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit, in connection with the offering, sale or purchase by the Underwriters of any of the Shares which may be sold by such Selling Stockholder under this Agreement or the consummation by such Selling Stockholder of any of the other transactions contemplated hereby;

(n) such Selling Stockholder does not have any preemptive right, co-sale right or right of first refusal or other similar right to purchase any of the Shares that are to be sold by the Company or any of the other Selling Stockholders to the Underwriters pursuant to this Agreement; and such Selling Stockholder does not own any warrants, options or similar rights to acquire, and does not have any right or arrangement to acquire, any capital stock, right, warrants, options or other securities from the Company, other than those described in the Registration Statement and the Prospectus;

(o) except as otherwise disclosed to the Underwriters in writing, such Selling Stockholder nor any of its affiliates is (i) required to register as a "broker" or "dealer" in accordance with the provisions of the Exchange Act or the Exchange Act Regulations, (ii) an affiliate of a broker or dealer or (iii) a member or a person associated with a member of the NASD (within the meaning of Article I of the Bylaws of the NASD);

(p) such Selling Stockholder purchased the Shares in the ordinary course of its business; and

(q) at the time of the purchase of the Shares, such Selling Stockholder had no arrangement or understanding, directly or indirectly, with any person, or any intent, to distribute the Shares.

4. Certain Covenants:

The Company and the Operating Partnership hereby agree with each Underwriter:

(a) that the Company shall cooperate with the Representative and legal counsel for the Underwriters and furnish such information as may be required to qualify or register the Shares for sale under (or obtain exemptions from the application of) the state securities or blue sky laws or Canadian provincial Securities laws or other foreign laws of those jurisdictions designated by the Representative, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Shares; provided that the Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation; and that the Company shall use its best efforts to prevent the suspension of the qualification or registration of (or any such exemption relating to) the Shares for offering, sale or trading in any jurisdiction and will advise the Representative promptly of such suspension or any initiation or threat of any proceeding for any such purpose; and that, in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment;

(b) that if, at the time this Agreement is executed and delivered, it is necessary for a post-effective amendment to the Registration Statement to be declared effective before the offering of the Shares may commence, the Company will use its best efforts to cause such post-effective amendment to become effective as soon as possible;

(c) to prepare the Prospectus in a form approved by the Underwriters and file such Prospectus (or a term sheet as permitted by Rule 434) with the Commission pursuant to Rule

24

424(b) under the Securities Act not later than 10:00 a.m. (New York City time), on the day following the execution and delivery of this Agreement or on such other day as the parties may mutually agree and to furnish promptly and with respect to the initial delivery of such Prospectus, not later than 10:00 a.m. (New York City time) on the day following the execution and delivery of this Agreement, or on such other day as the parties may mutually agree, to the Underwriters copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto after the effective date of the Registration Statement) in such quantities and at such locations as the Underwriters may reasonably request for the purposes contemplated by the Securities Act Regulations, which Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the version transmitted to the Commission for filing via EDGAR, except to the extent permitted by Regulation S-T;

(d) to advise the Representative promptly and (if requested by the Representative) to confirm such advice in writing, when any post-effective amendment to the Registration Statement becomes effective under the Securities Act Regulations;

(e) that, after the date of this Agreement, the Company shall promptly advise the Representative in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing the Common Shares from the New York Stock Exchange, or of the threatening or initiation of any proceedings for any of such purposes; and that the Company shall use its best efforts to prevent the issuance of any such order or suspension, removal or termination from listing, and, if the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment; the Company shall advise the Representative promptly of any proposal to amend or supplement the Registration Statement or Prospectus and to file no such amendment or supplement to which the Representative shall reasonably object; additionally, the Company agrees that it shall comply with the provisions of Rules 424(b), 430A and 434, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) were received in a timely manner by the Commission;

(f) to furnish to the Underwriters for a period of five years from the date of this Agreement (i) as soon as available, copies of all annual, quarterly and current reports or other communications supplied to holders of Common Shares, (ii) as soon as practicable after the filing thereof, copies of all reports filed by the Company with the Commission, the NASD or any securities exchange and (iii) such other information as the Underwriters may reasonably request regarding the Company and the Subsidiaries;

(g) to advise the Underwriters promptly of the happening of any event known to the Company within the time during which a Prospectus relating to the Shares is required to be

25

delivered under the Securities Act Regulations which, in the judgment of the Company or in the reasonable opinion of the Representative or legal counsel for the Underwriters, would require the making of any change in the Prospectus then being used so that the Prospectus would not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend or supplement the Prospectus to comply with any law and, during such time, to promptly prepare and furnish to the Underwriters copies of the proposed amendment or supplement before filing any such amendment or supplement with the Commission and thereafter promptly furnish at the Company's own expense to the Underwriters and to dealers, copies in such quantities and at such locations as the Representative may from time to time reasonably request of an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus, as amended or supplemented, will comply with the law;

(h) to file promptly with the Commission any amendment to the Registration Statement or the Prospectus or any supplement to the Prospectus that may, in the judgment of the Company or the Representative, be required by the Securities Act or requested by the Commission;

(i) that, prior to filing with the Commission any amendment to the Registration Statement or supplement or amendment to the Prospectus or any Prospectus pursuant to Rule 424 under the Securities Act, the Company shall furnish to the Representative and counsel for the Underwriters for review a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which the Representative reasonably object;

(j) to furnish promptly to each Representative a signed copy of the Registration Statement, as initially filed with the Commission, and of all

amendments or supplements thereto (including all exhibits filed therewith or incorporated by reference therein) and such number of conformed copies of the foregoing as the Representative may reasonably request;

(k) to furnish to each Representative, not less than two business days before filing with the Commission subsequent to the effective date of the Prospectus and during the period referred to in paragraph (f) above, a copy of any document proposed to be filed with the Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act and during such period to file all such documents in the manner and within the time periods required by the Exchange Act, the Exchange Act Regulations and the Sarbanes-Oxley Act;

(l) to apply the net proceeds from the sale of the Shares in the manner described under the caption "Use of Proceeds" in the Prospectus;

(m) to make generally available to its security holders and to deliver to the Representative as soon as practicable, but in any event not later than the end of the fiscal quarter first occurring after the first anniversary of the effective date of the Registration Statement an earnings statement complying with the provisions of Section 11(a) of the Securities Act (in form, at the option of the Company, complying with the provisions of Rule 158 of the Securities Act

26

Regulations,) covering a period of 12 months beginning after the effective date of the Registration Statement;

(n) to use its best efforts to maintain the listing of the Shares on, and comply at all times with the published rules and regulations of, the New York Stock Exchange and to file with the New York Stock Exchange all documents and notices required by the New York Stock Exchange of companies that have securities for which quotations are reported by the New York Stock Exchange;

(o) to engage and maintain, at its expense, a registrar and transfer agent for the Shares;

(p) to refrain during a period of 180 days from the date of the Prospectus, without the prior written consent of the Representative (which consent may be withheld at the sole discretion of the Representative), from, directly or indirectly, (i) offering, pledging, selling, contracting to sell, selling any option or contract to purchase, purchasing any option or contract to sell, granting any option for the sale of, establishing an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise disposing of or transferring, (or entering into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of), any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares, or filing any registration statement under the Securities Act with respect to any of the foregoing, or (ii) entering into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Shares, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise; provided, however, that the Company may issue its Common Shares or options to purchase its Common Shares, or Common Shares upon exercise of options, pursuant to any stock option, stock bonus or other stock plan or arrangement described in the Prospectus, but only if the holders of such shares, options, or shares issued upon exercise of such options, agree in writing not to sell, offer, dispose of or otherwise transfer any such shares or options during such 180 day period without the prior written consent of the Representative (which consent may be withheld at the sole discretion of the Representative). Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions imposed by this Agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event;

(q) not to, and to use its best efforts to cause its officers,

directors, partners and affiliates, as applicable, not to, (i) take, directly or indirectly prior to termination of the underwriting syndicate contemplated by this Agreement, any action designed to stabilize or manipulate the price of any security of the Company, or which may cause or result in, or which might in the future reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of any of the Shares, (ii) sell, bid for, purchase or pay anyone any compensation for soliciting purchases of the Shares

27

or (iii) pay or agree to pay to any person any compensation for soliciting any order to purchase any other securities of the Company;

(r) (i) to cause each 1% or greater stockholder, officer and director of the Company to furnish to the Representative, prior to the First Closing Date, a letter agreement substantially in the form of Exhibit B hereto, pursuant to which each such person shall agree not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Common Shares or securities convertible into or exchangeable for Common Shares or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such Common Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Shares or other securities, in cash or otherwise, in each case for a period of 180 days from the date of the Prospectus, without the prior written consent of the Representative on behalf of the Underwriters; to enforce all existing agreements between the Company and any of its security holders that prohibit the sale, transfer, assignment, pledge or hypothecation of any of the Company's securities in connection with the Company's April 2004 private placement; to direct the transfer agent to place stop transfer restrictions upon any such securities of the Company that are bound by such existing "lock-up" agreements for the duration of the periods contemplated in such agreements. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions imposed by this Agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event;

(s) that during the time which a Prospectus relating to the Shares is required to be delivered under the Securities Act Regulations, the Company shall file, on a timely basis, with the Commission and the New York Stock Exchange] all reports and documents in the manner required by the Exchange Act, the Exchange Act Regulations and the Sarbanes-Oxley Act; additionally, the Company shall report the use of proceeds from the issuance of the Shares as may be required under Rule 463 under the Securities Act;

(t) if at any time during the 90-day period after the Registration Statement becomes effective any rumor, publication or event relating to or affecting the Company shall occur as a result of which, in the reasonable opinion of the Representative, the market price of the Common Shares has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Prospectus) and after written notice from the Representative advising the Company to the effect set forth above, to forthwith prepare, consult with the Representative concerning the substance of, and disseminate a press release or other public statement, reasonably satisfactory to the Representative, responding to or commenting on such rumor, publication or event;

(u) that the Company will comply with all of the provisions of any undertakings in the Registration Statement;

28

(v) that the Company will continue to meet the requirements to qualify as a REIT under the Code;

(w) that the Company shall not invest, or otherwise use the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company or any of its Subsidiaries to register as an investment company under the Investment Company Act; and

(x) that, in connection with the Directed Share Program, the Company will ensure that the Directed Shares will be restricted to the extent required by the NASD or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement; that the Representative will notify the Company as to which participants will need to be so restricted; and that the Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time; and that, should the Company release, or seek to release, from such restrictions any of the Directed Shares, the Company agrees to reimburse the Underwriters for any reasonable expenses (including, without limitation, legal expenses) they incur in connection with such release.

Each Selling Stockholder hereby agrees with each Underwriter:

(y) to deliver to the Representative prior to the First Closing Date a properly completed and executed United States Treasury Department Form W-8 (if the Selling Stockholder is a non-United States person, within the meaning of the Code) or Form W-9 (if the Selling Stockholder is a United States person, within the meaning of the Code).

(z) to furnish to the Representative, prior to the First Closing Date, a lock-up agreement, substantially in the form of Exhibit B hereto.

(aa) if, at any time prior to the date on which the distribution of the Shares as contemplated herein and in the Prospectus has been completed, as determined by the Representative, such Selling Stockholder has knowledge of the occurrence of any event as a result of which the Prospectus or the Registration Statement, in each case as then amended or supplemented, would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, that such Selling Stockholder will promptly notify the Company and the Representative.

(bb) to deliver to the Company or the Underwriters such documentation as the Company or the Underwriters or any of their respective counsel may reasonably request in order to effectuate any of the provisions of this Agreement.

(cc) to refrain during a period of 60 days from the date of the Prospectus, without the prior written consent of the Representative (which consent may be withheld at the sole discretion of the Representative), from, directly or indirectly, (i) offering, pledging, selling, contracting to sell, selling any option or contract to purchase, purchasing any option or contract to sell, granting any option for the sale of, establishing an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise disposing of or transferring (or entering into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of), any Common Shares or any securities convertible

into or exercisable or exchangeable for Common Shares, or requesting the filing of any registration statement under the Securities Act with respect to any of the foregoing (provided that the Company may file a registration statement solely for the resale of Common Shares), or (ii) entering into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Shares, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise; provided, however, that such Selling Stockholder may sell the Shares contemplated to be sold pursuant to this Agreement. Notwithstanding the foregoing, if (1) during the last 17 days of the 60-day restricted period, the

Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 60-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 60-day period, the restrictions imposed by this Agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

5. Payment of Expenses:

(a) The Company agrees to pay all costs and expenses incident to the performance of its obligations under this Agreement, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, including expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), each Preliminary Prospectus, the Prospectus, and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (ii) the preparation, issuance and delivery of the certificates for the Shares to the Underwriters, including any stock or other transfer taxes or duties payable upon the sale of the Shares to the Underwriters, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) the printing of this Agreement and any dealer agreements and furnishing of copies of each to the Underwriters and to dealers (including costs of mailing and shipment), (vi) the qualification of the Shares for offering and sale under state laws that the Company and the Representative have mutually agreed are appropriate and the determination of their eligibility for investment under state law as aforesaid (including the legal fees and filing fees and other disbursements of counsel for the Underwriters assuming that the Common Shares are approved for listing on the New York Stock Exchange and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Underwriters and to dealers, (vii) filing for review of the public offering of the Shares by the NASD (including the legal fees and filing fees and other disbursements of counsel for the Underwriters relating thereto), (viii) the fees and expenses of any transfer agent or registrar for the Shares and miscellaneous expenses referred to in the Registration Statement, (ix) the fees and expenses incurred in connection with the inclusion of the Shares for trading on the New York Stock Exchange, (x) all costs and expenses incident to the travel and accommodation of the Company's employees in making road show presentations with respect to the offering of the Shares, (xi) preparing and distributing bound volumes of transaction documents for the Representative and its legal counsel and (xii) the performance of

30

the Company's other obligations hereunder. Upon the request of the Representative, the Company will provide funds in advance for filing fees.

(b) The Selling Stockholders agree with each Underwriter to pay (directly or by reimbursement) all fees and expenses incident to the performance of their obligations under this Agreement which are not otherwise specifically provided for herein, including, but not limited to, (i) fees and expenses of counsel and other advisors for such Selling Stockholders, (ii) fees and expenses of the Custodian and (iii) expenses and taxes incident to the sale and delivery of the Shares to be sold by such Selling Stockholder to the Underwriters hereunder (which taxes, if any, may be deducted by the Custodian).

(c) If this Agreement shall be terminated by the Underwriters, or any of them, pursuant to Section 7 hereof, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (such as printing, facsimile, courier service, accommodations, travel and the fees and disbursements of Underwriters' counsel) and any other advisors, accountants, appraisers, etc. reasonably incurred by such Underwriters in connection with this Agreement or the transactions contemplated herein.

6. Conditions of the Underwriters' Obligations:

(a) The obligations of the Underwriters hereunder to purchase Shares

on the First Closing Date or on each Option Closing Date, as applicable, are subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders hereunder and under the Custody Agreement and the Power of Attorney on the date hereof and on the First Closing Date and on each Option Closing Date, as applicable, the performance by the Company and the Selling Stockholders of their respective covenants and other obligations hereunder and under the Custody Agreement and the Power of Attorney and to the satisfaction of the following further conditions at the First Closing Date or on each Option Closing Date, as applicable:

(b) The Company shall furnish to the Underwriters on the First Closing Date and on each Option Closing Date an opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, counsel for the Company and the Subsidiaries, in substantially the form attached hereto as Exhibit D and addressed to the Underwriters and dated the First Closing Date and each Option Closing Date, as applicable, and the final form and substance of each such opinion shall be satisfactory to Hunton & Williams, counsel for the Underwriters.

(c) Each Selling Stockholder shall furnish to the Underwriters at the First Closing Date and on each Option Closing Date an opinion of counsel for the Selling Stockholders, in substantially the form attached hereto as Exhibit E, addressed to the Underwriters and dated the First Closing Date and each Option Closing Date, as applicable, the form and substance of which shall be satisfactory to Hunton & Williams LLP.

(d) The Underwriters shall have received from KPMG LLP, letters dated, respectively, as of the date of this Agreement, the First Closing Date and each Option Closing Date, as the case may be, addressed to the Underwriters, in form and substance satisfactory to the

31

Representative and counsel for the Underwriters, containing statements to the effect that they are independent accountants with respect to the Company within the meaning of Rule 101 of the AICPA's Code of Professional Conduct, and statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement and the Prospectus (and the Representative shall have received an additional six conformed copies of such accountants' letter for each of the several Underwriters);

In the event that the letters referred to above set forth any changes in indebtedness, decreases in total assets or retained earnings or increases in borrowings, it shall be a further condition to the obligations of the Underwriters that (A) such letters shall be accompanied by a written explanation of the Company as to the significance thereof, unless the Representative and counsel for the Underwriters deem such explanation unnecessary, and (B) such changes, decreases or increases do not, in the sole judgment of the Representative and counsel for the Underwriters, make it impractical or inadvisable to proceed with the purchase and delivery of the Shares as contemplated by the Registration Statement.

(e) At the First Closing Date and each Option Closing Date, the Representative shall have received from KPMG LLP, independent public or certified public accountants for the Company, a letter dated such date, in form and substance satisfactory to the Representative and counsel for the Underwriters, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to subsection (d) of this Section 6, except that the specified date referred to therein for the carrying out of procedures shall be no more than two business days prior to the First Closing Date or Option Closing Date, as the case may be (and the Representative shall have received an additional six conformed copies of such accountants' letter for each of the several Underwriters).

(f) The Representative shall have received at the First Closing Date and on each Option Closing Date, as applicable, the favorable opinion of Hunton & Williams LLP, dated the First Closing Date or such Option Closing Date, addressed to the Underwriters and in form and substance satisfactory to the Representative.

(g) No amendment or supplement to the Registration Statement or Prospectus shall have been filed to which the Underwriters shall have objected in writing.

(h) Prior to the First Closing Date and each Option Closing Date (i) no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment to the Registration Statement or any order preventing or suspending the use of any Preliminary Prospectus or Prospectus has been issued or is in effect, and no proceedings for such purpose shall have been initiated or threatened, by the Commission, and no suspension of the qualification of the Shares for offering or sale in any jurisdiction, or the initiation or threatening of any proceedings for any of such purposes, has occurred; (ii) all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representative and counsel to the Underwriters; and (iii) the Registration Statement and the Prospectus shall not contain an untrue statement of a material fact or omit to

32

state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) Prior to the First Closing Date and each Option Closing Date, the Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective; or, if the Company elected to rely upon Rule 434 under the Securities Act and obtained the Representative's consent thereto, the Company shall have filed a term sheet with the Commission in the manner and within the time period required by such Rule 424(b).

(j) Between the time of execution of this Agreement and the First Closing Date or the relevant Option Closing Date there shall not have been any Material Adverse Change, and (ii) no transaction which is material and unfavorable to the Company shall have been entered into by the Company or any of the Subsidiaries, in each case, which in the Representative's sole judgment, makes it impracticable or inadvisable to proceed with the public offering of the Shares as contemplated by the Registration Statement.

(k) The Shares shall have been approved for listing on the New York Stock Exchange.

(l) The NASD shall not have raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(m) The Representative shall have received lock-up agreements from each 1% shareholder and each officer and director of the Company substantially in the form of Exhibit B attached hereto, and such lock-up agreements shall be in full force and effect.

(n) The Representative shall have received, at the First Closing Date and on each Option Closing Date, a certificate of duly authorized officers of the Company and the Operating Partnership, dated as of such First Closing Date or Option Closing Date, to the effect that the signers of such certificates have carefully examined the Prospectus, any amendment or supplement to the Prospectus and this Agreement, and that:

(i) the representations and warranties of the Company and the Operating Partnership in this Agreement are true and correct, as if made on and as of the date hereof, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date hereof;

(ii) no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued and no proceedings for that purpose have been instituted or are pending or threatened under the

(iii) when the Registration Statement became effective and at all times subsequent thereto up to the date hereof, the Registration Statement and the Prospectus, and any amendments or supplements thereto contained all material information required to be included therein by the Securities Act or the Exchange Act and the applicable rules and regulations of the Commission thereunder, as the case may be, and in all material respects conformed to the requirements of the Securities Act or the Exchange Act and the applicable rules and regulations of the Commission thereunder, as the case may be; the Registration Statement and the Prospectus, and any amendments or supplements thereto, did not and do not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and, since the effective date of the Registration Statement, there has occurred no event required to be set forth in an amendment or supplemented Prospectus which has not been so set forth; and

(iv) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been (a) any Material Adverse Change, (b) any transaction that is material to the Company and the Subsidiaries considered as one enterprise, (c) any obligation, direct or contingent, that is material to the Company and the Subsidiaries considered as one enterprise, incurred by the Company or the Subsidiaries, (d) any change in the capitalization of the Company or any Subsidiary that is material to the Company and the Subsidiaries considered as one enterprise, (e) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or the capital stock, limited liability company membership interests or units of limited partnership interest of any Subsidiary, or (f) any loss or damage (whether or not insured) to the property of the Company or any Subsidiary which has been sustained or will have been sustained which has a Material Adverse Effect.

(o) The Representative shall receive, at the First Closing Date and on each Option Closing Date, a certificate of the Secretary of the Company certifying as to (i) the Articles of Amendment and any amendments thereto, (ii) the Bylaws and any amendments thereto, (iii) resolutions of the Board of Directors of the Company authorizing the execution and delivery of this Agreement and the other offering documents, (iv) the Certificate of Limited Partnership of the Operating Partnership and the Partnership Agreement and any amendments thereto, (v) correspondence with the Commission, (vi) a specimen Common Shares certificate, (vii) the number of Common Shares authorized and reserved for issuance by the Company and (viii) the minute books of the Company.

(p) Each Selling Stockholder will, at the First Closing Date and on each Option Closing Date, deliver to the Underwriters a certificate, to the effect that:

(i) the representations and warranties of such Selling Stockholder set forth in this Agreement, the Custody Agreement and the Power of Attorney are true and correct as of such date as if made on such date; and

(ii) such Selling Stockholder has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied hereunder and under this Agreement, the Custody Agreement and the Power of Attorney at or prior to

such date.

(q) On the date hereof, the Company and the Selling Stockholders shall have furnished for review by the Representative copies of the Custody Agreement and the Power of Attorney executed by each of the Selling Stockholders and such further information, certificates and documents as the Representative may reasonably request.

(r) The Company, the Operating Partnership and the Selling Stockholders, as applicable, shall have furnished to the Underwriters such other documents, certificates and opinions as to the accuracy and completeness of any statement in the Registration Statement and the Prospectus, the representations, warranties and statements of the Company, the Operating Partnership and the Selling Stockholders contained herein, in the Custody Agreement and in the Power of Attorney, and the performance by the Company, the Operating Partnership and the Selling Stockholders of their respective covenants contained herein and therein, and the fulfillment of any conditions contained herein or therein, as of the First Closing Date or any Option Closing Date, as the Underwriters may reasonably request.

7. Termination:

The obligations of the several Underwriters hereunder shall be subject to termination in the absolute discretion of the Representative, at any time prior to the First Closing Date or any Option Closing Date, if (i) the Company or any Selling Stockholder is unable or unwilling to perform its obligations under this Agreement, (ii) any of the conditions specified in Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, or (iii) if there has been, in the judgment of the Representative, since the respective dates as of which information is given in the Registration Statement, any Material Adverse Change, or any development involving a prospective Material Adverse Change, or material change in management of the Company or any Subsidiary, whether or not arising in the ordinary course of business, or (iv) if there has occurred any outbreak or escalation of national or international hostilities, other national or international calamity or crisis (including without limitation any terrorist or similar attack), any change in the United States or international financial markets, or any substantial change in United States' or international economic, political, financial or other conditions, the effect of which on the financial markets of the United States is such as to make it, in the sole judgment of the Representative, impracticable to market the Shares in the manner and on the terms described in the Prospectus or enforce contracts for the sale of the Shares, or (v) if trading or quotation in any securities of the Company has been suspended by the Commission or by the New York Stock Exchange, or if trading generally on the New York Stock Exchange or Nasdaq Stock Market has been suspended (including an automatic halt in trading pursuant to market-decline triggers, other than those in which solely program trading is temporarily halted), or limitations on prices for trading (other than limitations on hours or numbers of days of trading) have been fixed, or maximum ranges for prices for securities have been required, by such exchange or the NASD or by order of the Commission or any other governmental authority, or (vi) a general banking moratorium shall have been declared by any federal, New York, Alabama or Maryland authorities or (vii) any federal or state statute, regulation, rule or order of

any court or other governmental authority has been enacted, published, decreed or otherwise promulgated which, in the opinion of the Representative, materially adversely affects or will materially adversely affect the business or operations of the Company, or (viii) any action has been taken by any federal, state or local government or agency in respect of its monetary or fiscal affairs which, in the opinion of the Representative, has a material adverse effect on the securities markets in the United States, or (ix) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character as in the judgment of the Representative may interfere materially with the conduct of the business and operations of the Company regardless of whether or not such loss shall have been insured.

If the Representative elect to terminate this Agreement as provided in this Section 7, the Company and the Underwriters shall be notified promptly by telephone, promptly confirmed by facsimile.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement or if such sale is not carried out because the Company shall be unable to comply in all material respects with any of the terms of this Agreement, the Company and the Selling Stockholders shall not be under any obligation or liability under this Agreement (except as provided in Sections 5 and 9 hereof) and the Underwriters shall be under no obligation or liability to the Company and the Selling Stockholders under this Agreement (except as provided in Section 9 hereof) or to one another hereunder.

8. Increase in Underwriters' Commitments:

If any Underwriter shall default at the First Closing Date or on an Option Closing Date in its obligation to take up and pay for the Shares to be purchased by it under this Agreement on such date, the Representative shall have the right, within 48 hours after such default, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Shares which such Underwriter shall have agreed but failed to take up and pay for (the "Defaulted Shares"). Absent the completion of such arrangements within such 36-hour period, (i) if the total number of Defaulted Shares does not exceed 10% of the total number of Shares to be purchased on such date, each non-defaulting Underwriter shall take up and pay for (in addition to the number of Shares which it is otherwise obligated to purchase on such date pursuant to this Agreement) the portion of the total number of Shares agreed to be purchased by the defaulting Underwriter on such date in the proportion that its underwriting obligations hereunder bears to the underwriting obligations of all non-defaulting Underwriters; and (ii) if the total number of Defaulted Shares exceeds 10% of the total number of Shares to be purchased on such date, the Representative may terminate this Agreement by notice to the Company, without liability of any party to any other party except that the provisions of Section 9 hereof shall at all times be effective and shall survive such termination.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company agrees with the non-defaulting Underwriters that it will not sell any Shares hereunder on such date unless all of the Shares to be purchased on such date are purchased on such date by the Underwriters (or by substituted Underwriters selected by the Representative with the approval of the Company or selected by the Company with the approval of the Representative).

36

If a new Underwriter or Underwriters are substituted for a defaulting Underwriter in accordance with the foregoing provision, the Company or the non-defaulting Underwriters shall have the right to postpone the First Closing Date or the relevant Option Closing Date for a period not exceeding seven business days in order that any necessary changes in the Registration Statement and Prospectus and other documents may be effected.

The term "Underwriter" as used in this Agreement shall refer to and include any Underwriter substituted under this Section 8 with the same effect as if such substituted Underwriter had originally been named in this Agreement.

9. Indemnity and Contribution by the Company, the Operating Partnership, the Selling Stockholders and the Underwriters:

(a) The Company and the Operating Partnership, jointly and severally, agree to indemnify, defend and hold harmless each Underwriter, its officers and employees, and any person who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, liability, damage, claim (including the reasonable cost of investigation) or expense, as incurred, which, jointly or severally, any such Underwriter or controlling person may incur under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Directed Shares have been offered or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, expense, liability, damage, claim or expense arises out of or is based upon in whole or in part (A) (i) any inaccuracy or any breach of any representation, warranty or covenant of the Company or the Operating Partnership

contained herein, (ii) in whole or in part upon any failure on the part of the Company or the Operating Partnership to perform their obligations hereunder or to comply with any applicable law, rule or regulation relating to the offering of securities being made pursuant to the Prospectus, (iii) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company, including any information deemed to be a part thereof pursuant to Rule 430A or Rule 434 under the Securities Act), the Prospectus (the term Prospectus for the purpose of this Section 9 being deemed to include any Preliminary Prospectus, the Prospectus, as amended or supplemented by the Company, and any prospectus wrapper material distributed in _____ in connection with the reservation and sale of Directed Shares to the Participants), (iv) any application or other document, or any amendment or supplement thereto, executed by the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction (domestic or foreign) in order to qualify the Shares under the securities or blue sky laws thereof or filed with the Commission or any securities association or securities exchange (each an "Application"), (v) any omission or alleged omission to state a material fact required to be stated in any such Registration Statement, Prospectus or any Application or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or (vi) any untrue statement or alleged untrue statement of any material fact contained in any audio or visual materials used in connection with the marketing of the Shares, including, without limitation, slides, videos, films and tape recordings, or (vii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Shares or the offering contemplated hereby, and which is included as part of or referred to in any loss, liability,

37

damage, claim, expense or action arising out of or based upon any matter covered by clauses (i), (ii), (iii), (iv), (v) or (vi) above, provided that the Company and the Operating Partnership shall not be liable under this clause (vii) to the extent that a court of competent jurisdiction shall have determined by a final judgment that such loss, liability, damage, claim, expense or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its bad faith or willful misconduct and (B) the violation of any applicable laws or regulations of foreign jurisdictions where Directed Shares have been offered. The indemnity agreement set forth in this Section 9(a) shall be in addition to any liability which the Company and any Selling Stockholders may otherwise have.

(b) Each Selling Stockholder, severally and not jointly, agrees to indemnify, defend and hold harmless each Underwriter and any person who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any loss, liability, claim (including the reasonable cost of investigation) or expense, as incurred, which, jointly or severally, any such Underwriter or controlling person may incur under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Directed Shares have been offered or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, liability, damage, claim or expense arises out of or is based upon in whole or in part, (i) any breach of any representation, warranty or covenant of such Selling Stockholder contained herein, in the Custody Agreement or in the Power of Attorney, (ii) any failure on the part of such Selling Stockholder to comply with any applicable law, rule or regulation relating to the offering of securities being made pursuant to the Prospectus, (iii) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company, including any information deemed to be a part thereof pursuant to Rule 430A or Rule 434 under the Securities Act), the Prospectus (the term Prospectus for the purpose of this Section 9 being deemed to include any Preliminary Prospectus, the Prospectus and the Prospectus as amended or supplemented by the Company), or any Application or (iv) any omission or alleged omission to state a material fact required to be stated in either such Registration Statement, Prospectus or any Application, or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; but with respect to (iii) and (iv) hereof only insofar as any such loss, liability, damage, claim or expense arises out of or is based upon any untrue statement or alleged untrue statement or

omission or alleged omission of a material fact contained in and in conformity with information furnished in writing by such Selling Stockholder to the Company expressly for use in such Registration Statement, Prospectus or Application; provided, however, that the indemnity agreement contained in this subsection (b) shall not require any such Selling Stockholder to reimburse the Underwriters for amounts in excess of the gross sale price of the Shares sold by such Selling Stockholder pursuant to this Agreement. The indemnity agreement set forth in this Section 9(b) shall be in addition to any liability that the Selling Stockholders may otherwise have.

If any action is brought against an Underwriter or controlling person in respect of which indemnity may be sought against the Company or any Selling Stockholder pursuant to subsection (a) or (b) above, such Underwriter shall promptly notify the Company or such Selling Stockholder, as applicable, in writing of the institution of such action, and the Company or such Selling Stockholder, as applicable, shall assume the defense of such action, including the employment of counsel and payment of expenses; provided, however, that any failure or delay to so notify the Company or such

38

Selling Stockholder, as applicable, will not relieve the Company or such Selling Stockholder, as applicable, of any obligation hereunder, except to the extent that its ability to defend is actually impaired by such failure or delay. Such Underwriter or controlling person shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless the employment of such counsel shall have been authorized in writing by the Company or such Selling Stockholder, as applicable, in connection with the defense of such action, or the Company or such Selling Stockholder, as applicable, shall not have employed counsel to have charge of the defense of such action within a reasonable time or such Underwriter or controlling person shall have reasonably concluded (based on the advice of counsel) that there may be defenses available to it or them that are different from or additional to those available to the Company or such Selling Stockholder, as applicable (in which case the Company and such Selling Stockholder shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Company or the Selling Stockholder, as applicable, and paid as incurred (it being understood, however, that the Company nor any Selling Stockholder shall not be liable for the expenses of more than one separate firm of attorneys for the Underwriters or controlling persons in any one action or series of related actions in the same jurisdiction (other than local counsel in any such jurisdiction) representing the indemnified parties who are parties to such action).

If any action is brought against an Underwriter or controlling person in respect of which indemnity may be sought against the Company, the Operating Partnership or any Selling Stockholder pursuant to subsection (a) or (b) above, such Underwriter shall promptly notify the Company or such Selling Stockholder, as applicable, in writing of the institution of such action, and the Company or such Selling Stockholder, as applicable, shall assume the defense of such action, including the employment of counsel and payment of expenses; provided, however, that any failure or delay to so notify the Company or such Selling Stockholder, as applicable, will not relieve the Company or such Selling Stockholder, as applicable, of any obligation hereunder, except to the extent that its ability to defend is actually impaired by such failure or delay. Such Underwriter or controlling person shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless the employment of such counsel shall have been authorized in writing by the Company, the Operating Partnership or such Selling Stockholder, as applicable, in connection with the defense of such action, or the Company, the Operating Partnership or such Selling Stockholder, as applicable, shall not have employed counsel to have charge of the defense of such action within a reasonable time or such Underwriter or controlling person shall have reasonably concluded (based on the advice of counsel) that there may be defenses available to it or them that are different from or additional to those available to the Company, the Operating Partnership or such Selling Stockholder, as applicable, (in which case the Company, the Operating Partnership and such Selling Stockholder shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Company, the Operating Partnership or the Selling Stockholder, as

applicable, and paid as incurred (it being understood, however, that the Company, the Operating Partnership nor any Selling Stockholder shall not be liable for the

39

expenses of more than one separate firm of attorneys for the Underwriters or controlling persons in any one action or series of related actions in the same jurisdiction (other than local counsel in any such jurisdiction) representing the indemnified parties who are parties to such action).

(c) Each Underwriter agrees, severally and not jointly, to indemnify, defend and hold harmless the Company, the Operating Partnership, each Selling Stockholder, the Company's directors, the Company's officers that signed the Registration Statement, and any person who controls the Company or any Selling Stockholder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, liability, damage, claim (including the reasonable cost of investigation) or expense, as incurred, which, jointly or severally, the Company, the Operating Partnership, the Selling Stockholder or any such person may incur under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), but only insofar as such loss, expense, liability, damage or claim arises out of or is based upon (A) any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished in writing by such Underwriter through the Representative to the Company expressly for use in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or the Prospectus, or (B) any omission or alleged omission to state a material fact in connection with such information required to be stated either in such Registration Statement or Prospectus necessary to make such information, in the light of the circumstances under which made, not misleading; and to reimburse the Company, the Operating Partnership each Selling Stockholder, any such director or officer of the Company or any such controlling person for any legal and other expense reasonably incurred by the Company, the Operating Partnership each Selling Stockholder, any such director or officer of the Company or any such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The indemnity agreement set forth in this Section 9(c) shall be in addition to any liability that such Underwriter may otherwise have. The Company, the Operating Partnership and each of the Selling Stockholders, hereby acknowledges that the statements set forth in paragraphs 17 and 23 and the first sentence of paragraph 3 under the caption "Underwriting" in the Preliminary Prospectus and the Prospectus (to the extent such statements relate to the Underwriters) constitute the only information furnished by or on behalf of any Underwriter through the Representative to the Company for purposes of the Company's representations and warranties in Section 3(o) hereof and for purposes of this Section 9.

If any action is brought against the Company, the Operating Partnership, any such director or officer of the Company, any Selling Stockholder or any such person in respect of which indemnity may be sought against any Underwriter pursuant to the foregoing paragraph, the Company, the Operating Partnership, such director or officer of the Company, the Selling Stockholder or such person shall promptly notify the Representative in writing of the institution of such action and the Representative, on behalf of the Underwriters, shall assume the defense of such action, including the employment of counsel and payment of expenses; provided, however, that any failure or delay to so notify the Representative will not relieve the Underwriters of any obligation hereunder, except to the extent that its ability to defend is actually impaired by such failure or delay. The Company, the Operating Partnership, each Selling Stockholder, such director or officer of the Company or such controlling person shall have the right to employ its

40

own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Company, the Operating Partnership, such director or officer of the Company, the Selling Stockholder or such person unless the

employment of such counsel shall have been authorized in writing by the Representative in connection with the defense of such action or the Representative shall not have employed counsel to have charge of the defense of such action within a reasonable time or the Company, the Operating Partnership, such director or officer of the Company, such Selling Stockholder or such person shall have reasonably concluded (based on the advice of counsel) that there may be defenses available to it or them that are different from or additional to those available to the Underwriters (in which case the Representative shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by such Underwriter and paid as incurred (it being understood, however, that the Underwriters shall not be liable for the expenses of more than one separate firm of attorneys in any one action or series of related actions in the same jurisdiction (other than local counsel in any such jurisdiction) representing the indemnified parties who are parties to such action).

(d) The indemnifying party under this Section 9 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, liability, damage, claim or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by this Section 9, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

(e) If the indemnification provided for in this Section 9 is unavailable or insufficient to hold harmless an indemnified party under subsections (a), (b), (c) and (d) of this Section 9 in respect of any losses, expenses, liabilities, damages or claims referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the aggregate amount paid or payable by such indemnified party as a result of such losses, expenses, liabilities, damages or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Operating Partnership and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, from the offering of the Shares pursuant to this Agreement or (ii) if (but only if) the allocation provided by clause (i) above is not available for any reason, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Operating Partnership and the Selling Stockholders, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses,

expenses, liabilities, damages or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company, the Operating Partnership and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company (which, for purposes of this subsection, account for the relative benefits received by the Operating Partnership) or the Selling Stockholders, as applicable, bear to the underwriting discounts and commissions received by the Underwriters. The relative fault of the Company, of the Operating Partnership, of the Selling Stockholders and of the Underwriters shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission or any such inaccurate or alleged

inaccurate representation or warranty relates to information supplied by the Company, the Operating Partnership, and the Selling Stockholders, on one hand, or by the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages and liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any claim or action. The provisions set forth in Sections 9(b) and (c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 9(e); provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Sections 9(b) and (c) for purposes of indemnification.

(f) The Company, the Operating Partnership, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in subsection (e) (i) and, if applicable (ii), above. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter as set forth on Schedule II hereof and any Option Shares and no Selling Stockholder shall be required to contribute any amount in excess of the gross sale price of the Shares sold by such Selling Stockholder pursuant to this Agreement as set forth in Schedule I hereof [and any Option Shares]. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several in proportion to their respective underwriting commitments and not joint. For purposes of this Section 9, each officer and employee of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Section 15 of the Securities Act and Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company with the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act shall have the same rights to contribution as the Company.

(g) The Company and the Operating Partnership also agree to indemnify and hold harmless in accordance with this Section 9 each Underwriter and its affiliates and each person, if

42

any, who controls each Underwriter and its affiliates within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, liability, damage, claim or expense (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared for distribution to participants in connection with the Directed Share Program, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) as a result of the failure of any participant to pay for and accept delivery of Directed Shares that the participant has agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program.

10. Failure of One or More of the Selling Stockholders to Sell and Deliver Shares:

If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Shares to be sold and delivered by such Selling Stockholders at the First Closing Date [or any Option Closing Date] pursuant to this Agreement, then the Underwriters may at their option, by written notice from the Representative to the Company and the Selling Stockholders, either (i) terminate this Agreement without any liability on the part of any Underwriter or, except as provided in Section 5 and 9 hereof, the Company or the Selling Stockholders, or (ii) purchase the Shares which the Company and the other Selling Stockholders have agreed to sell and deliver in

accordance with the terms hereof. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Shares to be sold and delivered by such Selling Stockholders pursuant to this Agreement at the First Closing Date [or any Option Closing Date, then the Underwriters shall have the right, by written notice from the Representative to the Company and the Selling Stockholders, to postpone the First Closing Date or the Option Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

11. Qualified Independent Underwriter:

The Company hereby confirms that at its request J.P. Morgan Securities Inc. has without compensation acted as "qualified independent underwriter" (in such capacity, the "QIU" within the meaning of Rule 2720 of the Conduct Rules of the NASD in connection with the offering of the Shares. The Company, the Operating Partnership and the Selling Stockholders will severally and not jointly indemnify and hold harmless the QIU against any losses, expenses, liabilities, damages or claims, joint or several, to which the QIU may become subject, under the Securities Act or otherwise, insofar as such losses, expenses, liabilities, damages or claims (or actions in respect thereof) arise out of or are based upon the QIU's acting (or alleged failing to act) as such "qualified independent underwriter" and will reimburse the QIU for any legal or other expenses reasonably incurred by the QIU in connection with investigating or defending any such loss, expense, liability, damage or claim or action as such expenses are incurred; and provided, however, that each Selling Stockholder shall only be subject to liability under this Section 11 to the extent such liability arises out of or is based upon (i) any untrue statement or alleged untrue statement or upon an omission or alleged omission based upon information furnished in writing to the Representative by such Selling Stockholder, (ii) a breach of a

43

representation or warranty given by such Selling Stockholder in this Agreement, the Power of Attorney or the Custody Agreement or (iii) any failure on the part of such Selling Stockholder to comply with any applicable law, rule or regulation relating to the offering of securities being made pursuant to the Prospectus; and provided, further, that the liability under this Section 11 of each Selling Stockholder shall be limited to an amount equal to the aggregate gross proceeds to such Selling Stockholder from the sale of Shares sold by such Selling Stockholder hereunder.

12. Survival:

The respective indemnities, agreements, representations, warranties and other statements of the Company, of the Operating Partnership, their respective officers and directors, of the Selling Stockholders and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Company, the Operating Partnership or any of its or their partners, officers, directors, directors or any controlling person, or the Selling Stockholders, as the case may be, and will survive delivery of and payment for the Shares sold hereunder and any termination of this Agreement.

13. Notices:

Except as otherwise herein provided, all statements, requests, notices and agreements shall be in writing or by telegram and, if to the Underwriters, shall be sufficient in all respects if delivered to Friedman, Billings, Ramsey & Co., Inc., 1001 19th Street North, Arlington, Virginia 22209, Attention: Syndicate Department, with a copy to Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219, Attention: Daniel M. LeBey, Esquire; if to the Company, shall be sufficient in all respects if delivered to the Company at the offices of the Company at Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, AL, 35242, Attention: Michael G. Stewart, Esquire, with a copy to Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Suite 1600, 420 20th Street North, Birmingham, AL 35203, Attention: Thomas O. Kolb, Esquire; or if to a Selling Stockholder, c/o Michael G. Stewart.

14. Governing Law; Headings:

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

15. Partial Unenforceability:

The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

16. Parties at Interest:

44

The Agreement herein set forth has been and is made solely for the benefit of the Underwriters, the Company, the Operating Partnership, the Selling Stockholders and the controlling persons, directors and officers referred to in Section 9 hereof, and their respective successors, assigns, executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.

17. Entire Agreement; Amendments, Modifications and Waivers:

This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit.

18. Counterparts and Facsimile Signatures:

This Agreement may be signed by the parties in counterparts which together shall constitute one and the same agreement among the parties. A facsimile signature shall constitute an original signature for all purposes.

If the foregoing correctly sets forth the understanding among the Company, the Operating Partnership, the Selling Stockholders and the Underwriters, please so indicate in the space provided below for the purpose, whereupon this Agreement shall constitute a binding agreement among the Company, the Operating Partnership, the Selling Stockholders and the Underwriters.

Very truly yours,

MEDICAL PROPERTIES TRUST, INC.

By:

Name: Edward K. Aldag, Jr.

Title: Chairman, President and Chief Executive Officer

MPT OPERATING PARTNERSHIP, L.P.

By: Medical Properties Trust, LLC,
its sole general partner

By:

Name:

Title:

SELLING SHAREHOLDERS LISTED ON
SCHEDULE I ATTACHED HERETO

By: Michael G. Stewart
as Attorney-in-Fact

45

Accepted and agreed to as
of the date first above written:

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.

By: -----

Name:

Title:

For itself and as Representative of the several
Underwriters named on Schedule II hereto.

[Signature page to Underwriting Agreement]

46

EXHIBIT 4.1

020387 TEMPORARY CERTIFICATE --EXCHANGEABLE FOR DEFINITIVE ENGRAVED CERTIFICATE WHEN READY FOR DELIVERY

COMMON STOCK MPT LOGO COMMON STOCK
NUMBER SHARES

T

MEDICAL PROPERTIES TRUST
INCORPORATED UNDER THE LAWS OF THE STATE OF MARYLAND CUSIP 58463J 30 4
THIS CERTIFICATE IS TRANSFERABLE IN SEE REVERSE FOR IMPORTANT NOTICE ON
NEW YORK, NY TRANSFER RESTRICTIONS AND OTHER INFORMATION

THIS CERTIFIES THAT

SPECIMEN

IS THE OWNER OF

FULLY-PAID AND NONASSESSABLE SHARES OF COMMON STOCK, \$.001 PAR VALUE, OF
MEDICAL PROPERTIES TRUST, INC.

(the "Corporation"), transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued, and shall be subject to all provisions of the Articles of Incorporation of the Corporation and the Bylaws of Corporation and any amendments thereto. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

COUNTERSIGNED AND REGISTERED
AMERICAN STOCK

TRANSFER & TRUST COMPANY

(NEW YORK, NEW YORK)
TRANSFER AGENT
AND REGISTRAR,

BY

AUTHORIZED OFFICER

Dated:

/s/ (SIG)
EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY

MEDICAL PROPERTIES TRUST, INC.
CORPORATE
SEAL
MARYLAND
*

/s/ (SIG)
CHAIRMAN, PRESIDENT AND CEO

(C) SECURITY-COLUMBIAN UNITED STATES BANKNOTE COMPANY 1960

THE CORPORATION WILL FURNISH TO ANY STOCKHOLDER, ON REQUEST AND WITHOUT CHARGE, A FULL STATEMENT OF THE INFORMATION REQUIRED BY SECTION 2-211(B) OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE OF THE ANNOTATED CODE OF MARYLAND WITH RESPECT TO THE DESIGNATIONS AND ANY PREFERENCES. CONVERSION AND OTHER RIGHTS, VOTING POWERS, RESTRICTIONS. LIMITATIONS AS TO DIVIDENDS AND OTHER DISTRIBUTIONS, QUALIFICATIONS, AND TERMS AND CONDITIONS OF REDEMPTION OF THE STOCK OF EACH CLASS WHICH THE CORPORATION HAS AUTHORITY TO ISSUE AND, IF THE CORPORATION IS AUTHORIZED TO ISSUE ANY PREFERRED OR SPECIAL CLASS IN SERIES, (I) THE DIFFERENCES IN THE RELATIVE RIGHTS AND PREFERENCES BETWEEN THE SHARES OF EACH SERIES TO THE EXTENT SET, AND (II) THE AUTHORITY OF THE BOARD OF DIRECTORS TO SET SUCH RIGHTS AND PREFERENCES OF SUBSEQUENT SERIES. THE FOREGOING SUMMARY DOES NOT PURPORT TO BE COMPLETE AND IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE CHARTER OF THE CORPORATION (THE "CHARTER"). A COPY OF WHICH WILL BE SENT WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS, SUCH REQUEST MUST BE MADE TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL OWNERSHIP AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST ("REIT") UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND FOR CERTAIN OTHER PURPOSES UNDER THE CODE AND THE EMPLOYEE RETIREMENT INCOME

TEN COM	-as tenants in common	UNIF GIFT/TRANS MIN ACT -	<u> </u>	Custodian	<u> </u>
TEN ENT	-as tenants by the entireties		(Cust)	(Minor)	
JT TEN	-as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts/Transfers to Minors Act	-----		
		(State)			

FOR VALUE RECEIVED, _____ HEREBY SELL, ASSIGN AND
TRANSFER UNTO _____

(Please Print or Typewrite Name and Address, including Zip Code of Assignee)

to transfer the said shares on the books of the within named Corporation with full power of Substitution in the premises.

NOTICE: The signature to this Assignment
Must Correspond With The Name As Written

Upon The Face of the Certificate in Every
Particular Without Alteration Or Enlargement
Or Any Change Whatever.

SIGNATURE(S) GUARANTEED: _____

THE SIGNATURE(S) MUST BE GUARANTEED BY AN
ELIGIBLE GUARANTOR INSTITUTION (BANKS,
STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS
AND CREDIT UNIONS WITH MEMBERSHIP IN AN
APPROVED SIGNATURE GUARANTEE MEDALLION
PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, MUTILATED OR
DESTROYED, THE CORPORATION MAY REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE
ISSUANCE OF A REPLACEMENT CERTIFICATE.

BAKER
DONELSON
BEARMAN, CALDWELL
& BERKOWITZ, PC

SOUTHTRUST TOWER
420 TWENTIETH STREET NORTH
SUITE 1600
BIRMINGHAM, ALABAMA 35203
PHONE: 205.328.0480
FAX: 205.322.8007

www.bakerdonelson.com

July 5, 2005

Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

Re: Registration Statement on Form S-11 (File No. 333-119957)

Ladies and Gentlemen:

We have served as Maryland counsel to Medical Properties Trust, Inc., a Maryland corporation (the "Company"), in connection with certain matters of Maryland law arising out of the registration of up to 13,876,846 shares (including up to 1,810,023 shares subject to an underwriters' over-allotment option) (the "Shares") of the Company's common stock, \$.001 par value per share (the "Common Stock"), to be issued and sold in an underwritten public offering. The Shares are covered by the above-referenced Registration Statement and all amendments thereto, filed by the Company with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "1933 Act").

In connection with our representation of the Company, and as a basis for the opinion set forth below, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement (Registration No. 333-119957), including all amendments thereto, with the prospectus included therein, in the form in which it was transmitted to the Commission under the 1933 Act (the "Registration Statement");
2. The charter of the Company (the "Charter"), certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");
3. The Bylaws of the Company, certified as of the date hereof by an officer of the Company;
4. Resolutions adopted by the Board of Directors of the Company (the "Resolutions") relating to the registration, sale and issuance of the Shares, certified as of the date hereof by an officer of the Company;
5. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;
6. A certificate executed by an officer of the Company, upon which we have relied as to factual, not legal, representations, dated as of the date hereof; and
7. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.
2. Each individual executing any of the Documents on behalf of a party

(other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.
4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.
5. None of the Shares will be issued, sold or transferred in violation of the restrictions on ownership and transfer contained in Article VI of the Charter.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that the Shares have been duly authorized and, when and if issued against payment therefor in accordance with the Resolutions and the Registration Statement, will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with any federal or state securities laws, including the securities laws of the State of Maryland. The opinion expressed herein is specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you solely for submission to the Commission as an exhibit to the Registration Statement.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein in the section entitled "Legal Matters" in the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

Baker, Donelson, Bearman, Caldwell & Berkowitz,
a Professional Corporation

BAKER
DONELSON
BEARMAN, CALDWELL
& BERKOWITZ, PC

SOUTHTRUST TOWER
420 TWENTIETH STREET NORTH
SUITE 1600
BIRMINGHAM, ALABAMA 35203
PHONE: 205.328.0480
FAX: 205.322.8007

www.bakerdonelson.com

July 5, 2005

Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

Re: Medical Properties Trust, Inc.

Qualification as a Real Estate Investment Trust

Dear Ladies and Gentlemen:

We have acted as counsel to Medical Properties Trust, Inc., a Maryland corporation (the "Company"), in connection with the preparation of the Registration Statement on Form S-11 filed by the Company with the Securities and Exchange Commission (the "SEC") on October 26, 2004 (File No. 333-119957) as amended through the date hereof (the "Registration Statement"). You have requested our opinion regarding certain United States federal income tax matters.

The Company, through MPT Operating Partnership, L.P., a Delaware limited partnership, (the "Operating Partnership") and its subsidiary limited liability companies and partnerships (collectively the "Subsidiaries"), owns interests in twelve healthcare facilities, nine of which are in operation and three of which are under development. The Operating Partnership owns MPT Development Services, Inc., a Delaware corporation and the Company and MPT Development Services, Inc. have elected for MPT Development Services, Inc. to be a taxable REIT subsidiary (a "TRS").

In giving this opinion, we have examined the following documents:

1. The Company's Articles of Incorporation filed on August 27, 2003 with the Department of Assessments and Taxation of the State of Maryland, as amended and restated by Second Articles

of Amendment and Restatement filed on March 29, 2004 and as corrected by the Certificate of Correction to the Second Articles of Amendment and Restatement filed on January 3, 2005;

2. The Company's Amended and Restated Bylaws;

3. The Registration Statement;

4. The First Amended and Restated Agreement of Limited Partnership of the Operating Partnership dated February 29, 2004 (the "Operating Partnership Agreement") and all amendments thereto;

5. The organizational documents of the Subsidiaries;

6. The TRS election for MPT Development Services, Inc.;

7. The Loan Agreement dated August 17, 2004 by and among MPT Development Services, Inc., the Operating Partnership, and Highmark Healthcare, LLC (now known as Vibra Healthcare, LLC) and certain of its operating subsidiaries (the "Loan Agreement");

8. The Security Agreement dated July 1, 2004 among Highmark Healthcare, LLC and certain of its operating subsidiaries and MPT Development

Services, Inc., as amended by the First Amendment to Security Agreement dated August 17, 2004 (the "Security Agreement");

9. The Loan Guaranty dated July 1, 2004 among Senior Real Estate Holdings, LLC dba The Hollinger Group, Highmark Management, LLC, and Brad E. Hollinger, as Guarantors, and MPT Development Services, Inc., the Operating Partnership and their affiliates, as amended and restated by the Amended and Restated Loan Guaranty dated August 17, 2004 (the "Loan Guaranty");

10. The Pledge Agreement dated July 1, 2004 among Highmark Healthcare, LLC and Brad E. Hollinger, as Pledgors and the Operating Partnership and MPT Development Services, Inc., as amended by the First Amendment to the Pledge Agreement dated August 17, 2004 (the "Pledge Agreement");

11. The Subordination Agreement dated July 1, 2004 among Highmark Healthcare, LLC, Highmark Management, LLC and certain of their affiliates and the Operating Partnership, and MPT Development Services, Inc., as amended and restated by the Amended and Restated Subordination Agreement dated August 17, 2004 (the "Subordination Agreement");

12. The Promissory Notes dated July 1, 2004 of Highmark Healthcare, LLC, as Maker, and MPT Development Services, Inc., as Lender, as amended by the Amendment to Promissory Note dated August 17, 2004;

13. The Promissory Note dated August 17, 2004 of Highmark Healthcare, LLC, as Maker, and the Operating Partnership, as Lender;

14. The Promissory Note dated July 1, 2004 of Highmark Healthcare, LLC and certain of its affiliates, as Makers, and MPT Development Services, Inc., as Lender, as amended by the Amendment to Promissory Note dated August 17, 2004, the Second Amendment to Promissory Note dated October 1, 2004, the Third Amendment to Promissory Note dated December 31, 2004 and the Fourth Amendment to Promissory Note dated January 31, 2005;

15. The Promissory Note dated July 1, 2004 of MPT Development Services, Inc., as Maker, and the Operating Partnership, as Lender in the principal amount of \$6,197,642.00; and

16. The Promissory Note dated July 1, 2004 of MPT Development Services, Inc., as Maker, and the Operating Partnership, as Lender in the principal amount of \$41,415,986.00.

17. The Intercreditor Agreement dated February 9, 2005 by and among Vibra Healthcare, LLC and certain of its affiliates, Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., MPT Development Services, Inc. and the Operating Partnership and certain of its affiliates.

In connection with the opinions rendered below, we have assumed, with your consent, that:

1. each of the documents referred to above has been duly authorized, executed, and delivered; is authentic, if an original, or is accurate, if a copy; and has not been amended;
2. except for the Company, for which no assumption is made, each partner of the Operating Partnership (a "Partner") that is a corporation or other entity has a valid legal existence; and
3. each Partner has full power, authority, and legal right to enter into and to perform the terms of the Operating Partnership Agreement and the transactions contemplated thereby.

In connection with the opinions rendered below, we also have relied upon the correctness of the factual representations and covenants contained in that certain certificate dated July 5, 2005 and executed by R. Steven Hamner as Executive Vice President and Chief Financial Officer of the Company (the "Officer's Certificate"). To the extent such representations and covenants speak to the intended ownership or operations of the Company, we assume that the Company will in fact be owned and operated in accordance with such stated intent. After reasonable inquiry, we are not aware of any facts inconsistent with the representations set forth in the Officer's Certificate. Furthermore,

where such factual representations involve terms defined in the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations thereunder (the "Regulations"), published rulings of the Internal Revenue Service (the "Service"), or other relevant authority, we have explained such terms to the Company's representatives and are satisfied that the Company's representatives understand such terms and are capable of making such representations.

Based on the documents and assumptions set forth above and the factual representations set forth in the Officer's Certificate, we are of the opinion that:

- (a) the Company is and has been organized in conformity with the requirements for qualification to be taxed as a REIT under the Code commencing with its initial taxable year ended December 31, 2004, and the Company's current and proposed method of operations as described in the Registration Statement and as represented to us by it satisfies currently, and will enable it to continue to satisfy in the future, the requirements for such qualification and taxation as a REIT under the Code;
- (b) the loans made by MPT Development Services, Inc. pursuant to the Loan Agreement (i) are properly characterized as debt of the borrowers rather than equity securities of the borrowers under principles of federal income tax law, and (ii) if those loans were treated as having been made by the Operating Partnership instead of MPT Development Services, Inc. under applicable federal income tax principles, such loans would constitute "straight-debt securities" of the borrowers, as defined in Sections 856(m)(1)(a) and 856(m)(2) of the Code; and
- (c) the descriptions of the law and the legal conclusions contained in the Registration Statement under the caption "United States Federal Income Tax Considerations" are correct in all material respects, and the discussion thereunder fairly summarizes the federal income tax considerations that are likely to be material to a holder of the common stock of the Company.

We will not review on a continuing basis the Company's compliance with the documents or assumptions set forth above, or the representations set forth in the Officer's Certificate. Accordingly, no assurance can be given that the actual results of the Company's operations for any given taxable year will satisfy the requirements for qualification and taxation as a REIT.

The foregoing opinions are based on current provisions of the Code and the Regulations, published administrative interpretations thereof, and published court decisions. The Service has not issued Regulations or administrative interpretations with respect to various provisions of the Code relating to REIT qualification. No assurance can be given that the law will not change in a way that will prevent the Company from qualifying as a REIT.

The foregoing opinions are limited to the United States federal income tax matters addressed herein, and no other opinions are rendered with respect to other federal tax matters or to any issues arising under the tax laws of any other country, or any state or locality. We undertake no obligation to update the opinions expressed herein after the date of this letter. This opinion letter is solely for the information and use of the addressee and the purchasers of the common stock of the Company pursuant to the Registration Statement (except as provided in the next paragraph), and it speaks only as of the date hereof. Except as provided in the next paragraph, this opinion letter may not be distributed, relied upon for any purpose by any other person, quoted in whole or in part or otherwise reproduced in any document, or filed with any governmental agency without our prior express written consent.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. We also consent to the references to Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. under the captions "United States Federal Income Tax Considerations" and "Legal Matters" in the Registration

Statement. In giving this consent, we do not admit that we are in the category of the persons whose consent is required by Section 7 of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder by the SEC.

Very truly yours,

Baker, Donelson, Bearman, Caldwell & Berkowitz, PC

By: /s/ Thomas O. Kolb

Thomas O. Kolb
Authorized Representative

AMENDED AND RESTATED
MEDICAL PROPERTIES TRUST, INC.
2004 EQUITY INCENTIVE PLAN

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Table of Contents

	Page	

ARTICLE 1. DEFINITIONS.....	1	
ARTICLE 2. COMMON STOCK SUBJECT TO PLAN.....	5	
2.1 Common Stock Subject to Plan.....	5	
2.2 Add-back of Grants.....	5	
ARTICLE 3. ELIGIBILITY; GRANTS; AWARD AGREEMENTS.....	5	
3.1 Eligibility.....	5	
3.2 Awards.....	6	
3.3 Provisions Applicable to Section 162(m) Participants.....	6	
3.4 Award Agreement.....	7	
ARTICLE 4. OPTIONS.....	7	
4.1 Award Agreement for Option Grant.....	7	
4.2 Option Price.....	7	
4.3 Qualification for Incentive Stock Options.....	7	
4.4 Change in Incentive Stock Option Grant.....	7	
4.5 Option Term.....	8	
4.6 Option Exercisability and Vesting.....	8	
4.7 Fair Market Value.....	8	
ARTICLE 5. EXERCISE OF OPTIONS.....	9	
5.1 Exercise.....	9	
5.2 Manner of Exercise.....	9	
5.3 Conditions to Issuance of Common Stock.....	10	
5.4 Rights as Stockholders.....	10	
5.5 Ownership and Transfer Restrictions.....	10	
5.6 Limitations on Exercise of Options.....	11	
ARTICLE 6. STOCK AWARDS.....	11	
6.1 Award Agreement.....	11	
6.2 Awards of Restricted Common Stock, Restricted Stock Units and Deferred Stock Units.....	11	
6.3 Rights as Stockholders.....	12	
6.4 Restriction.....	12	
6.5 Lapse of Restrictions.....	13	
6.6 Repurchase of Restricted Common Stock.....	13	
6.7 Escrow.....	13	
6.8 Legend.....	13	
6.9 Conversion.....	13	
ARTICLE 7. STOCK APPRECIATION		
RIGHTS.....	13	
7.1 Award Agreement for SARs.....		13
7.2 General Requirements.....		13

Table of Contents
(continued)

	Page

7.3 Base Amount.....	14
7.4 Tandem SARs.....	14
7.5 SAR Exercisability.....	14
7.6 Value of SARs.....	14
7.7 Form of Payment.....	14
ARTICLE 8. PERFORMANCE UNITS.....	14
8.1 Award Agreement for Performance Units.....	14
8.2 General Requirements.....	15
8.3 Performance Period and Performance Goals.....	15
8.4 Payment With Respect to Performance Units.....	15

ARTICLE 9. DEFERRALS.....	15
ARTICLE 10. ADMINISTRATION.....	15
10.1 Committee.....	15
10.2 Duties and Powers of Committee.....	16
10.3 Compensation; Professional Assistance; Good Faith Actions.....	16
ARTICLE 11. MISCELLANEOUS PROVISIONS.....	16
11.1 Transferability.....	16
11.2 Amendment, Suspension or Termination of this Plan.....	17
11.3 Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.....	17
11.4 Continued Employment.....	19
11.5 Tax Withholding.....	19
11.6 Forfeiture Provisions.....	20
11.7 Limitations Applicable to Section 16 Persons and Performance-Based Compensation.....	20
11.8 Restrictions.....	20
11.9 Restrictive Legend.....	21
11.10 Effect of Plan Upon Option and Compensation Plans.....	21
11.11 Compliance with Laws.....	21
11.12 Titles.....	22
11.13 Governing Law.....	22

AMENDED AND RESTATED
MEDICAL PROPERTIES TRUST, INC.
2004 EQUITY INCENTIVE PLAN

Medical Properties Trust, Inc., a Maryland corporation (the "Company"), has established the Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan (the "Plan"), for the benefit of Employees, Consultants and Directors of the Company and MPT Operating Partnership, L.P.

The purposes of this Plan are (a) to recognize and compensate selected Employees, Consultants and Directors who contribute to the development and success of the Company and its Affiliates and Subsidiaries, (b) to attract and retain, Employees, Consultants and Directors, and (c) to provide incentive compensation to Employees, Consultants and Directors based upon the performance of the Company and its Affiliates and Subsidiaries.

This Plan became effective on March 31, 2004, when it was initially adopted by the Board of Directors and approved by the stockholders of the Company.

ARTICLE 1. DEFINITIONS

Wherever the following initially capitalized terms are used in this Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise.

"Affiliate" shall mean any entity that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company, including without limitation, MPT Operating Partnership, L.P.

"Award" shall mean the grant or award of Options, Restricted Common Stock, Restricted Stock Units, Deferred Stock Units, SARs or Performance Units under this Plan.

"Award Agreement" shall mean the agreement granting or awarding Options, Restricted Common Stock, Restricted Stock Units, Deferred Stock Units, SARs or Performance Units.

"Board" shall mean the Board of Directors of the Company, as comprised from time to time.

"Cause" shall mean (i) the conviction of the Employee of, or the entry of a plea of guilty or nolo contendere by the Employee to, a felony (exclusive of any felony relating to negligent operation of a motor vehicle and not including a conviction, plea of guilty or nolo contendere arising solely under a statutory provision imposing criminal liability upon the Employee on a per se basis due to the Company offices held by the Employee, so long as any act or omission of the Employee with respect to such matter was not taken or omitted in contravention of any applicable policy or directive of the Board), (ii) a willful breach of his duty of loyalty which is materially detrimental to the Company, (iii) a willful failure to perform or adhere to explicitly stated duties that are consistent with the terms of his position with the Company, or the Company's reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including without limitation any

business code of ethics adopted by the

Board, or to follow the lawful directives of the Board (provided such directives are consistent with the terms of the Participant's Employment Agreement), which, in any such case, continues for thirty (30) days after written notice from the Board to the Employee, or (iv) gross negligence or willful misconduct in the performance of the Employee's duties. No act, or failure to act, on the Employee's part will be deemed "gross negligence" or "willful misconduct" unless done, or omitted to be done, by the Employee not in good faith and without a reasonable belief that the Employee's act, or failure to act, was in the best interest of the Company. The Committee shall determine, in good faith, if an Employee has been terminated for Cause.

"Change of Control" shall mean the occurrence of any of the following events: (a) any person, entity or affiliated group, excluding the Company or any employee benefit plan of the Company, acquiring more than 50% of the then outstanding shares of voting stock of the Company, (b) the consummation of any merger or consolidation of the Company into another company, such that the holders of the shares of the voting stock of the Company immediately before such merger or consolidation own less than 50% of the voting power of the securities of the surviving company or the parent of the surviving company, (c) the adoption of a plan for complete liquidation of the Company or for the sale or disposition of all or substantially all of the Company's assets, such that after the transaction, the holders of the shares of the voting stock of the Company immediately prior to the transaction own less than 50% of the voting securities of the acquiror or the parent of the acquiror, or (d) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the Compensation Committee of the Board.

"Common Stock " shall mean the common stock, par value \$0.001 per share, of the Company.

"Company" shall mean Medical Properties Trust, Inc., a Maryland corporation, or any business organization which succeeds to its business and elects to continue this Plan. For purposes of this Plan, the term Company shall include, where applicable, the employer of the Employee or Consultant, including without limitation MPT Operating Partnership, L.P. or such other Affiliate or Subsidiary that employs the Employee or the Consultant.

"Consultant" shall mean a professional or technical expert, consultant or independent contractor who provides services to the Company or an Affiliate or Subsidiary, and who may be selected to participate in the Plan.

"Deferred Stock Unit" shall mean a right to receive Common Stock awarded under Article 6 of this Plan.

"Director" means any individual who is a member of the Board.

2

"Employee" shall mean any employee (as defined in accordance with the regulations and revenue rulings then applicable under Section 3401(c) of the Code) of the Company or an Affiliate or Subsidiary of the Company, whether such employee was so employed at the time this Plan was initially adopted or becomes so employed subsequent to the adoption of this Plan.

"Employment Agreement" shall mean the employment, consulting or similar contractual agreement entered into by the Employee or the Consultant, as the case may be, and the Company governing the terms of the Employee's or Consultant's employment with the Company, if any.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" of a share of Common Stock, as of a given date, shall be

determined pursuant to Section 4.7.

"Good Reason" shall only apply, and shall only have the meaning, as contained in the Participant's Employment Agreement. Any provision herein that relates to a Termination of Employment by the Participant for Good Reason shall have no effect if there is no Employment Agreement or the Employment Agreement does not contain a provision permitting the Participant to terminate for Good Reason.

"Incentive Stock Option" shall mean an option which conforms to the applicable provisions of Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

"Independent Director" shall mean a Director who is not an Employee.

"MPT OP" means MPT Operating Partnership, L.P., of which the Company is presently a limited partner and the sole owner of the general partner.

"Non-Qualified Stock Option" shall mean an Option which the Committee does not designate as an Incentive Stock Option.

"144A Offering" means the private placement of Common Stock of the Company.

"Option" shall mean an option to purchase shares of Common Stock that is granted under Article 4 of this Plan. An option granted under this Plan shall, as determined by the Committee, be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to Independent Directors and Consultants shall be Non-Qualified Stock Options.

"Participant" shall mean an Employee, Consultant or Director who has been determined as eligible to receive an Award pursuant to Section 3.2.

"Performance Units" shall mean performance units granted under Article 8 of this Plan.

"Permanent Disability" or "Permanently Disabled" shall mean the inability of a Participant, due to a physical or mental impairment, to perform the material services of the Participant's position with the Company for a period of six (6) months, whether or not consecutive, during any 365-

day period. A determination of Permanent Disability shall be made by a physician satisfactory to both the Participant and the Committee, provided that if the Participant and the Committee do not agree on a physician, each of them shall select a physician and those two physicians together shall select a third physician, whose determination as to Permanent Disability shall be binding on all parties.

"Plan" shall mean the Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan, as embodied herein and as amended from time to time.

"Plan Year" shall mean the fiscal year of the Company.

"Restricted Common Stock" shall mean Common Stock awarded under Article 6 of this Plan.

"Restricted Stock Unit" shall mean a right to receive Common Stock awarded under Article 6 of this Plan.

"Retirement" or "Retire" shall, except as otherwise defined in the Participant's Employment Agreement, mean a Participant's Termination of Employment with the Company on or after his 65th birthday.

"Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such rule may be amended from time to time.

"SAR" shall mean stock appreciation rights awarded under Article 7 of this Plan.

"Section 162(m) Participant" shall mean any Employee the Committee designates to receive an Award whose compensation for the fiscal year in which the Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code, as determined by the Committee in its sole discretion.

"Stock Award" shall mean an Award of Restricted Common Stock, Restricted Stock Units or Deferred Stock Units under Article 6 of this Plan.

"Stock Award Account" shall mean the bookkeeping account reflecting Awards of Restricted Stock Units and Deferred Stock Units under Article 6 of this Plan.

"Subsidiary" shall mean an entity in an unbroken chain beginning with the Company if each of the entities other than the last entity in the unbroken chain owns 50 percent or more of the total combined voting power of all classes of equity in one of the other entities in such chain.

"Termination of Employment" shall mean the date on which the employee-employer, consulting, contractual or similar relationship between a Participant and the Company is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination of employment by resignation, discharge, death, Permanent Disability or Retirement, but excluding (i) termination of employment where there is a simultaneous reemployment or continuing employment of a Participant by the Company, and (ii) at the discretion of the Committee,

4

termination of employment which results in a temporary severance of the employee-employer relationship. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to a Termination of Employment (subject to the provisions of any Employment Agreement between a Participant and the Company), including, but not limited to all questions of whether particular leaves of absence constitute a Termination of Employment; provided, however, that, unless otherwise determined by the Committee in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change the employee-employer, consulting, contractual or similar relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

ARTICLE 2. COMMON STOCK SUBJECT TO PLAN

2.1 COMMON STOCK SUBJECT TO PLAN.

2.1.1 The Common Stock subject to an Award shall be shares of the Company's authorized but unissued, reacquired, or treasury Common Stock. Subject to adjustment as described in Section 11.3.1, the aggregate number of shares of Common Stock that may be issued under the Plan as Restricted Common Stock, Restricted Stock Units, Deferred Stock Units or pursuant to the exercise of Options is 791,180.

2.1.2 The maximum number of shares of Common Stock which may be awarded to any individual in any calendar year shall not exceed 300,000.

2.2 ADD-BACK OF GRANTS. If any Option or SAR expires or is canceled without having been fully exercised, is exercised in whole or in part for cash as permitted by this Plan, or is exercised prior to becoming vested as permitted under Section 4.6.3 and is forfeited prior to becoming vested, the number of shares of Common Stock subject to such Option or SAR but as to which such Option, SAR or other right was not exercised or vested prior to its expiration, cancellation or exercise may again be optioned, granted or awarded hereunder. Shares of Common Stock which are delivered by the Participant or withheld by the Company upon the exercise of any Option or other award under this Plan, in payment of the exercise price thereof, may again be optioned, granted or awarded hereunder. If any shares of Common Stock awarded as Restricted Common Stock, Restricted Stock Units or other equity award hereunder or as payment for Performance Units are forfeited by the Participant, such shares may again be optioned, granted or awarded hereunder. Notwithstanding the provisions of this Section 2.2, no shares of Common Stock may again be optioned, granted or awarded pursuant to an Incentive Stock Option if such action would cause such Option to fail to qualify as an Incentive Stock Option under Section 422 of the Code.

ARTICLE 3. ELIGIBILITY; GRANTS; AWARD AGREEMENTS

3.1 ELIGIBILITY. Any Employee, Consultant or Director selected to participate pursuant to Section 3.2 shall be eligible to participate in the Plan.

5

3.2 AWARDS. The Committee shall determine which Employees, Consultants and Directors, shall receive Awards, whether the Employee, Consultant or Director will receive Options, Restricted Common Stock, Restricted Stock Units, Deferred Stock Units, SARs or Performance Units, whether an Option grant shall be of Incentive Stock Options or Non-Qualified Stock Options, and the number of shares of Common Stock subject to such Award. Notwithstanding the foregoing, the terms and conditions of an Award intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall include, but not be limited to, such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

3.3 PROVISIONS APPLICABLE TO SECTION 162(m) PARTICIPANTS.

3.3.1 Notwithstanding anything in the Plan to the contrary, the Committee may grant Options, Restricted Common Stock, Restricted Stock Units, SARs or Performance Units to a Section 162(m) Participant that vest upon the attainment of performance targets for the Company which are related to one or more of the following performance goals: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) return on equity, (vi) return on invested capital or assets, (vii) cost reductions or savings, or (viii) such other identifiable and measurable performance objectives, as determined by the Committee.

3.3.2 To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period, (iii) establish the various targets and bonus amounts which may be earned for such fiscal year or other designated fiscal period and (iv) specify the relationship between performance goals and targets and the amounts to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period. Following the completion of each fiscal year or other designated fiscal period, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period.

3.4 AWARD AGREEMENT. Upon the selection of an Employee, Consultant or Director to become a Participant and receive an Award, the Committee shall cause a written Award Agreement to be issued to such individual encompassing the terms and conditions of such Award, as determined by the Committee in its sole discretion; provided, however, that if applicable, the terms of such Award Agreement shall comply with the terms of such Participant's Employment Agreement, if any. Such Award Agreement shall provide for the exercise price for Options and SARs; the purchase price for Restricted Common Stock, Restricted Stock Units and Deferred Stock Units; the performance criteria for Performance Units; and the exercisability and vesting schedule, payment terms and such other terms and conditions of such Award, as determined by the Committee in its sole discretion. Each Award Agreement shall be executed by

the Participant and an officer or a Director (other than the Participant) of the Company authorized to sign such Award Agreement and shall contain such terms and conditions that are consistent with the Plan, including but not limited to the exercisability and vesting schedule, if any, as the Committee in its sole discretion shall determine. All Awards shall be made conditional upon the Participant's acknowledgment, in writing in the Award Agreement or otherwise by acceptance of the Award, that all decisions and determinations of the Committee shall be final and binding on the Participant, his beneficiaries and any other person having or claiming an interest under such Award.

ARTICLE 4. OPTIONS

4.1 AWARD AGREEMENT FOR OPTION GRANT. Option grants shall be evidenced by an Award Agreement, pursuant to Section 3.4. All Award Agreements evidencing Options intended to qualify as performance-based compensation as described in

Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. All Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.2 OPTION PRICE. The price per share of the Common Stock subject to each Option shall be set by the Committee; provided, however, that (i) such price shall not be less than the par value of a share of Common Stock and shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted, (ii) in the case of Incentive Stock Options granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code), such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted.

4.3 QUALIFICATION FOR INCENTIVE STOCK OPTIONS. The Committee may grant an Incentive Stock Option to an individual if such person is an Employee of the Company or is an Employee of an Affiliate or Subsidiary as permitted under Section 422(a)(2) of the Code.

4.4 CHANGE IN INCENTIVE STOCK OPTION GRANT. Any Incentive Stock Option granted under this Plan may be modified by the Committee to disqualify such Option from treatment as an Incentive Stock Option under Section 422 of the Code. To the extent that the aggregate Fair Market Value of shares of Common Stock with respect to which Incentive Stock Options (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Participant during any calendar year (under the Plan and all other Incentive Stock Option plans of the Company) exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options to the extent required or permitted by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 4.4, the Fair Market Value of shares of Common Stock shall be determined as of the time the Option with respect to such shares of Common Stock is granted, pursuant to Section 4.7.

7

4.5 OPTION TERM. The term of an Option shall be set by the Committee in its discretion; provided, however, in the case of Incentive Stock Options, the term shall not be more than ten (10) years from the date the Incentive Stock Option is granted, or five (5) years from such date if the Incentive Stock Option is granted to an Employee then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code). Such Incentive Stock Options shall be subject to Section 5.6, except as limited by the requirements of Section 422 of the Code and regulations and rulings thereunder applicable to Incentive Stock Options.

4.6 OPTION EXERCISABILITY AND VESTING.

4.6.1 The period during which Options in whole or in part become exercisable and vest in the Participant shall be set by the Committee and shall be as provided for in the Award Agreement. At any time after the grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option becomes exercisable and vests.

4.6.2 In each Award Agreement, the Committee shall indicate whether the portion of the Options, if any, that remains non-exercisable and non-vested upon the Participant's Termination of Employment with the Company is forfeited. In so specifying, the Committee may differentiate between the reason for the Participant's Termination of Employment.

4.6.3 At any time on or after the grant of an Option, the Committee may provide in an Award Agreement that the Participant may elect to exercise part or all of an Option before it otherwise has become exercisable. Any shares of Common Stock so purchased shall be restricted Common Stock and shall be subject to a repurchase right in favor of the Company during a specified restriction period, with the repurchase price equal to the lesser of (i) the price per share paid by the Participant for the Common Stock, or (ii) the Fair Market Value of such Common Stock at the time of repurchase, or such other restrictions as the

Committee deems appropriate. The Participant shall have, unless otherwise provided by the Committee in the Award Agreement, all the rights of an owner of Common Stock, subject to the restrictions and provisions of his Award Agreement, including the right to vote such Common Stock and to receive all dividends and other distributions paid or made with respect to Common Stock.

4.6.4 Any Options which are not exercisable and vested upon the occurrence of a Change of Control, including shares of restricted Common Stock received upon the exercise of an Option as described in Section 4.6.3 above, shall become 100% exercisable, if not previously exercised, and 100% vested, unless the Award Agreement or the Participant's Employment Agreement provides otherwise.

4.7 FAIR MARKET VALUE. The Fair Market Value of a share of Common Stock as of a given date shall be (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (or as reported on any composite index which includes such principal exchange), on the trading day previous to such date, or if shares of Common Stock were not traded on the trading day previous to such date, then on the next preceding date on which a trade occurred, or (ii) if shares of Common Stock are not traded on an

8

exchange but are quoted on NASDAQ or a successor quotation system, either the (a) closing sale price, or (b) the mean between the closing representative bid and asked prices for the Common Stock on the trading day previous to such date as reported by NASDAQ or such successor quotation systems, as may be appropriate, or (iii) if shares of Common Stock are not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the Fair Market Value of a share of Common Stock as established by the Company acting in good faith and after consultation with independent advisors. The Fair Market Value as so determined by the Company in good faith and in the absence of fraud shall be binding and conclusive upon all parties hereto, and in any event the Participant agrees to accept and shall not challenge any such determination of Fair Market Value made by the Company. If the Company subdivides (by split, dividend or otherwise) its shares of Common Stock into a greater number, or combines (by reverse split or otherwise) its shares of Common Stock into a lesser number after the Company shall have determined the Fair Market Value for the shares of Common Stock subject to an Award (without taking into consideration such subdivision or combination) and prior to the consummation of the purchase, the Fair Market Value shall be appropriately adjusted to reflect such subdivision or combination, and the Company's good faith determination as to any such adjustment shall be binding and conclusive on all parties hereto.

ARTICLE 5. EXERCISE OF OPTIONS

5.1 EXERCISE. At any time and from time to time prior to the time when any exercisable Option or portion thereof becomes unexercisable under the Plan or the Award Agreement, such Option or portion thereof may be exercised in whole or in part; provided, however, that the Company shall not be required to issue fractional shares of Common Stock and the Committee may, by the terms of the Option, require any partial exercise to be with respect to a minimum number of shares of Common Stock.

5.2 MANNER OF EXERCISE. An exercisable Option, or any exercisable portion thereof, may be exercised solely by delivery to the Company of all of the following prior to the time when such Option or such portion becomes unexercisable under the Plan or the Award Agreement:

5.2.1 A written notice signed by the Participant or other person then entitled to exercise such Option or portion thereof, stating that such Option or portion is being exercised, provided such notice complies with all applicable rules established by the Committee from time to time.

5.2.2 Such representations and documents as the Committee, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal or state securities laws or regulations. The Committee may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, causing legends to be placed on certificates for shares of Common Stock and issuing stop-transfer notices to agents and registrars.

5.2.3 In the event that the Option shall be exercised pursuant to Section 11.1

by any person or persons other than the Participant, appropriate proof of the right of such person or persons to exercise the Option or portion thereof.

9

5.2.4 Full payment (in cash or by a certified check) for the shares of Common Stock with respect to which the Option or portion thereof is exercised, including the amount of any withholding tax due, unless with the prior written consent of the Committee:

5.2.4.1 payment, in whole or in part, is made through the delivery of shares of Common Stock owned by the Participant, duly endorsed for transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, provided, that shares of Common Stock used to exercise the Option have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option;

5.2.4.2 payment, in whole or in part, is made through the surrender of shares of Common Stock then issuable upon exercise of the Option having a Fair Market Value on the date of Option exercise equal to the aggregate exercise price of the Option or exercised portion thereof;

5.2.4.3 after a public offering of the Common Stock, payment through a broker at the time required in accordance with procedures permitted by Regulation T of the Federal Reserve Board; or

5.2.4.4 payment is made through any combination of the consideration provided for in this Section 5.2.4 or such other method approved by the Committee consistent with applicable law.

5.3 CONDITIONS TO ISSUANCE OF COMMON STOCK. The Company shall not be required to issue or deliver any certificate or other indicia evidencing ownership of shares of Common Stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

5.3.1 The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable.

5.3.2 The lapse of such reasonable period of time following the exercise of the Option as the Committee may establish from time to time for reasons of administrative convenience.

5.3.3 The receipt by the Company of full payment for such Common Stock, including payment of any applicable withholding tax.

5.3.4 The Participant agreeing to the terms and conditions of the Plan and the Award Agreement.

5.4 RIGHTS AS STOCKHOLDERS. The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares of Common Stock purchasable upon the exercise of any part of an Option unless and until certificates or other indicia representing such shares of Common Stock have been issued by the Company to such holders.

5.5 OWNERSHIP AND TRANSFER RESTRICTIONS. The Committee, in its absolute discretion, may impose at the time of grant such restrictions on the ownership and transferability of the shares of Common Stock purchasable upon the exercise of an Option as it deems appropriate. Any such

10

restriction shall be set forth in the Award Agreement and may be referred to on the certificates or other indicia evidencing such shares of Common Stock.

5.6 LIMITATIONS ON EXERCISE OF OPTIONS.

5.6.1 Vested Incentive Stock Options may not be exercised after the earlier of (i) their expiration date, (ii) twelve (12) months from the date of the Participant's Termination of Employment by reason of his death, (iii) twelve (12) months from the date of the Participant's Termination of Employment by reason of his Permanent Disability, or (iv) the expiration of three (3) months

from the date of the Participant's Termination of Employment for any reason other than such Participant's death or Permanent Disability, unless the Participant dies within said three (3) month period. Leaves of absence for less than ninety (90) days shall not cause a Termination of Employment for purposes of Incentive Stock Options.

5.6.2 Non-Qualified Stock Options may be exercised up until their expiration date, unless the Committee provides otherwise in the Award Agreement.

ARTICLE 6. STOCK AWARDS

6.1 AWARD AGREEMENT. Awards of Restricted Common Stock, Restricted Stock Units and Deferred Stock Units shall be evidenced by an Award Agreement, pursuant to Section 3.4. All Award Agreements evidencing Restricted Common Stock, Restricted Stock Units and Deferred Stock Units intended to qualify as performance-based compensation as described in Section 162(m) (4) (C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

6.2 AWARDS OF RESTRICTED COMMON STOCK, RESTRICTED STOCK UNITS AND DEFERRED STOCK UNITS.

6.2.1 The Committee may from time to time, in its absolute discretion, consistent with this Plan:

6.2.1.1 determine which Employees, Consultants and Directors shall receive Stock Awards;

6.2.1.2 determine the aggregate number of shares of Common Stock to be awarded as Stock Awards to Employees, Consultants and Directors;

6.2.1.3 determine the terms and conditions applicable to such Stock Awards; and

6.2.1.4 determine when the restrictions, if any, lapse.

6.2.2 The Committee may establish the purchase price, if any, and form of payment for a Stock Award. If the Committee establishes a purchase price, the purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law.

6.2.3 Upon the selection of an Employee, Consultant or Director to be awarded Restricted Common Stock, the Committee shall instruct the Secretary of the Company to issue such

11

Restricted Common Stock and may impose such conditions on the issuance of such Restricted Common Stock as it deems appropriate, subject to the provisions of Article 9.

6.2.4 Upon the selection of an Employee, Consultant or Director to be awarded Restricted Stock Units or Deferred Stock Units, the Committee shall instruct the Secretary of the Company to establish a Stock Award Account on behalf of each such Participant. The Committee may impose such conditions on the issuance of such Restricted Stock Units or Deferred Stock Units as it deems appropriate.

6.2.5 Awards of Restricted Common Stock and Restricted Stock Units shall vest pursuant to the Award Agreement.

6.2.6 A Participant shall be 100 percent vested in the number of Deferred Stock Units held in his or her Stock Award Account at all times. The term for which the Deferred Stock Units shall be deferred shall be provided for in the Award Agreement.

6.3 RIGHTS AS STOCKHOLDERS.

6.3.1 Upon delivery of the shares of Restricted Common Stock to the Participant or the escrow holder pursuant to Section 6.7, the Participant shall have, unless otherwise provided by the Committee in the Award Agreement, all the rights of an owner of Common Stock, subject to the restrictions and provisions of his Award Agreement; provided, however, that in the discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 6.4.

6.3.2 Nothing in this Plan shall be construed as giving a Participant who receives an Award of Restricted Stock Units or Deferred Stock Units any of the rights of an owner of Common Stock unless and until shares of Common Stock are issued and transferred to the Participant in accordance with the terms of the Plan and the Award Agreement. Notwithstanding the foregoing, in the event that any dividend is paid by the Company with respect to the Common Stock (whether in the form of cash, Common Stock or other property), then the Committee shall, in the manner it deems equitable or appropriate, adjust the number of Restricted Stock Units or Deferred Stock Units allocated to each Participant's Stock Award Account to reflect such dividend.

6.4 RESTRICTION. All shares of Restricted Common Stock issued under this Plan (including any Common Stock received as a result of stock dividends, stock splits or any other form of recapitalization, if any) shall at the time of the Award, in the terms of each individual Award Agreement, be subject to such restrictions as the Committee shall, in its sole discretion, determine, which restrictions may include, without limitation, restrictions concerning voting rights, transferability, vesting, Company performance and individual performance; provided, however, that by action taken subsequent to the time shares of Restricted Common Stock are issued, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Award Agreement. Restricted Common Stock may not be sold or encumbered until all restrictions are terminated or expire.

12

6.5 LAPSE OF RESTRICTIONS. The restrictions on Awards of Restricted Common Stock and Restricted Stock Units shall lapse in accordance with the terms of the Award Agreement. In the Award Agreement, the Committee shall indicate whether shares of Restricted Common Stock or Restricted Stock Units then subject to restrictions are forfeited or if the restrictions shall lapse upon the Participant's Termination of Employment. In so specifying, the Committee may differentiate between the reason for the Participant's Termination of Employment.

6.6 REPURCHASE OF RESTRICTED COMMON STOCK. The Committee may provide in the terms of the Award Agreement awarding Restricted Common Stock that the Company shall have call rights, a right of first offer or a right of refusal regarding shares of Restricted Common Stock then subject to restrictions.

6.7 ESCROW. The Company may appoint an escrow holder to retain physical custody of each certificate or control of each other indicia representing shares of Restricted Common Stock until all of the restrictions imposed under the Award Agreement with respect to the shares of Common Stock evidenced by such certificate expire or shall have been removed.

6.8 LEGEND. In order to enforce the restrictions imposed upon shares of Restricted Common Stock hereunder, the Committee shall cause a legend or restrictions to be placed on certificates of Restricted Common Stock that are still subject to restrictions under Award Agreements, which legend or restrictions shall make appropriate reference to the conditions imposed thereby.

6.9 CONVERSION. Upon vesting in the case of Restricted Stock Units, and upon the lapse of the deferral period in the case of Deferred Stock Units, such Restricted Stock Units or Deferred Stock Units shall be converted into an equivalent number of shares of Common Stock that will be distributed to the Participant, or in the case of the Participant's death, to the Participant's legal representative. Such distribution shall be evidenced by a stock certificate, appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company, or other appropriate means as determined by the Company. In the event ownership or issuance of the Common Stock is not feasible due to applicable exchange controls, securities regulations, tax laws or other provisions of applicable law, as determined by the Company in its sole discretion, the Participant, or in the case of the Participant's death, the Participant's legal representative, shall receive cash proceeds in an amount equal to the value of the shares of Common Stock otherwise distributable to the Participant, net of tax withholding as provided in Section 11.5

ARTICLE 7. STOCK APPRECIATION RIGHTS

7.1 AWARD AGREEMENT FOR SARs. Awards of SARs shall be evidenced by an Award Agreement, pursuant to Section 3.4. All Award Agreements evidencing SARs

intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

7.2 GENERAL REQUIREMENTS. The Committee may grant SARs separately or in tandem with any Option (for all or a portion of the applicable Option). The Committee shall determine which Employees, Consultants and Directors shall receive Awards of SARs and the amount of such Awards.

13

7.3 BASE AMOUNT. The Committee shall establish the base amount of the SAR at the time the SAR is granted. Unless the Committee determines otherwise, the base amount of each SAR shall be equal to the price per share of the related Option or, if there is no related Option, the Fair Market Value of a share of Common Stock as of the date of grant of the SAR.

7.4 TANDEM SARs. Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the time of grant of the Incentive Stock Option. In the case of tandem SARs, the number of SARs granted to an Employee, Consultant or Director that shall be exercisable during a specified period shall not exceed the number of shares of Common Stock that the Employee, Consultant or Director may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Common Stock covered by such Option shall terminate. Upon the exercise of the SARs, the related Option shall terminate to the extent of an equal number of shares of Common Stock.

7.5 SAR EXERCISABILITY.

7.5.1 The period during which SARs in whole or in part become exercisable shall be set by the Committee and shall be as provided for in the Award Agreement. At any time after the grant of an SAR, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which the SAR becomes exercisable.

7.5.2 In each Award Agreement, the Committee shall indicate whether the portion of the SAR, if any, that remains non-exercisable upon the Participant's Termination of Employment with the Company is forfeited. In so specifying, the Committee may differentiate between the reason for the Participant's Termination of Employment.

7.6 VALUE OF SARs. When a Participant exercises an SAR, the Participant shall receive in settlement of such SAR an amount equal to the value of the stock appreciation for the number of SARs exercised payable in cash, Common Stock or a combination thereof. The stock appreciation for an SAR is the amount by which the Fair Market Value of the underlying Common Stock on the date of exercise of the SAR exceeds the base amount of the SAR.

7.7 FORM OF PAYMENT. The Committee shall determine whether the appreciation in an SAR shall be paid in the form of cash, Common Stock or a combination of the two, in such proportion as the Committee deems appropriate. For purposes of calculating the number of shares of Common Stock to be received, shares of Common Stock shall be valued at their Fair Market Value on the date of exercise of the SAR. If shares of Common Stock are received upon exercise of a SAR, cash shall be delivered in lieu of any fractional shares of Common Stock.

ARTICLE 8. PERFORMANCE UNITS

8.1 AWARD AGREEMENT FOR PERFORMANCE UNITS. Awards of Performance Units shall be evidenced by an Award Agreement, pursuant to Section 3.4. All Award Agreements evidencing Performance Units intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

14

8.2 GENERAL REQUIREMENTS. Each Performance Unit shall represent the right of the Participant to receive an amount based on the value of the Performance Unit, if performance goals established by the Committee are met. A Performance Unit shall be based on the Fair Market Value of a share of Common Stock or such other

measurement base as the Committee deems appropriate. The Committee shall determine and set forth in the Award Agreement the number of Performance Units to be granted and the requirements applicable to such Performance Units. The Committee shall determine which Employees, Consultants and Directors shall receive Awards of a Performance Unit and the amount of such Awards.

8.3 PERFORMANCE PERIOD AND PERFORMANCE GOALS. When Performance Units are granted, the Committee shall establish the performance period during which performance shall be measured (the "Performance Period"), performance goals applicable to the Performance Units ("Performance Goals") and such other conditions of the Award as the Committee deems appropriate. Performance Goals may relate to the financial performance of the Company or its Subsidiaries, the performance of Common Stock, individual performance or such other criteria as the Committee deems appropriate.

8.4 PAYMENT WITH RESPECT TO PERFORMANCE UNITS. At the end of each Performance Period, the Committee shall determine to what extent the Performance Goals and other conditions of the Performance Units are met, the value of the Performance Units (if applicable), and the amount, if any, to be paid with respect to the Performance Units. Payments with respect to Performance Units shall be made in cash, in Common Stock or in a combination of the two, as determined by the Committee.

ARTICLE 9. DEFERRALS

The Committee may permit a Participant to defer receipt of the payment of cash or the delivery of Common Stock that would otherwise be due to such Participant in connection with any Option or SAR, the lapse or waiver of restrictions applicable to Restricted Common Stock or Restricted Stock Units, the lapse of the deferral period applicable to Deferred Stock Units or the satisfaction of any requirements or objectives with respect to Performance Units. If any such deferral election is permitted, the Committee shall, in its sole discretion, establish rules and procedures for such deferrals, which may include provisions for the payment or crediting of interest or dividend equivalents, including converting such credits into deferred Common Stock equivalents and restricting deferrals to comply with hardship distribution rules affecting 401(k) plans. The Company may, but is not obligated to, contribute the shares of Common Stock that would otherwise be issuable pursuant to an Award to a rabbi trust. Shares of Common Stock issued to a rabbi trust pursuant to this Article 9 may ultimately be issued to the Participant in accordance with the terms of the deferred compensation plan or the Award Agreement.

ARTICLE 10. ADMINISTRATION

10.1 COMMITTEE. The Plan shall be administered by the Compensation Committee of the Board. The Board may remove members, add members, and fill vacancies on the Committee from time to time, all in accordance with the Company's Articles of Incorporation, by-laws, and with applicable law. The majority vote of the Committee, or for acts taken in writing without a meeting by the unanimous written consent of the members of the Committee, shall be valid acts

15

of the Committee. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board.

10.2 DUTIES AND POWERS OF COMMITTEE. It shall be the duty of the Committee to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to interpret this Plan and the agreements pursuant to which Options, Restricted Common Stock, Restricted Stock Units, Deferred Stock Units, SARs and Performance Units are granted or awarded, and to adopt such rules for the administration, interpretation, and application of this Plan as are consistent therewith and to interpret, amend or revoke any such rules. Any such Award under this Plan need not be the same with respect to each Participant. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code.

10.3 COMPENSATION; PROFESSIONAL ASSISTANCE; GOOD FAITH ACTIONS. Unless otherwise determined by the Board, members of the Committee shall receive no compensation for their services pursuant to this Plan. All expenses and liabilities which members of the Committee incur in connection with the administration of this Plan shall be borne by the Company. The Committee may, with the approval of the

Board, employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company and the Company's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all Participants, the Company and all other interested persons. No members of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to this Plan or any Awards made hereunder, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

ARTICLE 11. MISCELLANEOUS PROVISIONS

11.1 TRANSFERABILITY.

11.1.1 No Option, Restricted Common Stock, Restricted Stock Unit, Deferred Stock Unit, SAR, Performance Unit, or any right therein or part thereof shall be liable for the debts, contracts or engagements of the Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that nothing in this Section 11.1.1 shall prevent transfers by will or by the applicable laws of descent and distribution or as permitted in Section 11.1.2 below. The Committee shall not be required to accelerate the exercisability of an Award or otherwise take any action pursuant to a divorce or similar proceeding in the event Participant's spouse is determined to have acquired a community property interest in all or any portion of an Award. Except as provided below, during the lifetime of the Participant, only he may exercise an Award (or any portion thereof) granted to him under the Plan. After the death of the Participant, any exercisable portion of an Award, prior to the time

16

when such portion becomes unexercisable under the Plan or the applicable Award Agreement or other agreement, may be exercised by his personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

11.1.2 Notwithstanding the foregoing, the Committee may provide in an Award Agreement, or amend an otherwise outstanding Award Agreement to provide, that a Participant may transfer Non-Qualified Stock Options to family members, or one or more trusts or other entities for the benefit of or owned by family members, consistent with applicable securities laws, according to such terms as the Committee may determine; provided that the Participant receives no consideration for the transfer of a Non-Qualified Stock Option and the transferred Non-Qualified Stock Option shall continue to be subject to the same terms and conditions as were applicable to the Non-Qualified Stock Option immediately before the transfer and shall be exercisable by the transferee according to the same terms as applied to the Participant.

11.2 AMENDMENT, SUSPENSION OR TERMINATION OF THIS PLAN.

11.2.1 Except as otherwise provided in this Section 11.2, this Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board; provided, however, no action of the Board or the Committee may be taken that would otherwise require stockholder approval as a matter of applicable law, regulation or rule, without the consent of the stockholders. The Board and the Committee cannot reprice, replace or regrant through cancellation or by lowering the price per share of a previously granted Option unless the stockholders of the Company provide prior approval. No amendment, suspension or termination of this Plan shall, without the consent of the Participant, impair any rights or obligations under any Award theretofore made to the Participant, unless such right has been reserved in the Plan or the Award Agreement. No Award may be made during any period of suspension or after termination of this Plan. In no event may any Award be made under this Plan after March 31, 2014.

11.2.2 Notwithstanding the foregoing, the Board or the Committee may take any action necessary to comply with a change in applicable law, irrespective of the status of any Award as vested or unvested, exercisable or unexercisable, at the

time of such change in applicable law.

11.3 CHANGES IN COMMON STOCK OR ASSETS OF THE COMPANY, ACQUISITION OR LIQUIDATION OF THE COMPANY AND OTHER CORPORATE EVENTS.

11.3.1 In the event that the Committee determines, in its sole discretion, that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), on account of a recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar event, affects the Common Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made

17

available under the Plan, then the Committee may, in such manner as it may deem equitable, adjust any or all of the following:

11.3.1.1 the maximum number of shares of Common Stock available for Awards;

11.3.1.2 the maximum number of shares of Common Stock subject to the Plan;

11.3.1.3 the number and kind of Company stock with respect to which an Award may be made under the Plan;

11.3.1.4 the number and kind of Company stock subject to an outstanding Award; and

11.3.1.5 the exercise price or purchase price with respect to any Award.

11.3.2 In the event of any transaction or event described in Section 11.3.1 or any unusual or nonrecurring transactions or events affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, the Committee in its discretion is hereby authorized to take any one or more of the following actions whenever the Committee determines, in its sole discretion, that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award or right under this Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

11.3.2.1 the Committee may provide, either by the terms of the Award Agreement or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, for (i) the purchase of any such Award for the payment of an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable, payable, fully vested or the restrictions lapsed, or (ii) the replacement of such Award with other rights or property selected by the Committee;

11.3.2.2 the Committee may provide in the terms of such Award Agreement or by action taken prior to the occurrence of such transaction or event that the Award cannot be exercised after such event;

11.3.2.3 the Committee may provide, by the terms of such Award or by action taken prior to the occurrence of such transaction or event, that for a specified period of time prior to such transaction or event, such Award shall be exercisable, notwithstanding anything to the contrary in Section 4.6 or the provisions of such Award;

11.3.2.4 the Committee may provide, by the terms of such Award or by action taken prior to the occurrence of such transaction or event, that upon such event, such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar Awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

11.3.2.5 the Committee may make adjustments in the number, type and kind of shares of Common Stock subject to outstanding Options, Restricted Common Stock, Restricted Stock Units, Deferred Stock Units, SARs and Performance Units and in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards, and rights and awards which may be granted in the future; and

11.3.2.6 the Committee may provide either by the terms of a, Award of Restricted Common Stock or Restricted Stock Units or by action taken prior to the occurrence of such event that, for a specified period of time prior to such event, the restrictions imposed under an Award Agreement upon some or all shares of the Restricted Common Stock or the Restricted Stock Units may be terminated, and some or all shares of such Restricted Common Stock or some or all of such Restricted Stock Units may cease to be subject to forfeiture under Section 6.5 or repurchase under Section 6.6 after such event.

11.3.3 Subject to Section 11.7, the Committee may, in its sole discretion, at the time of grant, include such further provisions and limitations in any Award Agreement or certificate, as it may deem appropriate and in the best interests of the Company; provided, however, that no such provisions or limitations shall be contrary to the terms of the Participant's Employment Agreement or the terms of this Plan.

11.3.4 Notwithstanding the foregoing, in the event of a transaction or event described in Sections 11.3.1 or any unusual or nonrecurring transactions or events affecting the Company, no action pursuant to this Section 11.3 shall be taken that is specifically prohibited under applicable law, the rules and regulations of any governing governmental agency or national securities exchange, or the terms of the Participant's Employment Agreement.

11.4 CONTINUED EMPLOYMENT. Nothing in this Plan or in any Award Agreement hereunder shall confer upon any Participant any right to continue his employment, consulting or similar relationship with the Company or an Affiliate, whether as an Employee, Consultant, Director or otherwise, or shall interfere with or restrict in any way the rights of the Company or an Affiliate, which are hereby expressly reserved, to discharge or terminate the relationship with any Participant at any time for any reason whatsoever, subject to the terms of any Employment Agreement entered into by the Participant and the Company or Affiliate.

11.5 TAX WITHHOLDING. The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Participant of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting, exercise or lapse of any restriction of any Option, Restricted Common Stock, Restricted Stock Unit, Deferred Stock Unit, SAR or Performance Unit. The Committee may, in its sole discretion and in satisfaction of the foregoing requirement, allow such Participant to elect to have the Company withhold shares of Common Stock otherwise issuable under such Award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld; provided, however, that any shares of Common Stock withheld shall be no greater than an amount that does not exceed the Participant's minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities.

11.6 FORFEITURE PROVISIONS. Pursuant to its general authority to determine the terms and conditions applicable to Awards, the Committee shall have the right to provide, in the terms of such Award, or to require the recipient to agree by separate written instrument, that (i) any proceeds, gains or other economic benefit actually or constructively received by the recipient upon any receipt or resale of any Common Stock underlying such Award, must be paid to the Company until such time the Company becomes publicly traded, and (ii) the Award shall terminate and any unexercised portion of such Award (whether or not vested) shall be forfeited, if (a) a Termination of Employment occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, (b) the recipient at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Committee or as specified in the Participant's Employment Agreement, or (c) the Company terminates the Employee with or without Cause.

11.7 LIMITATIONS APPLICABLE TO SECTION 16 PERSONS AND PERFORMANCE-BASED COMPENSATION. Notwithstanding any other provision of this Plan, any Option, Restricted Common Stock, Restricted Stock Unit, Deferred Stock Unit, SARs, or Performance Units granted or awarded to any individual who is then subject to Section 16 of the Exchange Act shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act). To the extent permitted by applicable law, Options granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule. Furthermore, notwithstanding any other provision of this Plan to the contrary, any Award which is granted to a Section 162(m) Participant and is intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code, and this Plan shall be deemed amended to the extent necessary to conform to such requirements.

11.8 RESTRICTIONS.

11.8.1 Except as otherwise provided for in the Award Agreement, upon any Termination of Employment, for a one year period thereafter, the Company shall have the right, but not the obligation, to purchase all vested shares of Common Stock awarded hereunder or acquired pursuant to an Award, for their Fair Market Value at the time of purchase by the Company. These rights shall be in addition to the right of first refusal pursuant to Section 11.8.2; provided, however, that in the event the Company decides not to exercise its rights pursuant to Section 11.8.2, the provisions of this Section 11.8.1 shall cease to apply with respect to those shares of Common Stock that were offered to the Company and sold in accordance with the provisions of Section 11.8.2.

11.8.2 Except as otherwise provided for in the Award Agreement, if an individual desires and is permitted to sell, encumber, or otherwise dispose of shares of Common Stock awarded hereunder or acquired pursuant to an Award, the individual shall first offer the shares to the Company by giving the Company written notice disclosing: (i) the name of the proposed transferee of the Common Stock, (ii) the certificate number and number of shares of Common Stock proposed to

20

be transferred or encumbered, (iii) the proposed price, (iv) all other terms of the proposed transfer, and (v) a written copy of the proposed offer. Within 60 days after receipt of such notice, the Company shall have the option to purchase all or part of such Common Stock at the same price and on the same terms as contained in such notice (the "Company Option Period"). In the event the Company does not exercise the option to purchase the Common Stock, as provided above, the individual shall have the right to sell, encumber or otherwise dispose of his shares of Common Stock on the terms of the transfer set forth in the written notice to the Company, provided such transfer is effected within 30 days after the expiration of the Company Option Period. If the transfer is not effected within such period, the Company must again be given an option to purchase, as provided above.

11.8.3 On and after the date a class of the Company's securities are registered under Section 12(b) or 12(g) of the Exchange Act, the Company shall have no further right to purchase shares of Common Stock under this Section 11.8, and its limitations shall be null and void.

11.8.4 Notwithstanding the foregoing, the Committee may require that a Participant execute any other documents it deems necessary or desirable with respect to any Common Stock distributed or purchased pursuant to this Plan.

11.9 RESTRICTIVE LEGEND. All of the shares of Common Stock now outstanding or hereafter issued and/or owned shall be held and transferred subject to the terms of the restrictions herein contained and every certificate representing a share of Common Stock shall contain the following legend: "These shares are held subject to the terms of the 2004 Equity Incentive Plan (the "Plan") and such shares may only be transferred in accordance with the terms thereof. A copy of the Plan is available at the office of the Company."

11.10 EFFECT OF PLAN UPON OPTION AND COMPENSATION PLANS. The adoption of this Plan shall not affect any other compensation or incentive plans in effect for

the Company. Nothing in this Plan shall be construed to limit the right of the Company (i) to establish any other forms of incentives or compensation for Employees, Consultants or Directors, or (ii) to grant or assume options or other rights otherwise than under this Plan in connection with any proper corporate purpose including but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

11.11 COMPLIANCE WITH LAWS. This Plan, the granting and vesting of Awards under this Plan and the issuance and delivery of shares of Common Stock and the payment of money under this Plan or under Awards awarded hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

21

11.12 TITLES. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Plan.

11.13 GOVERNING LAW. This Plan and any agreements hereunder shall be administered, interpreted and enforced under the laws of the State of Alabama, without regard to conflicts of laws thereof.

* * * * *

This Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan was adopted by the Board of Directors on October 18, 2004.

22

PURCHASE AND SALE AGREEMENT

BY AND AMONG

MPT OPERATING PARTNERSHIP, L.P. AND

MPT OF REDDING, LLC

(COLLECTIVELY, THE "PURCHASER PARTIES");

AND

VIBRA HEALTHCARE, LLC ("VIBRA")

AND

NORTHERN CALIFORNIA REHABILITATION HOSPITAL, LLC ("VIBRA SUB")

(COLLECTIVELY, THE "SELLER PARTIES ")

DATED AS OF JUNE 30, 2005

Table of Contents

	Page

ARTICLE I DEFINED TERMS.....	2
Section 1.1. Certain Defined Terms.....	2
Section 1.2. Interpretation; Terms Generally.....	8
ARTICLE II PURCHASE AND SALE OF ASSETS, ASSUMPTION OF LIABILITIES.....	9
Section 2.1. Purchase and Sale of Assets.....	9
Section 2.2. Excluded Liabilities.....	9
ARTICLE III PURCHASE PRICE.....	10
Section 3.1. Purchase Price.....	10
Section 3.2. Taxes, Rentals, Utilities.....	10
Section 3.3. Allocation of Purchase Price.....	10
ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SELLER PARTIES.....	10
Section 4.1. Organization.....	11
Section 4.2. Authorization and Enforceability.....	11
Section 4.3. Absence of Conflicts.....	11
Section 4.4. Consents and Approvals.....	12
Section 4.5. Financial Statements.....	12
Section 4.6. No Undisclosed Liabilities.....	12
Section 4.7. Accounts Receivable.....	12
Section 4.8. Absence of Changes.....	13
Section 4.9. Licenses.....	14
Section 4.10. Accreditation; Medicare and Medicaid; Third Party Payors.....	14
Section 4.11. HIPAA Compliance.....	15
Section 4.12. Healthcare Regulatory Matters.....	15
Section 4.13. Taxes.....	16
Section 4.14. Good Title to Assets.....	17
Section 4.15. Title and Condition of the Real Property.....	17
Section 4.16. Condition of Personal Property.....	18
Section 4.17. Compliance with Environmental Laws.....	18
Section 4.18. Insurance.....	19
Section 4.19. Litigation.....	19
Section 4.20. Contracts, Obligations and Commitments.....	20
Section 4.21. Compliance with Law.....	20
Section 4.22. Hill-Burton Obligations.....	20
Section 4.23. Brokers.....	21
Section 4.24. Records.....	21
Section 4.25. Existing Leases.....	21
Section 4.26. Representations Complete.....	21

	Page

ARTICLE V REPRESENTATIONS AND WARRANTIES BY THE PURCHASER PARTIES.....	21
Section 5.1. Organization.....	21
Section 5.2. Authorization; Enforcement, Absence of Conflicts.....	22
Section 5.3. Binding Agreement.....	22
Section 5.4. Litigation.....	22
Section 5.5. Brokers.....	22
Section 5.6. Compliance with Law.....	22
ARTICLE VI TITLE AND SURVEY.....	23
Section 6.1. Survey.....	23
Section 6.2. Title Insurance.....	23
ARTICLE VII PRE-CLOSING COVENANTS.....	24
Section 7.1. No Shop.....	24
Section 7.2. Access; Confidentiality.....	24
Section 7.3. Schedule Updates.....	25
Section 7.4. Conduct of Business by the Seller Parties Pending the Closing.....	25
Section 7.5. Cooperation.....	27
Section 7.6. Regulatory and other Authorizations, Notices and Consents.....	27
Section 7.7. Mutual Covenants.....	28
Section 7.8. Public Announcements.....	28
ARTICLE VIII CLOSING CONDITIONS.....	28
Section 8.1. Conditions to the Obligations of the Seller Parties.....	28
Section 8.2. Conditions to the Obligations of the Purchaser Parties.....	28
ARTICLE IX CLOSING.....	29
Section 9.1. Closing Date.....	29
Section 9.2. The Seller Parties' Closing Date Deliverables.....	29
Section 9.3. Purchaser Parties' Closing Date Deliverables.....	31
ARTICLE X TERMINATION.....	32
Section 10.1. Termination.....	32
Section 10.2. Notice and Effect.....	32
ARTICLE XI CERTAIN POST-CLOSING COVENANTS.....	32
Section 11.1. Post-Closing Access to Information.....	32
Section 11.2. Licensure, LTAC Conversion.....	33
Section 11.3. Ocadian Purchase Agreement Indemnification.....	33
ARTICLE XII INDEMNIFICATION.....	33
Section 12.1. The Seller Parties' Agreement to Indemnify.....	33
Section 12.2. The Purchaser Parties' Agreement to Indemnify.....	34

ii

Table of Contents (continued)

	Page

Section 12.3. Notification and Defense of Claims.....	35
Section 12.4. Investigations.....	36
Section 12.5. Treatment of Indemnification Payments.....	36
Section 12.6. Exclusive Remedy.....	36
ARTICLE XIII DISPUTE RESOLUTION.....	37
Section 13.1. GOVERNING LAW, JURISDICTION AND VENUE.....	37
ARTICLE XIV MISCELLANEOUS.....	37
Section 14.1. Assignment.....	37
Section 14.2. Notice.....	37
Section 14.3. Calculation of Time Period.....	39
Section 14.4. Captions.....	39
Section 14.5. Entire Agreement; Modification.....	39
Section 14.6. Schedules and Exhibits.....	39
Section 14.7. Further Assurances.....	39
Section 14.8. Counterparts.....	39
Section 14.9. Expenses.....	40
Section 14.10. Syndication.....	40
Section 14.11. Securities Offering and Filings.....	40
Section 14.12. Binding Effect.....	40

iii

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of June 30, 2005 by and among MPT OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("MPT"), and MPT OF REDDING, LLC, a Delaware limited liability company (the "Acquisition Sub") (MPT and the Acquisition Sub being herein referred to, collectively, as the "Purchaser Parties"); and VIBRA HEALTHCARE, LLC, a Delaware limited liability company ("Vibra"), and NORTHERN CALIFORNIA REHABILITATION HOSPITAL, LLC, a Delaware limited liability company

(the "Vibra Sub") (Vibra and the Vibra Sub being herein referred to, collectively, as the "Seller Parties").

W I T N E S S E T H:

WHEREAS, Vibra is a party (and has assigned certain of its rights and obligations thereunder to Vibra Sub) to that certain Asset Purchase Agreement dated June 15, 2005 between Ocadian Care Centers, LLC ("Ocadian") and Vibra (the "Ocadian Purchase Agreement") pursuant to which Ocadian has agreed to sell and assign to Vibra, and Vibra has agreed to purchase and assume from Ocadian, the Northern California Rehabilitation Hospital located in Redding California (the "Hospital"), including all of the buildings, structures and improvements related to the Hospital and owned by Ocadian (the "Owned Real Property"), as well as Ocadian's leasehold interest in the real property on which the Owned Property is situated, as more particularly described in the Ocadian Purchase Agreement;

WHEREAS, Ocadian leases the real property on which the Owned Real Property is situated (the "Leased Real Property") (the Owned Real Property and the Leased Real Property being hereinafter referred to, collectively, as the "Real Property") pursuant to the terms and conditions of that certain Ground Lease Agreement dated November 14, 1997 by and between National Medical Specialty Hospital of Redding, Inc. and Guardian Postacute Services, Inc., the predecessor-in-name of Ocadian (the "Ground Lease");

WHEREAS, subject to the terms and conditions hereinafter set forth, Seller Parties desires to sell and assign to the Acquisition Sub, and the Acquisition Sub desires to purchase and assume from Seller Parties, the Owned Real Property, the Leased 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; and

WHEREAS, contemporaneously with the closing of such purchase and sale, Vibra Sub shall lease back the Real Property from the Acquisition Sub pursuant to a lease in the form of Exhibit A hereto (the "Lease").

WHEREAS, until its change in ownership application is approved by the California Department of Health Services ("DHS"), Vibra Sub intends to sublease the Real Property and other assets back to Ocadian and to operate the same for Ocadian pursuant to licenses and provider numbers pursuant to 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.

"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.

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

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

2

"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.

"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 any location owned, leased or operated by the Seller Parties or Ocadian, 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.

3

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

"Existing Leases" means those certain six (6) lease agreements in effect as of the date hereof (other than the Lease) between Affiliates of MPT and Affiliates of Vibra.

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

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

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

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

"Governing Documents" means, with respect to any Person, as applicable, such Person's charter, articles or certificate of incorporation, formation or organization, bylaws or other documents or instruments which establish and/or set forth the rules, procedures and rights with respect to such Person's governance, including, without limitation, any stockholders, limited liability company, operating or partnership agreement related to such Person, in each case as amended, restated, supplemented and/or modified and in effect as of the relevant date.

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

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

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

"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.

4

"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 Leased Real Property, 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.

"Knowledge," "to the knowledge or best knowledge of" or similar words or phrases means, with respect to any Person, such Person's actual or deemed knowledge of a particular fact or matter if (i) any of such Person's current or former officers or directors (or other Persons however denominated, 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, Brad E. Hollinger and/or Clint Fegan, has actual knowledge of such fact or matter; or (ii) any of such Person's Knowledge Group would be expected to discover or otherwise become aware of such fact or matter after conducting a reasonably diligent inquiry.

"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.

"Leased Real Property" shall have the meaning set forth in the recitals to this Agreement.

5

"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 Vibra Sub and Ocadian.

"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.

"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.

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

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

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

"Owned Real Property" shall have the meaning set forth in the recitals to this Agreement.

"Permitted Exceptions" shall have the meaning set forth in the Ocadian Purchase Agreement.

"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.

"Public Taking" shall mean 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.

6

"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 the recitals to this Agreement.

"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 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 Vibra or any of its Subsidiaries.

"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 Vibra, those certain subsidiaries of Vibra 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

7

MPT in its sole discretion, which shall be prepared in accordance with the provisions set forth in Section 6.1 of this Agreement.

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

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

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

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

"Tenant" means the lessees or tenants under the Tenant Leases, if any.

"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 First American Title Company.

"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 Exceptions, the following assets of the Seller Parties (collectively, the "Assets"):

(a) all of the Seller Parties' rights under and interest in the Leased Real Property and the Ground Lease;

(b) all of the Seller Parties' right, title and interest in the Owned Real Property;

(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 Ocadian 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 either Seller Party or for any failure of either 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 Ocadian 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 Seven Hundred and Fifty Thousand and No/100 Dollars (\$20,750,000.00) (the "Purchase Price"). Subject to the terms and conditions hereof, at Closing, the Acquisition Sub shall pay the Purchase Price, less (i) the sum of Two Million and No/100 Dollars (\$2,000,000.00) which will be paid to the Seller Parties only if and when the Purchaser Parties are satisfied in their sole discretion that the Hospital's existing skilled nursing facility beds have been or will be converted to long-term acute care beds and (ii) Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00) which shall be paid as provided in Section 9.4 of the Lease. Such portion of the Purchase Price payable at Closing shall be paid via transfer of immediately available federal funds to an account specified in writing by Vibra not less than three (3) Business Days prior to the Closing Date. In the event that Purchaser Parties do not become satisfied that the conversion described above has or will occur within eighteen (18) months from the date hereof, then said Two Million Dollars (\$2,000,000.00) described in clause (i) above shall be forfeited and the Purchase Price adjusted accordingly.

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 Vibra Sub 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

10

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 limited liability company duly organized, validly existing and in good standing under the laws of the state of Delaware and is duly registered in California. The Vibra Sub is, and has at all times since its organization been, a Special Purpose Entity. Schedule 4.1 sets forth the ownership of Vibra, Senior Real Estate Holdings, LLC, Vibra Management, LLC, all of Vibra's Subsidiaries and the Vibra Sub and, except as set forth therein, no other party has any equity interest in Vibra, any of its Subsidiaries or the Vibra Sub, or any option, warrant or other right to acquire same.

SECTION 4.2. AUTHORIZATION AND ENFORCEABILITY. Each Seller Party has the requisite 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 Ocadian Purchase Agreement, this Agreement, together with all documents and agreements necessary to give effect to the provisions of this Agreement, including the Lease, and to consummate the transactions contemplated hereby and thereby. All limited liability company actions required to be taken by each Seller Party (including, without limitation, all necessary actions by the manager and/or members of such Seller Party) to authorize the execution, delivery and performance of the Ocadian Purchase Agreement, this Agreement, as well as all documents, agreements and instruments executed by such Seller Party which are necessary to give effect to the Ocadian Purchase Agreement 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 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 either Seller Party is necessary to authorize the execution, delivery and performance of the Ocadian Purchase Agreement, this Agreement, the Seller Party Instruments and all transactions contemplated hereby and thereby. This Agreement, the Ocadian Purchase Agreement, the Seller Party Instruments and all agreements to which either Seller Party will become a party hereunder, including the Lease, are and will constitute the valid and legally binding obligations of such Seller Parties, and are and will be enforceable against such Seller Parties 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 Ocadian Purchase Agreement), 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,

11

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 Ocadian Purchase Agreement, 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 Vibra and its Subsidiaries for the fiscal year ended December 31, 2004, (ii) the unaudited balance sheet of Vibra and its Subsidiaries as of March 31, 2005 (the "Balance Sheet Date") (the balance sheets described in subsections (i) and (ii) being hereinafter referred to, collectively, as the "Balance Sheets"), (iii) the audited statement of income and cash flows of Vibra and its Subsidiaries for the fiscal year ended December 31, 2004, (iv) the unaudited income statement and cash flows of Vibra and its Subsidiaries for the three (3) months ended March 31, 2005 (the financial statements described in this sentence, being hereinafter 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 Vibra and its Subsidiaries and fairly present the financial condition and results of operations, cash flows and partners' or members' equity or capital of Vibra and its Subsidiaries 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, neither Vibra nor any of its Subsidiaries or the Vibra Sub, has any material liability or obligation (other than obligations to close the transactions contemplated by the Ocadian Purchase Agreement and this Agreement), 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 consistent with the past practice, 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 neither 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 Vibra and its Subsidiaries include only accounts receivable arising from bona fide transactions in the conduct of the ordinary course of business, 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 Vibra or any of its Subsidiaries. Except as set

12

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, Vibra and its Subsidiaries have, as applicable:

- (a) conducted their respective businesses only in the ordinary course of business and consistently with past practices;
- (b) not suffered any change, event or circumstance which has had, or could have, a Material Adverse Effect;
- (c) preserved their legal existences and retained their respective business organizations intact;
- (d) maintained their relationships with all suppliers, trade creditors and trade debtors;
- (e) paid or satisfied all of their debts, liabilities or obligations as the same became due;
- (f) paid all compensation and other obligations to their respective 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 its assets;
- (i) except as otherwise provided in this Agreement, not sold or transferred any of their respective assets except for sales of inventory in the ordinary course of business and consistently with past practices;
- (j) not suffered any material damage, destruction or loss (whether or not covered by insurance) affecting their respective 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 material 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 Ocadian 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 their respective 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;

13

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

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

(r) not experienced any material defections in their respective medical staffs;
or

(s) not agreed or offered, whether in writing or otherwise, to take action described in Sections 4.8(a) through 4.8(r) above.

SECTION 4.9. LICENSES. Vibra and its Subsidiaries have all material licenses, permits, certificates of need and other authorizations from Governmental Entities (the "Permits") necessary or proper in order to enable them to own and operate their facilities and conduct their respective businesses. Without limiting the generality of the foregoing, and except as set forth on Schedule 4.9, Vibra Sub shall have all necessary Permits to operate the Hospital and conduct the Business following Closing. Except as set forth on Schedule 4.9, Vibra and each of its Subsidiaries, including the Vibra Sub, previously have substantially complied and are currently complying with its obligations under each of the Permits in all material respects 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 Vibra or any of its Subsidiaries and Vibra has no 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 38 general acute-care beds, 24 of which are qualified to provide rehabilitation services, and 50 skilled-nursing 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. The Hospital does not operate any emergency department, as more specifically defined or intended under Title 22 of the California Code of Regulations Section 70411 (basic emergency medical services), Section 70451 (comprehensive emergency medical service), or Section 70649 (standby emergency medical service), and does not hold itself out to the public as a provider of "emergency" or "urgent" care.

SECTION 4.10. ACCREDITATION; MEDICARE AND MEDICAID; THIRD PARTY PAYORS. Except as set forth on Schedule 4.10 attached hereto, all operating Subsidiaries of Vibra participate without restriction under Title XVIII of the Social Security Act ("Medicare") the applicable state equivalent ("Medicaid"), and the TRICARE/CHAMPUS programs (collectively, the "Government Programs"). Except as set forth on Schedule 4.10, all operating Subsidiaries of Vibra are in substantial compliance with the conditions of participation for the Government Programs, have 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. Except as set forth on Schedule 4.10, there is no pending, nor, to the best of the Seller Parties' Knowledge, threatened, proceeding or investigation under the Government Programs involving Vibra or any of its Subsidiaries. Vibra has previously delivered to the Purchaser Parties true, correct and complete copies of the most recent Medicare and Medicaid certification survey reports for its operating Subsidiaries, including any statements of deficiencies and plans of correction, and the corrective action plans related thereto. Vibra 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, neither Vibra or any of its Subsidiaries, nor any of their respective officers, directors, Equity Constituents or, to Vibra's Knowledge, any of their employees or Service Providers (i) has been excluded, suspended or debarred from, or otherwise adjudicated, deemed or determined ineligible for, participation in any Government Program, including Medicare or Medicaid, (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 (iv) no Medicare funds will be used to make any payment for any items or services furnished by any such excluded individual. Vibra or its applicable operating Subsidiaries have timely filed or caused to be timely 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, Vibra and its Subsidiaries are in compliance with filing requirements with

respect to cost reports, including appropriate allocation of expenses associated with any management or consulting services, and such reports do not claim and neither Vibra nor any of its Subsidiaries have 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. Except as disclosed on Schedule 4.10, neither Vibra nor any Subsidiary has received any written notice of any dispute with any Governmental Entity, including any fiscal intermediary or carrier, federal, state or local governmental body or entity, with respect to any Government Program cost reports or claims filed on or before the date of this Agreement.

SECTION 4.11. HIPAA COMPLIANCE. Vibra and its Subsidiaries are in substantial 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").

SECTION 4.12. HEALTHCARE REGULATORY MATTERS.

(a) Neither Vibra, nor, to Seller Parties' Knowledge, Ocadian, any physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with any of the facilities or operations of Vibra or its Subsidiaries or 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 the Hospital, Vibra, any of its Subsidiaries or any of their respective businesses (and no grounds for any such proceeding, investigation or action exist); and (ii) is not in substantial compliance with all applicable Healthcare Fraud Laws.

15

(b) Except as set forth on Schedule 4.12, neither Vibra or any Subsidiary, nor, to Seller Parties' Knowledge, Ocadian, 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 or any facilities or operations conducted by Vibra or its Subsidiaries, is currently being 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. Neither Vibra or any Subsidiary, nor, to Vibra's Knowledge, Ocadian, 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 or any of the facilities or operations conducted by Vibra or its Subsidiaries, 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 Medicaid program; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under Medicare or Medicaid program; (iii) failing to disclose knowledge of any event affecting the initial or continued right to any benefit or payment under Medicare or Medicaid program on its own behalf or on behalf of another, with intent to secure such payment or benefit fraudulently; (iv) knowingly and willfully soliciting, paying, or receiving any remuneration (including kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (A) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (B) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid; (v) presenting or

causing to be presented a claim for reimbursement for services that is for an item or service that was known or should have been known to be (A) not provided as claimed, or (B) false or fraudulent; or (vi) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact with respect to (A) a facility in order that the facility may qualify for Governmental Entity certification or (B) information to be provided under 42 USC Section 1320a-3.

SECTION 4.13. TAXES. Vibra and its Subsidiaries have filed or caused to be filed all Tax Returns 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 Vibra and its Subsidiaries have 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 any assets of Vibra Sub, Vibra or any of its Subsidiaries, or to Seller Parties Knowledge, any of the assets to be purchased from Ocadian (other than for ad valorem taxes not yet due and payable), and (ii) no claims being asserted with respect to any Taxes relating to Vibra Sub, Vibra, any of its Subsidiaries, the Assets or the Business for which any Purchaser Party could be held liable, and, to Seller Parties Knowledge, there is no basis for the assertion of any such claim. 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.

16

SECTION 4.14. GOOD TITLE TO ASSETS. Except as set forth on Schedule 4.14, the Seller Parties 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 B hereto sets forth a legal description of the Leased Real Property and a description of the Owned Real Property. At Closing, the Seller Parties 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 Exceptions).

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

(c) With regard to the Real Property, except as set forth on Schedule 4.15(c), to the Knowledge of the Seller Parties, there are no (i) encroachments onto or from adjacent properties; (ii) violations of set-back, building or side lines; (iii) encroachments onto any easements or servitudes located on such Real Property; (iv) pending or 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) To the Knowledge of the Seller Parties, 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. To the Knowledge of the Seller Parties, all of said utilities are installed and operating, and all installation and connection charges have been paid in full.

(e) To Seller Parties' Knowledge, no notice has been received by any Person of a Public Taking of any portion of the Real Property and the Seller Parties have no Knowledge of any such Public Taking being threatened or contemplated.

(f) To the Knowledge of the Seller Parties, 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. To the Knowledge of the Seller Parties, 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.

17

(g) 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.

(h) Except for the Ground Lease, there are no leases, subleases, commitment letters, letters of intent and other rental agreements, whether written or oral, now or hereafter in effect, 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. 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.

(i) To Seller Parties Knowledge, the Real Property constitutes all the land and improvements used by Ocadian in connection with the operation of the Hospital.

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 Ocadian in the operation of the Hospital and to be purchased by Vibra (the "Personal Property"). Except as set forth on Schedule 4.16, at Closing Vibra 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 Ocadian 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. Except as set forth on Schedule 4.17:

(a) to the Seller Parties Knowledge, the ownership and operation of the Real Property and the Hospital are and have at all times been, in compliance with all Environmental Laws in all material respects;

(b) to the Seller Parties Knowledge, no Governmental Entity or any nongovernmental third party has notified Ocadian or any other Person 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

18

alleging personal injury or property damage caused by exposure to, or the disposal, release or migration of, any Hazardous Materials;

(c) to the Seller Parties Knowledge, with respect to the ownership, operation and/or leasing of the Real Property and the Hospital, all storage and disposal of Hazardous Materials has been done in compliance with the Environmental Laws;

(d) to the Seller Parties Knowledge, 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 Ocadian, any Seller Party or any Purchaser Party;

(e) To the Knowledge of the Seller Parties, no 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. The Seller Parties have no Knowledge that any 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. To Seller Parties' Knowledge, no notice has been served on Ocadian or any other Person 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. Seller Parties have no 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 Vibra and its Subsidiaries, including the Vibra Sub, with respect to their respective businesses, including the proposed conduct of the operations of the Hospital and the professional liability, negligence and other acts of the physicians and Service Providers, it being acknowledged that such insurance coverages are, at a minimum, those required by the terms of the Existing Leases and the Lease. All such Insurance policies are in full force and effect, all premiums due thereon have been paid in full and Vibra and its Subsidiaries 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 against or involving Vibra or any of its Subsidiaries or any of their respective properties or rights, pending or, to the Knowledge of the Seller Parties, threatened, that, if decided adversely, would reasonably be expected to result in damages exceeding Ten Thousand Dollars (\$10,000) (including, without limitation any suit, action,

19

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) (a "Claim") nor do Seller Parties have Knowledge of any facts which might result in any such 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 Vibra or any of its Subsidiaries and neither Vibra nor any of its Subsidiaries 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 Ocadian Purchase Agreement or this Agreement or any action taken or to be taken by the Seller Parties pursuant to the Ocadian Purchase Agreement 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

Ocadian is a party which will be assigned to and assumed by the Seller Parties pursuant to the terms of the Ocadian Purchase Agreement (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 Ocadian to the Seller Parties.

SECTION 4.21. COMPLIANCE WITH LAW. Vibra, along with each of its Subsidiaries (including Vibra Sub) (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 its business and its ownership and use of its assets and no event has occurred or circumstance exists which (with notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree; and (b) has timely made or given all filings and notices required to be made by such entity with the regulatory agencies of any Governmental Entity.

SECTION 4.22. HILL-BURTON OBLIGATIONS.

(a) Except as set forth on Schedule 4.22, neither Vibra or any of its Subsidiaries (including Vibra Sub), nor, to the Knowledge of the Seller Parties, any predecessor in interest of Vibra or any of its Subsidiaries (including Vibra Sub), 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 4.22 have been fully satisfied. The transactions contemplated

20

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 the Seller Parties or others for the purchase or improvement of the Assets or any part thereof under restricted or conditioned grants or donations, including monies received under the Public Health Service Act, 42 U.S.C. Section 291, et seq.

SECTION 4.23. BROKERS. Except as set forth on Schedule 4.23 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 4.24. 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 4.25. EXISTING LEASES. Vibra 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 facilities and none of the Vibra Subsidiaries subject to the existing Leases 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 4.26. REPRESENTATIONS COMPLETE. The representations and warranties made

by the Seller Parties in this Agreement (and, to the Knowledge of Seller Parties, by Ocadian in the Ocadian 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 Ocadian in the Ocadian 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.

21

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,

22

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, except as otherwise expressly set forth herein. If the Seller Parties are unable to cure any objection to the survey within ten (10) days following delivery of notice to 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.

23

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 Ocadian 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, Vibra, its Subsidiaries and Vibra Sub 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 Ocadian'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 Ocadian 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 currently in effect among the parties (the "Confidentiality Agreement") shall remain binding and in full force and effect until the Closing. Notwithstanding anything to the contrary contained herein or in the Confidentiality Agreement, the confidentiality obligations as they relate to the transactions contemplated by this Agreement shall not apply to the purported or claimed Federal income tax treatment of the transactions (the "Tax Treatment") or to any fact that may be relevant to understanding the purported or claimed Federal income tax treatment of the transactions (the "Tax Structure"), and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the Tax Treatment and Tax Structure of the transactions contemplated by this Agreement and any materials of any kind (including any tax opinions or other tax analyses) that relate to the Tax Treatment or Tax Structure. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to any tax matter or tax idea related to the transactions contemplated by this Agreement. The preceding sentence is intended to ensure that the transactions contemplated by this Agreement shall not be treated as having been offered under conditions of confidentiality for purposes of the Confidentiality Regulations and shall be construed in a manner consistent with such purpose. The

information contained herein, in the Schedules hereto or delivered to the Purchaser Parties or its authorized representatives pursuant hereto shall be subject to the Confidentiality Agreement as Information (as defined and subject to the exceptions contained therein) until the Closing and, for that purpose and to that extent, the terms of the Confidentiality Agreement are incorporated herein by reference.

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

SECTION 7.4. CONDUCT OF BUSINESS BY THE SELLER PARTIES PENDING THE CLOSING. The Seller Parties covenant and agree that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, unless the Purchaser Parties shall otherwise agree in writing, the Seller Parties shall conduct their 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

25

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 Ocadian 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.

26

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 Ocadian Purchase Agreement shall have occurred.

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 Ocadian Purchase Agreement shall have occurred.

(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 Ocadian 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.

ARTICLE IX CLOSING

SECTION 9.1. CLOSING DATE. The closing of the purchase and sale of the Assets pursuant hereto (the "Closing") shall be held at the offices of Baker, Donelson, Bearman, Caldwell and Berkowitz, P.C. on June 30, 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.

29

(a) Duly executed bills of sale and assignments transferring all Assets (including all of the Seller Parties' rights under and with respect to the Ground Lease) other than the Owned 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 Owned 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 the Seller Parties from the Secretary of State of the State of Delaware, dated the most recent practical date prior to the Closing Date;

(e) Certificates of good standing and foreign qualification of the Seller Parties from the Secretary of State of the State of California dated the most recent practical date prior to the Closing Date;

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

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

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

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

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

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

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

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

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

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

(p) A Lease Guaranty Agreement substantially in the form of Exhibit 9.2(p)

(q) The Assignment of Rents and Leases in substantially the form attached hereto as Exhibit 9.2(q);

30

(r) The Security Agreement in substantially the form attached hereto as Exhibit 9.2(r);

(s) The Subordination of Management Agreement in form and substance satisfactory to MPT.

(t) The legal opinion of Latsha, Davis, Yohe & McKenna, P.C., as counsel for the Seller Parties, substantially in the form attached hereto as Exhibit 9.2(t);

(u) 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 in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by the Seller Parties on or prior to Closing;

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

(w) The Noncompete Agreements substantially in the form attached as Exhibit 9.2(w);

(x) 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);

31

(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); and

(j) The Noncompete Agreements substantially in the form attached as Exhibit 9.2(w).

ARTICLE X TERMINATION

SECTION 10.1. TERMINATION. Notwithstanding anything to the contrary in this Agreement, the remaining obligations of the parties hereunder may be terminated and the transactions contemplated hereby abandoned at any time prior to Closing: (i) by mutual written consent of the parties; (ii) by the Seller Parties if the conditions set forth in Section 8.1 shall not have been satisfied on or before June 30, 2005; or (iii) by the Purchaser Parties if the conditions set forth in Section 8.2 shall not have been satisfied on or before June 30, 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.

32

SECTION 11.2. LICENSURE, LTAC CONVERSION. 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 Vibra Sub 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. In addition, Seller Parties shall use their best efforts to obtain, as soon as possible, necessary approvals from applicable Governmental Entities for the conversion of the Hospital's existing skilled nursing beds to long term acute care beds. Seller Parties shall immediately notify Purchaser Parties of any developments or controversies with respect to such efforts.

SECTION 11.3. OCADIAN PURCHASE AGREEMENT INDEMNIFICATION. The parties acknowledge that Seller Parties now has or may hereafter have certain indemnification rights and claims against Ocadian pursuant to the terms of Ocadian Purchase Agreement. In the event that any such indemnification right or claim under the Ocadian 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 (an "Ocadian Claim"), the Seller Parties shall, after notification to Purchaser Parties (i) immediately notify Ocadian of the Ocadian Claim (including all material facts related thereto) and make a claim for indemnity against Ocadian with respect thereto pursuant to the terms of the Ocadian 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 Ocadian Claim; (iii) coordinate with Purchaser Parties in the exercise all of the Seller Parties' rights with respect to the Ocadian 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 Ocadian 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 Ocadian 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 Ocadian Claim; and (v) not take or agree to take any action which would conflict with its obligations to Purchaser Parties with respect to such Ocadian Claim pursuant to this Section 11.3 or which would otherwise adversely affect any rights of the Seller Parties with respect to such Ocadian 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 agrees 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

33

(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 Ocadian under the Ocadian Purchase Agreement or any liability or obligation with respect to which Ocadian is required to indemnify Seller Parties under the Ocadian 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's 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 Parties 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 Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) (the "Minimum Aggregate Liability Amount") in which event the foregoing indemnification obligation shall apply to the aggregate amount of Purchaser Damages that exceeds Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00); provided, however, that the maximum liability of the Seller Parties under this Agreement shall be an amount equal Eight Million and No/100 Dollars (\$8,000,000.00). The foregoing limitations on time and amount shall not apply to any Purchaser Damages arising or resulting from (i) any act or omission of the Seller which constitutes fraud, (ii) any breach by the Seller Parties of their post-closing covenants; or (iii) the Excluded Liabilities (which for this purpose shall include all liabilities referred to in clause (iii) of Section 12.1(a) above).

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

34

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 Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) in which event the foregoing indemnification obligation shall apply to the aggregate amount of Seller Damages that exceeds Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00); provided, however, that the maximum liability of the Purchaser Parties under this Agreement shall be an amount equal to the Eight Million and No/100 Dollars (\$8,000,000.00). 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.

35

(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.

36

DISPUTE RESOLUTION

SECTION 13.1. GOVERNING LAW, JURISDICTION AND VENUE. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PRINCIPLES. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN NEW CASTLE COUNTY, STATE OF DELAWARE, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO, THIS AGREEMENT. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, AND IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 14.2 OF THIS AGREEMENT SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PARTY FOR ANY ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT MAY BE ENFORCED IN ANY OTHER COURT TO WHOSE JURISDICTION ANY OF THE PARTIES IS OR MAY BE SUBJECT.

ARTICLE XIV MISCELLANEOUS

SECTION 14.1. ASSIGNMENT. This Agreement is not assignable by any party without the prior written consent of the other party hereto. Notwithstanding the foregoing, the 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 Vibra Healthcare, LLC
4550 Lena Drive
Suite 225
Mechanicsburg, PA 17055
Attention: Brad Hollinger

With a copy to: Latsha, Davis, Yohe & McKenna, P.C.
1700 Bent Creek Boulevard

37

Mechanicsburg, PA 17050
Attention: Douglas C. Yohe, 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.

38

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

39

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. The parties acknowledge that the Seller Parties have already paid MPT the sum of Twenty Five Thousand Dollars (\$25,000) which sum shall be credited against the expense reimbursement obligations of the Seller Parties set forth herein.

SECTION 14.10. SYNDICATION. Subject to applicable healthcare regulatory requirements, MPT will offer up to twenty percent (20%) of the equity interests in Acquisition Sub to local or area physicians at such time following closing as determined by MPT. MPT and the Seller Parties will work together to decide which physicians receive an opportunity to invest in the Acquisition Sub.

SECTION 14.11. SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, the Seller Parties agree to cooperate with MPT in connection with any securities offerings and filings or financing transactions with lenders or other third parties and, in connection therewith, the Seller Parties shall furnish MPT with such financial and other information as MPT shall request. MPT shall have the right of access, at reasonable business hours and upon advance notice, to all documentation and information relating to the Real Property and Improvements and have the right to disclose any information regarding this Agreement, the Seller Parties, the Real Property and Improvements and all other agreements executed in connection herewith and all

other documents in connection with the transactions contemplated hereby, and such other additional information which MPT may reasonably deem necessary.

SECTION 14.12. BINDING EFFECT. This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns; provided, however, that this Agreement shall not inure to the benefit of any assignee pursuant to an assignment which violates the terms of this Agreement

[Signatures appear on the following page.]

40

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/ Emmett E. McLean

Name: Emmett E. McLean
Executive Vice President, Chief
Title: Operating Officer and Treasurer

MPT OF REDDING, LLC

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ Emmett E. McLean

Name: Emmett E. McLean
Executive Vice President, Chief
Title: Operating Officer and Treasurer

SELLER PARTIES:

VIBRA HEALTHCARE, LLC

By: /s/ Brad E. Hollinger

Name: Brad E. Hollinger
Title: President

NORTHERN CALIFORNIA
REHABILITATION HOSPITAL, LLC

By: /s/ Brad E. Hollinger

Name: Brad E. Hollinger
Title: President

41

EXHIBIT A

Lease

[See attachment.]

A-1

EXHIBIT B

Legal Description of the Land/Real Property

Parcels A and B as set forth and shown on that certain Map entitled "Parcel Map No. LS 104-78 for David Lee McGeorge and Shirley Jean McGeorge, as Co-Trustees of Daves Mac., Inc. Profit Sharing Trust, being a portion of Tract E, Division 2 of the P.B. Reading Grant, in the City of Redding, Shasta County, California," filed in the Office of the County Recorder, February 7, 1979 in Book 17 of Parcel Maps at Page 87, Shasta County Records.

B-1

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 Latsha, Davis, Yohe & McKenna, P.C.

[See attachment.]

EXHIBIT 9.2 (w)

Noncompete Agreements

[See attachment.]

EXHIBIT 9.3 (f)

Legal Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.

[See attachment.]

LEASE AGREEMENT

MPT OF REDDING, LLC,
a Delaware limited liability company

Lessor

AND

NORTHERN CALIFORNIA REHABILITATION HOSPITAL, LLC,
a Delaware limited liability company

Lessee

VIBRA HEALTHCARE, LLC,
VIBRA MANAGEMENT, LLC
AND
SENIOR REAL ESTATE HOLDINGS, LLC

Guarantors

Property:

Eighty-eight (88)-Bed Hospital Facility
(Commonly referred to as the Northern California Rehabilitation Hospital)
2801 Eureka Way
Redding, Shasta County, California

June 30, 2005

Table of Contents

	Page

LEASE AGREEMENT.....	i
LEASE AGREEMENT.....	1
ARTICLE I LEASED PROPERTY; TERM.....	2
ARTICLE II DEFINITIONS.....	3
ARTICLE III RENT.....	12
3.1 Base Rent.....	12
3.2 Additional Charges.....	12
3.3 Absolute Triple Net Lease.....	13
3.4 Lease Deposit.....	13
3.5 Adjustments.....	13
3.6 Rent and Payments under the Ground Lease.....	13
ARTICLE IV IMPOSITIONS.....	13
4.1 Payment of Impositions.....	13
4.2 Adjustment of Impositions.....	14
4.3 Utility Charges.....	14
4.4 Insurance Premiums.....	14
ARTICLE V NO TERMINATION.....	14
5.1 Acknowledgement.....	14
ARTICLE VI OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY.....	15
6.1 Ownership of the Leased Property.....	15
6.2 Lessee's Personal Property.....	15
ARTICLE VII CONDITION AND USE OF LEASED PROPERTY.....	15
7.1 Condition of the Leased Property.....	
15	
7.2 Use of the Leased Property.....	15
7.3 Lessor to Grant Easements.....	16
ARTICLE VIII LEGAL AND INSURANCE REQUIREMENTS.....	17
8.1 Compliance with Legal and Insurance Requirements.....	17

8.2	Legal Requirement Covenants.....	17
8.3	Hazardous Materials.....	17
8.4	Healthcare Laws.....	18
8.5	Representations and Warranties.....	18
8.6	Single Purpose Entity.....	18
8.7	Organizational Documents.....	18
ARTICLE IX	REPAIRS; RESERVES; RESTRICTIONS.....	19
9.1	Maintenance and Repair.....	19
9.2	Reserves for Extraordinary Repairs.....	20
9.3	Encroachments; Restrictions.....	20
9.4	Special Reserve.....	20
ARTICLE X	CAPITAL ADDITIONS.....	21
10.1	Construction of Capital Additions to the Leased Property.....	21

Table of Contents
(continued)

		Page

10.2	Capital Additions Financed by Lessee.....	22
10.3	Capital Additions Financed by Lessor.....	22
10.5	Salvage.....	24
ARTICLE XI	LIENS.....	24
ARTICLE XII	PERMITTED CONTESTS.....	25
ARTICLE XIII	INSURANCE.....	25
13.1	General Insurance Requirements.....	25
13.2	Additional Insurance.....	27
13.3	Waiver of Subrogation.....	28
13.4	Form of Insurance.....	28
13.5	Increase in Limits.....	28
13.6	Blanket Policy.....	28
13.7	No Separate Insurance.....	29
ARTICLE XIV	FIRE AND CASUALTY.....	29
14.1	Insurance Proceeds.....	29
14.2	Reconstruction in the Event of Damage or Destruction Covered by Insurance.....	29
14.3	Reconstruction in the Event of Damage or Destruction Not Covered by Insurance.....	30
14.4	Lessee's Personal Property.....	30
14.5	Restoration of Lessee's Property.....	30
14.6	No Abatement of Rent.....	30
14.7	Damage Near End of Term.....	31
14.8	Termination of Right to Purchase.....	31
14.9	Waiver.....	31
14.10	Purchase Option Subordinate to Facility Instrument.....	31
ARTICLE XV	CONDEMNATION.....	31
15.1	Definitions.....	31
15.2	Parties' Rights and Obligations.....	32
15.3	Total Taking.....	32
15.4	Partial Taking.....	32
15.5	Restoration.....	32
15.6	Award Distribution.....	32
15.7	Temporary Taking.....	32
15.8	Purchase Option Subordinate to Facility Instrument.....	31
ARTICLE XVI	DEFAULT.....	33
16.1	Events of Default.....	33
16.2	Events of Default in Financial Covenants.....	37
16.3	Additional Expenses.....	38
16.4	Intentionally Omitted.....	38
16.5	Waiver.....	38
16.6	Application of Funds.....	38

Table of Contents
(continued)

	Page

16.7	Notices by Lessor..... 38
16.8	Lessor's Contractual Security Interest..... 38
ARTICLE XVII	LESSOR'S RIGHT TO CURE..... 40
ARTICLE XVIII	PURCHASE OF THE LEASED PROPERTY..... 40
ARTICLE XIX	HOLDING OVER..... 41
ARTICLE XX	INTENTIONALLY OMITTED..... 41
ARTICLE XXI	INTENTIONALLY OMITTED..... 41
ARTICLE XXII	RISK OF LOSS..... 41
ARTICLE XXIII	INDEMNIFICATION..... 41
ARTICLE XXIV	ASSIGNMENT, SUBLETTING AND SUBLEASE SUBORDINATION..... 42
24.1	Assignment and Subletting..... 42
24.2	Sublease Limitations..... 42
24.3	Sublease Subordination and Non-Disturbance..... 43
ARTICLE XXV	OFFICER'S CERTIFICATES; FINANCIAL STATEMENTS; NOTICES AND OTHER CERTIFICATES..... 43
ARTICLE XXVI	INSPECTION..... 45
ARTICLE XXVII	NO WAIVER..... 45
ARTICLE XXVIII	REMEDIES CUMULATIVE..... 45
ARTICLE XXIX	SURRENDER..... 45
ARTICLE XXX	NO MERGER OF TITLE..... 46
ARTICLE XXXI	TRANSFERS BY LESSOR..... 46
ARTICLE XXXII	QUIET ENJOYMENT..... 46
ARTICLE XXXIII	NOTICES..... 47
ARTICLE XXXIV	APPRAISAL..... 48
ARTICLE XXXV	PURCHASE RIGHTS..... 46
35.1	INTENTIONALLY OMITTED..... 46
35.2	Lessor's Option to Purchase Lessee's Personal Property.... 48
ARTICLE XXXVI	INTENTIONALLY OMITTED..... 49
ARTICLE XXXVII	FINANCING OF THE LEASED PROPERTY..... 49
37.1	Financing by Lessor..... 49
ARTICLE XXXVIII	SUBORDINATION AND NON-DISTURBANCE..... 49
ARTICLE XXXIX	LICENSES..... 50
ARTICLE XL	COMPLIANCE WITH HEALTHCARE LAWS..... 51
ARTICLE XLI	LESSOR'S RIGHT TO SELL AND LESSEE'S RIGHT OF FIRST REFUSAL..... 52
41.1	Lessor's Right to Sell..... 52
41.2	Lessee's Right of First Refusal..... 52
ARTICLE XLII	MISCELLANEOUS..... 52
42.1	General..... 52
42.2	Lessor's Expenses..... 52
42.3	Entire Agreement; Modifications..... 52
42.4	Lease Guaranty..... 52

iii

Table of Contents
(continued)

	Page

42.5	Future Financing..... 53
42.6	Letter of Credit..... 53
42.7	Change in Ownership/Control..... 51
42.8	Lessor Securities Offering and Filings..... 53
42.9	Non-Recourse as to Lessor..... 53
42.10	Management Agreements..... 54
42.11	Counterparts..... 54
ARTICLE XLIII	MEMORANDUM OF LEASE..... 54

iv

LEASE AGREEMENT

This LEASE AGREEMENT (the "Lease") is dated as of the 30th day of June, 2005, and is between MPT OF REDDING, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and NORTHERN CALIFORNIA REHABILITATION HOSPITAL, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 4550 Lena Drive, Mechanicsburg, Pennsylvania 17055.

W I T N E S S E T H:

WHEREAS, by that certain Grant Deed dated November 12, 1997, which was recorded on November 17, 1997, as Instrument No. 1997-0038346, in Book 3619, Page 785, in the Official Records of the County Recorder of Shasta County, California, National Specialty Hospital of Redding, Inc. ("NMSHR") conveyed to Guardian Postacute Services, Inc. ("GPS") all of its right, title and interest in and to the buildings and improvements located on that certain real estate which is located in Redding, Shasta County, California, which real estate is more particularly described on EXHIBIT A attached hereto and made a part hereof by reference and incorporation (the "Ground Leased Land");

WHEREAS, NMSHR, as Landlord, and GPS, as Tenant, entered into that certain Ground Lease Agreement dated November 17, 1994, whereby the Ground Leased Land was leased to GPS, which Ground Lease was amended by that certain Amendment No. 1 to Ground Lease Agreement dated November 29, 2001, all as evidenced by (i) that certain Memorandum of Lease Agreement dated as of November 12, 1997, which was recorded on November 17, 1997, as Instrument No. 1997-0038345 (Book 3619, Page 779) in the Official Records of the County Recorder of Shasta County, California, and (ii) that certain Amendment No. 1 to Memorandum of Lease Agreement dated as of November 16, 2001, which will be recorded simultaneously herewith in the Official Records of the County Recorder of Shasta County, California (collectively, the "Ground Lease");

WHEREAS, GPS subsequently changed its name to Ocadian Care Centers, Inc., a California corporation, by amendment to its Articles of Incorporation, filed with the California Secretary of State on July 3, 2000; and, Ocadian Care Centers, Inc. subsequently converted to Ocadian Care centers, LLC, a California limited liability company, by filing Articles of Organization-Conversion (LLC-1A) with the California Secretary of State on January 7, 2005 ("Ocadian");

WHEREAS, by that certain Grant Deed dated July 15, 2004, to the effective on July 16, 2004, which was recorded on July 15, 2004, as Instrument No. 2004-0040414, in the Official Records of the County Recorder of Shasta County, California, NMSHR conveyed all of its right, title and interest in the Leased Property to Shasta Regional Medical Center, LLC, a California limited liability company (the "Ground Lessor"), and by that certain Asset Sale Agreement dated April 16, 2004 (as amended), NMSHR assigned all of its right, title and interest in and to the Ground Lease to the Ground Lessor;

WHEREAS, by that certain Grant Deed dated simultaneously herewith, Ocadian conveyed all of its right, title and interest in and to said buildings and improvements located on the Ground Leased Land to Northern California Rehabilitation Hospital, LLC; and, by that certain Assignment and Assumption of Ground Lease dated simultaneously herewith, Ocadian conveyed to Lessee all of its right, title and interest under the Ground Lease;

WHEREAS, by that certain Grant Deed dated simultaneously herewith, Lessee conveyed all of its right, title and interest in and to said buildings and improvements located on the Ground Leased Land to Lessor; and, by that certain Assignment and Assumption of Ground Lease dated simultaneously herewith, Lessee conveyed to Lessor all of its right, title and interest under the Ground Lease;

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 all

of the terms, conditions, provisions, limitations and obligations contained in the Ground Lease and Lessee accepts, assumes and agrees to perform and observe all of such terms, conditions, provisions, limitations and obligations contained therein and to be performed on the part of the Lessor as lessee therein, including the payment of Ground Lease Rent, except as expressly modified and limited herein. In the event of termination of the Ground Lease, by lapse of time or for any other reason, prior to the cancellation or termination of this Lease, this Lease shall automatically terminate on the effective date of the termination of the Ground Lease, unless said termination shall have been caused by an act or omission of the Lessee, in which event Lessee shall remain liable to Lessor in accordance with the terms hereof, therefore, upon and subject to the terms and conditions hereinafter set forth, and subject to the rights of any tenants, subtenants, lessees or sublessees under any Existing Subleases as described in Section 24.1 below, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) the Facility and all buildings, structures, Fixtures (as hereinafter defined) and other improvements of every kind, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently or hereafter situated upon the Land, and Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements;

(d) all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Land and Leased Improvements; and

(e) all permanently affixed non-medical equipment, machinery, fixtures, and other items of real and/or personal property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for a fixed term (the "Fixed Term") commencing on the date hereof (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month period after the Commencement Date, unless sooner terminated as herein provided.

So long as Lessee is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the

Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall

fail to comply with all of the terms and provisions of this Lease, or a default or breach by Lessee shall occur under this Lease, or under any of the Other Leases, and such default or breach is not cured within the applicable time periods as provided herein, Lessee shall be deemed to have forfeited all Extension Options. If Lessee elects not to exercise its option to extend, all subsequent options to extend shall be deemed to have lapsed.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Adjustment Date: January 1 of each year commencing on January 1, 2006.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Associated Facilities: This Facility along with the facilities leased by Lessor's Affiliates to Lessee's Affiliates in Fresno, California, Kentfield, California, Marlton, New Jersey, Bowling Green, Kentucky, New Bedford, Massachusetts, and Thornton, Colorado.

Award: As defined in Section 15.1.

Base Rent: As defined in Section 3.1.

Business: The operation of the Facility and the engagement in and pursuit and conduct of any business venture or activity related thereto.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or

parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

Capital Improvement Reserve: As defined in Section 9.1(e).

Code: The Internal Revenue Code of 1986, as amended.

Combined EBITDAR: The EBITDAR of the Combined Lessees as reduced for any inter-company transactions.

Combined Fixed Charges: The sum of Combined Lease Payments and required principal and interest payments with respect to the Total Debt as reduced for any inter-company transactions.

Combined Lease Payments: The payments of Base Rent required pursuant to this Lease and the payments of Coverage Rent pursuant to and as defined under the Other Leases.

Combined Lessees: The Lessee and any Affiliates of Lessee or any of the Guarantors which are also tenants of Lessor or any of its Affiliates.

Commencement Date: The date hereof.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) dated May 9, 2005.

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)

4

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.

Coverage Rent: Shall have the meaning set forth in the Other Leases.

CPI: The Consumer Price Index.

Credit Enhancements: All security deposits, security interests, letters of credit, pledges, guaranties, prepaid rent or other sums, deposits or interests held by Lessee, if any, with respect to the Leased Property, the Tenant Leases or the Tenants.

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Equity Investment: The Purchase Price.

Events of Default: As defined in Section 16.1 and Section 16.2.

Existing Subleases: As defined in Section 24.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Extraordinary Repairs: All repairs to the Facility of every kind and nature, whether interior or exterior, structural or non-structural (including, without limitation, all parking decks and parking lots) which are considered to be extraordinary in nature (as opposed to being ordinary or normal in nature), as shall be necessary or appropriate from time to time during the Term.

Facility: The licensed eighty-eight (88)-bed 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.

5

Fair Market Added Value: The Fair Market Value of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month

period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Ground Lease: The Ground Lease as defined in the Recitals of this Lease.

Ground Lease Rent: All rent, additional rent and other costs and expenses paid by Lessor or due and payable under the Ground Lease.

Ground Lessor: The Ground Lessor as defined in the Recitals of this Lease.

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, Vibra Healthcare, LLC, a Delaware limited liability company, Vibra Management, LLC, a Delaware limited liability company and Senior Real Estate Holdings, LLC, a Delaware limited liability company.

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

6

by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws:..All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

Impositions: Collectively, all civil monetary penalties, fines and overpayments imposed by state and federal regulatory authorities, all Real Estate 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.) contemporaneously herewith 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.

7

Lease Assignment: That certain Assignment of Rents and Leases to be effective the Commencement Date executed and delivered by Lessee to Lessor (as such Lease Assignment may be amended, modified and/or restated from time to time), 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 the Commencement Date executed and delivered by Guarantors in favor of Lessor (as such Lease Guaranty may be amended, modified and/or restated from time to time), pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease (as this Lease may be amended, modified and/or restated from time to time), and all other obligations of Lessee, Guarantors and any Affiliates of Lessee and Guarantors to Lessor.

Lease Rate: A per annum rate equal to ten and one-half percent (10.5%), subject to the escalator as set forth in Section 3.1(b) hereof.

Lease Year: A twelve (12) month period commencing on the Commencement Date or on each anniversary date thereof, as the case may be.

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments,

decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lender: As defined in Section 35.1.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least Fifty Million Dollars (\$50,000,000).

Lessee: Northern California Rehabilitation Hospital, LLC, a Delaware limited liability company, and its successors and permitted assigns, which, if required by Lessor, shall at all times during the term of this Lease be a Single Purpose Entity created and to remain in good standing as required hereunder for the sole purpose of leasing and operating the Facility.

Lessee's Personal Property: All machinery, equipment, medical equipment (including all medical equipment affixed to the Leased Property), furniture, furnishings, trailers, movable walls or partitions, computers, trade fixtures or other personal property, and consumable inventory and supplies, currently owned and acquired after the execution of this Lease, and used or useful in the operation of the Facility, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses, but excluding Lessee's accounts receivables and any items included within the definition of Fixtures.

8

Lessor: MPT of Redding, LLC, a Delaware limited liability company, and its successors and assigns.

Licenses: As defined in Article XXXIX.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property.

Market Value of Combined Lessees: An amount equal to the collective EBITDAR of the Combined Lessees, on a trailing twelve (12) months basis, multiplied by four (4).

Medicaid : The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

Mortgage: As defined in Section 35.1.

MPT: Medical Properties Trust, Inc., an Affiliate of Lessor.

MPT Development Debt: As defined in the definition of Total Debt.

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

Non-Competition Agreements: Those certain Non-Competition Agreements

executed by Lessee and Guarantors simultaneously with the execution of this Lease.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer or representative authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: All other leases entered into between Lessor or any Affiliate of Lessor, on the one hand, and Lessee, any Guarantor, or any of their respective Affiliates, on the other hand.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of California.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, or any other sums payable under this Lease.

Permitted Exceptions: As defined in Article I.

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

Primary Intended Use: As defined in Article VII.

9

Prime Rate: The annual rate announced by Citibank in New York, New York, to be the prime rate for 90-day unsecured loans to its United States corporate borrowers of the highest credit standing, as in effect from time to time.

Purchase Agreement: That certain Purchase and Sale Agreement dated as of _____, 2005, by and among Lessor, Lessee, MPT Operating Partnership, L.P. and Vibra Healthcare, LLC.

Purchase Price: The Initial Purchase Price, plus any additional purchase price amounts paid by Lessor pursuant to the Purchase Agreement or pursuant to Section 9.4, 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."

Real Estate Taxes: All real estate taxes, assessments and special assessments and dues which are levied or imposed upon the Leased Property during the Term.

Redding EBITDAR: The EBITDAR of Lessee.

Redding Fixed Charges: The sum of the Redding Lease Payments and required principal and interest payments with respect to the Redding Total Debt.

Redding Lease Payments: The payment of Base Rent under this Lease.

Redding Total Debt: All indebtedness which, in accordance with GAAP, will be included in determining total liabilities of Lessee, as shown on the liability side of a balance sheet, including any such indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, excluding any nonrecourse indebtedness and excluding any current liabilities.

Removal Notice: As defined in Section 16.2.

Rent: Collectively, the Base Rent (as increased in accordance with the

provisions of Section 3.1(c) hereof), Ground Lease Rent and the Additional Charges.

Security Agreement: That certain Security Agreement to be effective the Commencement Date executed and delivered by Lessee to Lessor (as such Security Agreement may be amended, modified and/or restated from time to time), pursuant to the terms of which Lessee has granted to Lessor a first lien and security interest in all of Lessee's rights under this Lease (as this Lease may be amended, modified and/or restated from time to time), to all of Lessee's Personal Property (excluding accounts receivable) and to all of the Licenses.

Single Purpose Entity: An entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Facility and conducting the operation of the Business, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership and/or leasing all or any portion of the Facility and the operation of the Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest in the Facility which it owns in the Facility and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by this Lease or arising in the ordinary course of the Business and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, other than as approved by Lessor, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets), (vii) holds itself out

10

as being a company separate and apart from any other entity, and (viii) maintains all corporate formalities independent of any other entity.

Statements of Cash Flow: For any fiscal year or other accounting period for Lessee or Guarantors and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with GAAP.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant Leases: All leases, subleases, pharmacy leases and other rental agreements (written or verbal, now or hereafter in effect), if any, including, without limitation, the Existing Subleases as described in Section 24.1 hereof, that grant a possessory interest in and to any space in or any part of the Leased Property, or that otherwise have rights with regard to the Leased Property, and all Credit Enhancements, if any, held in connection therewith.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Total Debt: All indebtedness which, in accordance with GAAP, will be included in determining total liabilities of Vibra Healthcare, LLC and the Combined Lessees, as shown on the liability side of a balance sheet, including any such indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, excluding any nonrecourse indebtedness and excluding any current liabilities but including, for purposes of Section 16.2 hereof, the liability of Vibra Healthcare LLC under that certain Promissory Note in the principal amount of Forty-One Million Four Hundred Fifteen Thousand Nine Hundred Eighty-Six and No/100 Dollars (\$41,415,986.00) in favor of MPT Development Services (the "MPT Development Debt").

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.

11

ARTICLE III

RENT

3.1 BASE RENT. Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person, firm or entity as Lessor from time to time may designate in writing, Base Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in a per annum amount equal to ten and one-half percent (10.5%) multiplied by the total Purchase Price actually paid, which per annum rental amount as of the date hereof is an annual amount of One Million Eight Hundred Ninety Thousand and No/100 Dollars (\$1,890,000.00). 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 with the month that includes the Commencement Date (prorated as to any partial month).

(b) ADJUSTMENT OF BASE RENT: Commencing on January 1, 2006, and on each January 1 thereafter (each an "Adjustment Date") during the term of this Lease, the Base Rent shall be increased by an amount equal to the greater of (A) two and one-half percent (2.5%) per annum of the prior year's Base Rent, or (B) the percentage by which the CPI on the Adjustment Date shall have increased over the CPI figure in effect on the immediately preceding January 1; provided, however, that such rate of escalation applicable to the adjustment for January 2006 shall be prorated for the period between the Closing Date and January 1, 2006. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent as specified herein have been made by multiplying the Initial Purchase Price by ten and one-half percent (10.5%) per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, and all other amounts, liabilities, obligations and Impositions related to the ownership, use, possession and operation of the Leased Property, including, without limitation, all costs of owning and operating the Facility, all Real Estate Taxes, Insurance Premiums, maintenance and capital improvements, all violations of and defaults under any of the Permitted Exceptions, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and reimburse Lessor and/or its Affiliates for all such amounts paid by Lessor and/or its Affiliates 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, 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. If at any time during the Term Lessor requires Lessee to pay into escrow or make deposits to Lessor (or to a Facility Lender, if requested by Lessor) relating to any part of the Additional Charges (including, without limitation, the Impositions, Real Estate Taxes and/or Insurance Premiums), Lessee shall pay to Lessor (or directly to a Facility Lender, if requested by Lessor), upon written request from Lessor, amounts adequate to fund Lessee's Additional Charge obligations hereunder when due. All sums paid into escrow or deposits made shall not bear interest and shall not be commingled with Lessor's books, accounts and

12

funds; however, upon a default or an Event of Default under this Lease, the escrowed funds or deposit 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 TRIPLE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent and the payments of Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Intentionally Omitted.

3.5 ADJUSTMENTS. Lessor and Lessee acknowledge that to the extent Lessee fails to reimburse to Lessor immediately upon demand, any costs and expenses which otherwise would be included in the definition of Purchase Price, then the Lessor shall recalculate the Purchase Price to include such unreimbursed costs and expenses and deliver to Lessee a letter confirming the Base Rent to be paid hereunder and such letter shall constitute an amendment to the provisions of this Lease.

3.6 RENT AND PAYMENTS UNDER GROUND LEASE. Lessee shall pay all Ground Lease Rent directly to the Ground Lessor as and when the Ground Lease Rent becomes due and payable all as required under the Ground Lease (a copy of which has been provided to Lessee), and Lessee shall provide Lessor written proof of payment each month confirming that the Ground Lease Rent has been timely paid; or, at Lessor's request, Lessee shall pay the Ground Lease Rent to Lessor at least five (5) business days prior to its due date under the Ground 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 herein, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) 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

13

possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in connection with the Leased Property during the Term, including, without limitation, all impact and tap fees necessary for the operation of the Facility.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The

obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

14

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that Lessor has a ground leasehold interest in the Ground Leased Land pursuant to the Ground Lease, and owns the buildings and improvements located on the Ground Leased Land, all as described in the Recitals above, and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease and subject to the terms, conditions and provisions of the Ground 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. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals and Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility consistent with the Primary Intended Use.

(b) Beginning on the Commencement Date and during the entire Term,

Lessee shall use the Leased Property and the improvements thereon only as allowed or permitted under the Ground Lease and

15

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, provided, however, that Lessee may pursue the conversion of the Facility's existing skilled nursing beds to long-term acute care beds. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only as a provider of healthcare services in accordance with the Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

(d) Lessee shall not commit or suffer to be committed any waste on the Leased Property, or in the Facility, nor shall Lessee cause or permit any nuisance thereon.

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

(f) Lessee agrees that during the entire term of this Lease, Lessor shall have the right and option to erect a sign on the Leased Property stating that the Leased Property is owned by the Lessor. Such sign shall be in a size, and shall be erected in a location, reasonably acceptable to Lessor and approved by Lessee, which approval shall not be unreasonably withheld, conditioned or delayed.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, has occurred and is continuing under this Lease, the Other Leases, at the request of Lessee and at Lessee's cost and expense, but subject to the approval of Lessor (a) grant easements and other rights in the nature of easements, (b) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property, (c) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (d) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (e) execute amendments to any covenants and restrictions affecting the Leased Property and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications and transfers (to the extent of its interest in the Leased Property), but only upon delivery to Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements applicable to Lessee and its use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations. Lessee hereby agrees to indemnify and defend, at Lessee's sole cost and expense, and hold Lessor, its successors and assigns harmless from and against and to reimburse Lessor and its successors and assigns with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind 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

17

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 or any violation of any Healthcare Laws.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants to Lessor that as of the date hereof: (i) Lessee is a duly organized and existing limited liability company 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. Lessee represents, warrants, covenants and agrees that Lessee has been since its formation, 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

18

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 its name. Lessee has, simultaneously with the execution of this Lease, delivered to Lessor a true and complete copy of its articles of organization/certificate of formation and limited liability company operating agreement creating Lessee, and all other documents creating and governing the Lessee (collectively, the "Organizational Documents"). Lessee warrants and represents that the Organizational Documents (i) were duly executed and delivered, (ii) are in full force and effect and binding upon and enforceable in accordance with their terms, (iii) constitute the entire understanding among the 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; RESERVES; 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 (including any such repairs required to be made by Lessor) whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Notwithstanding anything contained herein to the contrary, Lessee shall make additions, modifications and remodeling to the Leased Property which are not Capital Additions from time to time which are necessary for the Primary Intended Use and which permit the Lessee to comply fully with its obligations set forth in this Lease, provided that any such action will be undertaken expeditiously, in a workmanlike manner and will not significantly alter the character or purpose or detract from the value or operating efficiency of the Leased Property and will not significantly impair the revenue producing capability of the Leased Property or adversely affect the ability of the Lessee to comply with the provisions of this Lease. Such additions, modifications and remodeling shall, without payment by Lessor at any time, be included under the terms of this Lease and shall be the property of Lessor. Lessee shall notify the Lessor of any and all repairs, improvements, additions, modifications and remodeling made to the Leased Property in excess of Ten Thousand and 00/100 Dollars (\$10,000.00) 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

19

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 January 1, 2006, Lessee shall make annual deposits to a reserve account for Extraordinary Repairs (the "Reserve") to be held by Lessor in an interest-bearing account in an amount equal to the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) per bed per annum. For the period commencing on January 1, 2006 and ending on December 31, 2006, the number of beds shall be assumed to be eighty-eight (88). Beginning on January 1, 2007, 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 an amount equal to the greater of (A) two and one-half percent (2.5%) per annum of the prior year's Reserve required by this Lease, 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. The amounts in the Reserve shall be used to pay for Extraordinary Repairs on the Facility, or, in the event Lessee fails to make any required non-Extraordinary Repairs hereunder, Lessor may use funds in the Reserve for that purpose as well, without the necessity of obtaining the signature of an officer of Lessee. Replenishment of amounts drawn from the Reserve will be paid 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, as soon as practicable, execute all documents necessary for Lessor to perfect its security interest in the Reserve. So long as no default has occurred under any of the terms hereof, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default hereunder, any amounts remaining in the Reserve, after the payment of and the reimbursement for the Extraordinary Repairs on the Facility, at the expiration of this Lease shall be returned to Lessee

9.3 ENCROACHMENTS; RESTRICTIONS. If any of the Leased Improvements shall, at any time, encroach upon any property, street or right-of-way adjacent to the Leased Property, or shall violate the agreements or conditions contained in any federal, state or local law, restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary,

the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility without such violation, encroachment or impairment. Any such alteration shall be made in

20

conformity with the applicable requirements of Article X. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums paid by Lessee and recovered by Lessor under any such policy of title or other insurance.

9.4 SPECIAL RESERVE. Contemporaneously herewith, Lessor has reserved the sum of Seven Hundred Fifty Thousand and 00/100 Dollars (\$750,000.00) (the "Special Reserve") to be held by Lessor in an interest bearing account and which Lessor agrees will be used to defray the costs of certain renovations to the Leased Property as shall be disclosed by Lessee to Lessor. The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals and the parties agree that such disbursements shall be made pursuant to Lessee draw requests reasonably acceptable to Lessor. The parties shall take all necessary actions to make such renovations as soon as practicable following the date hereof. 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 such a default hereunder, any amounts remaining in the Special Reserve, shall be paid by Lessor to Lessee upon the earliest of (i) Lessor being satisfied in its sole discretion that the existing skilled nursing beds have been or will be converted to long-term acute care beds, (ii) the expiration of this Lease, or (iii) such other date as the Lessor shall determine in its sole discretion. The parties acknowledge that each disbursement of funds hereunder shall constitute a payment of additional purchase price for purposes of calculating the Purchase Price Adjustment and the corresponding adjustment to Base Rent.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) If no Event of Default shall have occurred or be continuing under this Lease, the Other Leases and the Tenant Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) submit to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect the Leased Property and/or any Leased Improvements on the Leased Property with any other improvements on

property adjacent to the Leased

21

Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

(b) There shall be no adjustment in the Base Rent by reason of any such Capital Addition.

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

(i) By purchasing all Capital Additions paid for by Lessee from Lessee for cash in the amount of the Fair Market Added Value of all such Capital Additions paid for or financed by Lessee; or

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's 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 Lessor and any 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

22

a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

(b) If Lessor agrees to finance the proposed Capital Addition, Lessee shall provide Lessor with the following prior to any advance of funds:

(i) all customary or other required loan documentation, if the Capital Addition is to be financed through the incurrence of debt;

(ii) any information, certificates of need, regulatory approvals of architectural plans and other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased to take into account an adjustment to the Purchase Price in an amount equal to the equity contributed by Lessor to finance the Capital Addition or, in the case of debt financing, the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a grant deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition Costs; and

(ix) such other certificates (including, but not limited to, endorsements increasing the insurance coverage, if any, at the time required by Section 13.1), documents, contracts, opinions of counsel, appraisals, surveys, certified copies of duly adopted resolutions of the governing body of Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Lessor and Lessee agree that Lessor shall have the sole right to designate the general contractor, developer, architect, construction company, engineer and other parties which will participate in the development of the Capital Addition. Lessor and Lessee further agree that Lessor shall control the preparation and negotiation of the definitive agreements with such parties and Lessor will give Lessee an opportunity to review such definitive agreements prior to their execution.

(d) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (g) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXVII 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 reasonably necessary by the Lessor and as described below. This insurance shall be written by insurance companies (i) reasonably acceptable to the Lessor, (ii) that are rated at least an "A-VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. The aggregate amount of coverage by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Lessor (and

any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain, unless the Lessee provides to Lessor written confirmation and verification from

the insurer that such insurer will not subrogate against Lessor, an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor (provided, however, that if such insurance does not contain such waiver, Lessee shall use its best efforts to obtain a policy which does contain such waiver, provided the same is obtainable at commercially reasonable rates; and provided further, however, that Lessee, to the extent it is able to obtain such waiver, shall not be required to replace its existing insurance coverage until three (3) months following the Commencement Date, (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In the event Lessee is unable to obtain such waiver of subrogation, Lessee shall use its best efforts to secure from the insurance company its agreement that all claims and disputes concerning insurance coverage for the Lessee's Personal Property shall be deemed contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. In addition, the policies shall name as an additional insured all Facility Lenders, if any, by way of a standard form of mortgagee's loss payable endorsement. Lessee shall use its best efforts to secure from the insurance company its agreement that any disputes regarding loss adjustment shall be deemed to be contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. Any loss adjustment shall require the written consent of Lessor and each affected Facility Lender. Evidence of insurance and/or Impositions shall be deposited with Lessor and, if requested, with any Facility Lender. If any provision of any Facility Instrument requires deposits of insurance to be made with such Facility Lender, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Lender or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Lender. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee's Personal Property, shall insure against the following risks:

(a) All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Leased Property. The policy shall include coverage for subsidence. The deductible amount thereunder shall be borne by the Lessee in the event of a loss and the deductible must not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00) 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 Fifty Thousand and 00/100 Dollars (\$50,000.00) or greater and that no claim at or in excess of Fifty Thousand and 00/100 Dollars (\$50,000.00) 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 in amounts as may be customary for comparable properties in the geographic area of the Leased Property.

(c) Insurance against loss of earnings in an amount sufficient to cover not less than twelve (12) months' lost earnings and written in an "all risks" form, either as an endorsement to the insurance required under subparagraph 13.1(a) above, or under a separate policy.

(d) Worker's compensation insurance covering all employees in amounts that are customary for the Lessee's industry.

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars (\$1,000,000.00) per occurrence, bodily injury for injury or death of any one person and One

Hundred Thousand and 00/100 Dollars (\$100,000.00) for Property Damage for damage to or loss of the property of others, subject to a Fifteen Million and 00/100 Dollars (\$15,000,000.00) annual aggregate policy limit for all Associated Facilities for all bodily injury and property damage claims,

occurring on or about the Leased Property or in any way related to the Leased Property, including but not limited to, any swimming pools or other rehabilitation and recreational facilities or areas that are located on the Leased Property otherwise related to the Leased Property. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion, Collapse and Underground (XCU), Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

(f) Automobile and vehicle liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of One Million and 00/100 Dollars (\$1,000,000.00) per occurrence for bodily injury; One Hundred Thousand and 00/100 Dollars (\$100,000.00) per occurrence for property damage; subject to an annual aggregate policy limit of One Million and 00/100 Dollars (\$1,000,000.00).

(g) Umbrella liability insurance in the minimum amount of Five Million and 00/100 Dollars (\$5,000,000.00) for each occurrence and aggregate combined single limit for all liability, with a Ten Thousand and 00/100 Dollar (\$10,000.00) self-insured retention for exposure not covered in underlying primary policies. The umbrella liability policy shall name in its underlying schedule the policies of professional liability, 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 One Million and 00/100 Dollars (\$1,000,000.00) per individual claim and Fifteen Million and 00/100 Dollars (\$15,000,000.00) annual aggregate policy limit for all Associated Facilities.

(i) A commercial blanket bond covering all employees of the Lessee, including its officers and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least One Million and 00/100 Dollars (\$1,000,000.00) subject to a deductible of no more than Ten Thousand and 00/100 Dollars (\$10,000.00) per occurrence.

The term "Full Replacement Cost" as used herein, shall mean the actual replacement cost thereof from time to time, including increased cost of construction endorsement, less exclusions provided in the normal fire insurance policy. In the event either Lessor or Lessee believes that the Full Replacement Cost has increased or decreased at any time during the Term, it shall have the right to have such Full Replacement Cost re-determined by the fire insurance company which is then providing the largest amount of fire insurance carried on the Leased Property, hereinafter referred to as the "impartial appraiser". The party desiring to have the Full Replacement Cost so re-determined shall forthwith, on receipt of such determination by such impartial appraiser, give written notice thereof to the other party hereto. The determination of such impartial appraiser shall be final and binding on the parties hereto, and Lessee shall forthwith increase, or may decrease, the amount of the insurance carried pursuant to this Article, as the case may be, to the amount so determined by the impartial appraiser. Lessee shall pay the fee, if any, of the impartial appraiser. The parties agree to use their good faith efforts to explore the obtaining of insurance coverages that are more consistent with Lessor's standard requirements.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably required from time to time by any Facility 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. Notwithstanding anything contained herein to the contrary, Lessor shall not be prohibited from purchasing and maintaining such additional insurance as it may determine, in its sole discretion, to be necessary to protect its interest in the Leased Property. Lessee shall reimburse Lessor for

the actual cost of this additional insurance purchased and maintained by Lessor, but only to the extent the coverage limits and endorsements of the additional insurance is equal to or less than the coverage limits and endorsements of the insurance maintained by Lessee under Section 13.1 hereof. Notwithstanding anything contained herein to the contrary, any reimbursement amounts paid by Lessee pursuant to this Section 13.2 shall not be included in the calculations for the financial covenants set forth in Section 16.2 herein.

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

and have been approved by the Lessor, which approval shall not be unreasonably withheld;

(b) Any such blanket policy or policies shall not be changed, altered or modified without the prior written consent of the Lessor; and

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts 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 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 default, and no event has occurred which with the giving of notice or the passage of time, or both, would constitute such a default, under this Lease, the Other Leases and the Tenant Leases, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction, so long as such right to purchase is consistent with the terms of the Ground Lease, or (iii) so long as the damage or destruction was not caused by the negligence of Lessee, its agents, servants, employees or contractors, terminate this Lease and, in this event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith. In the event Lessee purchases

the Leased Property pursuant to this Section 14.2(a), the terms set forth

in Article XVIII shall apply and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after 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 default, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, under the terms of this Lease, the Other Leases and the Tenant Leases, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such damage or destruction, to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction, so long as such right to purchase is consistent with the terms of the Ground Lease. 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.

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 Unusable 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, if damage to or destruction of the Facility occurs

during the last twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee exercises an available option to extend the Term for one Extended Term within thirty (30) days following receipt of such termination notice.

14.8 TERMINATION OF RIGHT TO PURCHASE. 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.

14.10 PURCHASE OPTION SUBORDINATE TO FACILITY INSTRUMENT. Notwithstanding any provision set forth in this Article XIV to the contrary, Lessee's purchase rights as set forth in this Article XIV are and shall be subject to the terms, conditions and provisions of the Ground Lease and subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by Lessor or any Facility Lender, the Lessee shall execute and deliver to Lessor or such Facility Lender a written agreement in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's purchase rights under this Article XIV upon delivery of five (5) days' written notice to Lessee. In the event Lessee has not executed and delivered to such Facility Lender and any applicable rating agency, if any, the written agreement requested within such five (5) day period, then in such event, Lessee's purchase rights under this Article XIV shall be deemed forfeited and of no further force and effect.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

31

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 Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) so long as Lessee is not in default, 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 (so long as such right is consistent with the terms of the Ground Lease) the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessee exercises the option to purchase the Leased Property pursuant to this Section 15.4, the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within thirty (30) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

15.5 RESTORATION. If there is a partial Taking of the Leased Property and this Lease remains in full force and effect pursuant to Section 15.4, Lessee shall accomplish all necessary restoration.

15.6 AWARD DISTRIBUTION. In the event Lessee exercises the purchase option as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no 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.

15.8 PURCHASE OPTION SUBORDINATE TO FACILITY INSTRUMENT. Notwithstanding any provision set forth in this Article XV to the contrary, Lessee's purchase rights as set forth in this Article XV are and shall be subject to

the terms, conditions and provisions of the Ground Lease and subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by Lessor or any Facility Lender, the Lessee shall execute and deliver to Lessor or such Facility Lender a written agreement in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's purchase rights under this Article XV upon delivery of five (5) days' written notice to Lessee. In the event Lessee has not executed and delivered to such Facility Lender and any applicable rating agency, if any, the

written agreement requested within such five (5) day period, then in such event, Lessee's purchase rights under this Article XV shall be deemed forfeited and of no further force and effect.

ARTICLE XVI

DEFAULT

16.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events (individually, an "Event of Default") shall constitute Events of Default or defaults hereunder:

(a) a default or event of default shall occur under any of the Other Leases that is not cured within the applicable cure period as provided therein, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee within a period of twenty (20) days after receipt by Lessee of notice thereof from Lessor, or

(c) if Lessee shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee within a period of thirty (30) days after receipt by Lessee of written notice thereof from Lessor (provided, however, in no event shall Lessor be required to give more than one (1) written notice per calendar year for a non-monetary default), unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(v) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof.

33

(e) if the Total Debt of Guarantors, determined collectively, exceeds the greater of (i) one hundred percent (100%) of the capitalization of the Guarantors (debt plus equity), determined collectively, or (ii) 4.5 times the twelve (12) months' total EBITDAR of the Guarantors, determined collectively, it being understood that the initial test period for these covenants shall begin with the month of July 2006 and, on each testing date, these covenants shall be tested based upon results for the previous twelve (12) months, or

(f) if the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(g) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(h) 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

(i) if Lessee abandons or vacates the Leased Property (Lessee's absence from the Leased Property for thirty (30) consecutive days shall constitute abandonment), or Lessee fails to continuously operate the Facility in accordance with the terms of this Lease.

(j) 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

(k) 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

(l) 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

34

thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(m) 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

(n) if any of the representations or warranties made by Lessee or any of its affiliates 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

(o) a default shall occur under the Guaranty, or

(p) a default or event of default shall occur under the Lease Assignment, Purchase Agreement, Assignment of Rents and Leases, Security Agreement, Non-Competition Agreements 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

(q) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

A. Without any notice or demand whatsoever, Lessor may take any one or more of the actions permissible at law to insure performance by Lessee of Lessee's covenants and obligations under this Lease. In this regard, it is agreed that if Lessee deserts or vacates the Leased Property, Lessor may enter upon and take possession of such Leased Property in order to protect it from deterioration and continue to demand from Lessee the monthly rentals and other charges provided in this Lease, without any obligation to relet; but that if Lessor does, at its sole discretion, elect to relet the Leased Property, such action by Lessor shall not be deemed as an acceptance of Lessee's surrender of the Leased Property unless Lessor expressly notifies Lessee of such acceptance in writing pursuant to subsection B of this Section 16.1., Lessee hereby acknowledging that Lessor shall otherwise be reletting as Lessee's agent and Lessee furthermore hereby agreeing to pay to Lessor on demand any deficiency that may arise between the monthly rentals and other charges provided in this Lease and that are actually collected by Lessor. It is further agreed in this regard that in the event of any default described in this Section 16.1, Lessor shall have the right to enter upon the Leased Property without being liable for prosecution or any claim for damages therefor, and do whatever Lessee is obligated to do under the terms of this Lease; and Lessee agrees to reimburse Lessor on demand for any expenses which Lessor may incur in thus effecting compliance with Lessee's obligations under this Lease, and Lessee further agrees that Lessor shall not be liable for any damages resulting to the Lessee from such action.

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined by:

35

(i) The worth at the time of award of the unpaid rent which had been earned at the time of termination;

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided;

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and

(iv) Any other amount necessary to compensate the Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, all reasonable legal expenses and other related costs incurred by Lessor following an event of default, all costs incurred by Lessor in recovering the Leased Property and restoring the Leased Property to good order and condition, and/or in

remodeling, renovating or otherwise preparing the Leased Property for reletting, and all costs (including, without limitation, any brokerage commissions and reasonable attorneys' fees) incurred by Lessor in reletting the Leased Premises.

The "worth at the time of award" of the amounts referred to in paragraphs (i) and (ii) above is computed by allowing interest at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. The worth at the time of award of the amount referred to in paragraph (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

C. In addition to other rights and remedies Lessor may have hereunder and at law and in equity, if an Event of Default occurs under this Lease, (i) Lessee is deemed to have assigned to Lessor, at Lessor's sole option, all service agreements (including, without limitation, all medical director agreements); (ii) to the extent permitted by law, Lessee is deemed, at Lessor's sole discretion, to have transferred and assigned to Lessor all Licenses and agreements, including, without limitation, all Medicare and Medicaid provider numbers, and (iii) to the extent permitted by law, if required by Lessor, transfer to the Lessor all of the Licenses, including, without limitation, all Medicare and Medicaid provider numbers. In the event there are legal limitations on any of the foregoing remedies, Lessee further hereby covenants and agrees that it will take all actions necessary to orderly transfer the operations and occupancy of the Leased Property to the Lessor, including cooperating with respect to the transfer to Lessor of Licenses, provider numbers and other agreements.

D. In addition to the above remedies, in the event of any default hereunder by Lessee, Lessor, at its option, may have one or more of the following remedies in addition to all other legal rights and remedies:

(i) Lessor may serve upon Lessee notice that its Lease and the then unexpired term hereof shall terminate and become absolutely void on a date specified in such notice, which shall be the date of such notice or such later date as may be required by law, and the Lease, and well as the right, title, and interest of Lessee hereunder shall, except as to the rights and remedies of Lessor upon termination as provided herein, terminate and become void in the same manner and with the same force and effect as if the date filed in such notice were the date originally specified for the expiration of the Lease term; and Lessee shall then immediately quit and surrender to Lessor the Leased Property, including any and all buildings and improvements thereon, and Lessor may then or at any time thereafter, without judicial proceedings of any kind, enter into and repossess the Leased Property, and may remove all occupants and any property thereon without being liable for any action or prosecution of any kind for such entry or the manner thereof, or loss of or damage to any property upon the Leased Property. In the event of any such termination of this Lease, and in

36

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 reasonably elect. In the event Lessor shall elect to so relet, then rent received by Lessor from such reletting shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Lessee to Lessor, second, to the payment of any cost of such reletting, including,

without limitation, refurbishing costs and leasing commissions, and third, to the payment of Rent due and unpaid hereunder, and Lessee shall satisfy and pay any deficiency upon demand therefor from time to time. Any entry into and possession of the Leased Property by Lessor shall be without liability or responsibility to Lessee and shall not be in lieu of or in substitution for any other legal rights of Lessor hereunder. Lessee further agrees that Lessor may file suit to recover any sums due under the terms of this Lease and that no recovery of any portion due Lessor hereunder shall be any defense to any subsequent action brought for any amount not therefore reduced to judgment in favor of Lessor. Reletting of the Leased Property shall not be construed as an election on the part of Lessor to terminate this Lease and, notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS. The occurrence of any of the following events (it being agreed that, with respect to the failures described in sections (a) through (c) below, such failures must continue for two (2) consecutive calendar quarters) shall constitute a default hereunder and shall entitle Lessor to exercise the rights and remedies provided for herein:

- (a) For the twelve (12) month periods ending June 30, 2006, September 30, 2006 and December 31, 2006, (i) if Redding EBITDAR fails to equal or exceed forty percent (40%) of Redding Fixed Charges or (ii) if Redding EBITDAR fails to equal or exceed fifty percent (50%) of Redding Lease Payments.
- (b) For the twelve (12) month period ending March 31, 2007, (i) if Redding EBITDAR fails to equal or exceed sixty percent (60%) of Redding Fixed Charges or (ii) if Redding EBITDAR fails to equal or exceed seventy-five percent (75%) of Redding Lease Payments.
- (c) For the twelve (12) month period ending June 30, 2007, (i) if Redding EBITDAR fails to equal or exceed one hundred percent (100%) of Redding Fixed Charges, or (ii) if Redding EBITDAR fails to equal or exceed one hundred twenty percent (120%) of Redding Lease Payments.
- (d) For the twelve (12) month period ending September 30, 2007 and for each of the twelve (12) month periods ending on each calendar quarter thereafter:
 - (i) if Combined EBITDAR fails to equal or exceed one hundred twenty-five percent (125%) of Combined Fixed Charges, and such failure continues for two (2) consecutive calendar quarters, all based upon trailing twelve (12) month results; or
 - (ii) if Combined EBITDAR fails to equal or exceed one hundred fifty percent (150%) of Combined Lease Payments, and such failure continues for two (2) consecutive calendar quarters, all based upon trailing twelve (12) month results.
- (e) If Vibra Healthcare, LLC, Lessee or any other Guarantor causes, or fails to take any action which causes, a payment default or other material default with respect to any of its other leases or material loans agreements and such default is not cured within the cure periods provided for therein.

37

In the event of any such default, Lessor shall have the right to foreclose on the interest of the Lessee and proceed with any remedy the Lessor deems necessary, including, but not limited to, selling the Lessee's interest to a third party. Upon the occurrence of any of the items set forth in Section 16.1 or this Section 16.2, Lessor may, in addition to any other available remedies, at its option immediately and upon written notice to Lessee (a "Removal Notice") require Lessee to cancel the Management Agreement and replace the Management Company with a company of Lessor's choosing.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other

expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST. 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 16.7, Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment (including medical equipment whether or not affixed to the Leased Property), trailers, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, trailers, fixtures, furniture,

improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least seven (7) days before the time of sale. Any sale made pursuant to the provision of this paragraph shall be deemed to have been a public sale conducted in commercially reasonable manner if held in the above-described premises or where the property is located after the time, place and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in the county in which the property is located, for five (5) consecutive days before the date of the sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorney's fees and legal expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute (if required by law; provided, however, Lessor shall have the right to file a UCC-1 financing statement (and all amendments, modifications and extensions thereto) at any time as provided in the Security Agreement) and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

As used herein, the term "Primary Lien of Lessee's Primary Lender" means any first priority lien granted by Lessee in any of Lessee's machinery, equipment (including medical equipment whether or not affixed to the Leased Property), furniture, furnishings, tools, movable walls or partitions, computers, signage, trade fixtures, supplies, inventory, or any other tangible personal property placed on the Leased Property and used or useful in Lessee's business conducted at or on the Leased Property (the "Collateral"), which may be given in connection with Lessee's lender (the "Primary Lender") providing financing for Lessee to purchase such items of Collateral or in connection with the refinancing of any such items of Collateral. In the event Lessee obtains financing from a Primary Lender or refinances such items of Collateral, Lessee shall use commercially reasonable efforts to obtain from its Primary Lender a consent to a secondary lien on such Collateral in favor of Lessor, in form and content reasonably acceptable to the Primary Lender and the Lessor. Lessee covenants and agrees not to place or allow any other liens to be placed on the Collateral. Lessee covenants and agrees that all indebtedness (except for the indebtedness owed to the Primary Lender) owed by Lessee under all agreements executed in connection with the Lessee's financing of Lessee's Personal Property to be used in connection with the operation of the Facility shall be subordinate to all

39

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 has a right or option to purchase the Leased Property from Lessor pursuant to any of the terms of this Lease, so long as such right or option to purchase is not inconsistent with the terms, provisions and conditions of the Ground Lease, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

40

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

INTENTIONALLY OMITTED

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE OR SELF INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE OR SELF INSURANCE, LESSEE WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LESSOR FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, IMPOSED UPON OR INCURRED BY OR ASSERTED AGAINST LESSOR BY REASON OF: (a) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF PERCENTAGE TO PROPERTY OCCURRING ON OR ABOUT THE LEASED PROPERTY OR ADJOINING SIDEWALKS, INCLUDING WITHOUT LIMITATION ANY CLAIMS OF MALPRACTICE, (b) ANY USE, MISUSE, NO USE, CONDITION, MAINTENANCE OR REPAIR BY LESSEE OF THE LEASED PROPERTY, (c) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF LESSEE TO PAY PURSUANT TO THE APPLICABLE PROVISIONS OF THIS LEASE), (d) ANY FAILURE ON THE PART OF LESSEE TO PERFORM OR COMPLY WITH ANY OF THE TERMS OF THIS LEASE, AND (e) THE NON-PERFORMANCE OF ANY OF THE

41

TERMS AND PROVISIONS OF ANY AND ALL EXISTING AND FUTURE SUBLEASES OF THE LEASED PROPERTY TO BE PERFORMED BY THE LANDLORD (LESSEE) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY LESSEE UNDER THIS SECTION SHALL BE PAID WITHIN FIFTEEN (15) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LESSOR IS DETERMINED BY LITIGATION OR OTHERWISE AND, IF NOT TIMELY PAID, SHALL BEAR A LATE CHARGE (TO THE EXTENT PERMITTED BY LAW) AT THE OVERDUE RATE FROM THE DATE OF SUCH DETERMINATION TO THE DATE OF PAYMENT. LESSEE, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LESSOR OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS LESSEE SEES FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LESSOR AGAINST ITS OWN NEGLIGENT ACTS OR OMISSIONS OR WILLFUL MISCONDUCT. LESSEE'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION OF THIS LEASE.

ARTICLE XXIV

ASSIGNMENT, SUBLETTING AND SUBLEASE SUBORDINATION

24.1 ASSIGNMENT AND SUBLETTING. Lessee shall not assign this Lease or sublease any portion of the Leased Property without Lessor's prior written consent. Lessor shall not unreasonably withhold its consent to any subletting or assignment, provided that (a) in the case of a subletting, the sublease and the sublessee shall comply with the provisions of this Article XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the obligations, covenants and conditions to be performed by Lessee hereunder and under all of the other documents executed in connection herewith. Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described on EXHIBIT C attached hereto (collectively the "Existing Subleases"). Any modifications, amendments and restatements of the Existing Subleases must be approved by Lessor in accordance with this Article XXIV. Notwithstanding anything contained herein to the contrary, any proposed

assignee of Lessee and any proposed sublessee or subtenant must each have an equal or stronger credit rating than the Lessee on the Commencement Date. Lessor's failure or refusal to approve an assignment to an assignee or a subletting to a sublessee or subtenant without the required credit rating shall be reasonable.

24.2 SUBLEASE LIMITATIONS. In addition to the sublease limitations as set forth in Section 24.1 above, anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee or subtenant thereunder would be based, in whole or in part, on either (a) the income or profits derived by the business activities of the sublessee or subtenant, or (b) any other formula such that any portion of the sublease rental received by Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws. Lessor and Lessee acknowledge and agree that all subleases entered into relating to the Leased Property, whether or not approved by Lessor, shall not, without the prior written consent of Lessor, be deemed to be a direct lease between Lessor and any sublessee or subtenant. Lessee agrees that all subleases submitted for Lessor approval as provided herein must include provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease, to the rights of Lessor hereunder, and to all financing documents relating to any Lessor financing in connection with the Facility, (b) in the event this Lease shall terminate or be terminated before the expiration of the sublease, the sublessee or subtenant will, at Lessor's option, attorn to Lessor and waive any right the sublessee or subtenant may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, (c) at Lessor's option, the sublease may be terminated or left in place by Lessor in the event of a termination of this Lease, (d) the obligations and performance of the sublessee or subtenant must be

42

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 Ocadian Care Centers, LLC, a California limited liability company, as tenant (the "Ocadian Sublease"). In the event the Ocadian 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 Ocadian Sublease. Lessor further acknowledges and agrees that in connection with Lessee's proposed conversion of the Facility's existing skilled nursing beds to long-term acute care beds, Lessee may enter into a sublease agreement with Redding Specialty Hospital, LLC, which sublease shall be subject to Lessor's approval, such approval not to be unreasonably withheld, conditioned or delayed.

24.3 SUBLEASE SUBORDINATION AND NON-DISTURBANCE. Within ten (10) days after request by Lessor, Lessee shall cause the subtenants or sublessees to execute and deliver to Lessor a subordination agreement relating to the sublease, which subordination agreement shall be in such form and content as is acceptable to Lessor. At the request from time to time by one or more Facility Lender, within ten (10) days from the date of request, Lessee shall cause the subtenants or sublessees of the Leased Property to execute and deliver within such ten (10) day period, to such Facility Lender a written agreement in a form reasonably acceptable to such Facility Lender whereby such subtenants and sublessees subordinate the sublease and all of their rights and estate thereunder to each such mortgage or deed of trust that encumbers the Leased

Property or any part thereof and agree with each such Facility Lender that such subtenants and sublessees will attorn to and recognize such Facility Lender or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such mortgage or deed of trust, as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of the sublease.

ARTICLE XXV

OFFICER'S CERTIFICATES; FINANCIAL STATEMENTS; NOTICES AND OTHER CERTIFICATES

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish, or cause to be furnished, the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each fiscal year of Lessee, a copy of the Statements of Cash Flow for the Lessee for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would,

43

but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles for the year then ended, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and the operations of the Facility, certified to be true and correct by an officer of Lessee, and

(iv) within thirty (30) days after the end of each month current operating statements of the Facility, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that any license or certification, including, without limitation, the Medicare and/or Medicaid certification and/or managed care contract of the Facility is being downgraded to a substandard category, revoked, or suspended, or that action is pending or being considered to downgrade to a substandard category, revoke, or suspend such Facility's license or certification, and

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the 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 or in any of the Other Leases, then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration

of any applicable cure period, constitute a default.

(d) Within two (2) business days of receipt, Lessee shall furnish to Lessor copies of all notices and demands from any third party payor, including, without limitation, Medicare and/or Medicaid, concerning overpayment which will or may result in a repayment or a refund in excess of One Million Dollars (\$1,000,000). Lessee hereby agrees that in the event of receipt of such notices or demands Lessor shall have the right, at Lessor's option, to participate in the appeal of such notices and demands.

(e) Lessee shall furnish to Lessor on a monthly basis ongoing status reports (in form and content acceptable to Lessor) of any governmental investigations of the Lessee, the Guarantors, or any of their respective Affiliates, or the Facility, conducted by the United States Attorney, State Attorney General, the Office of the Inspector General of the Department of Health and Human Services, or any other Governmental Entity.

(f) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices of adverse events or deficiencies as defined by regulations or standards of the applicable 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 is not in compliance with the Standards for Privacy of Individually Identifiable Health

44

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 and Combined Lessees, 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.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor's affiliate, MPT Development Services, and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to MPT Development Services on the Commencement Date and, as adjusted, on each January 1 thereafter, an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2006, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee to Lessor shall increase at a rate equal to two and one-half percent (2.5%) per annum.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual

right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any

45

representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that the Existing Leases are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Existing Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility

located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

46

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: Northern California Rehabilitation Hospital, LLC
4550 Lena Drive Mechanicsburg, PA 17055
Attn: Mr. Brad E. Hollinger
Fax: (717) 591-5710

with a copy to: Deborah Myers Welsh, Esq.
4550 Lena Drive
Mechanicsburg, PA 17055
Fax: (717) 796-0361

and a copy to: Douglas C. Yohe, Esq.
Latsha Davis Yohe & McKenna, P.C.
1700 Bent Creek Boulevard, Suite 140
Mechanicsburg, PA 17050
Fax: (717) 620-2444

(b) if to Lessor: MPT of Redding, LLC
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn: Michael G. Stewart, Esq.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

47

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, if any, 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 Arbitration Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two (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

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 (which shall mean current

48

replacement cost less accumulated depreciation on the books of Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

INTENTIONALLY OMITTED

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after twenty (20) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more Facility Lender, within ten (10) days from the date of request, Lessee shall execute and deliver within such ten (10) day period, to such Facility Lender a written agreement in a form reasonably acceptable to such Facility Lender whereby Lessee subordinates this Lease and all of its rights and estate hereunder to each Facility Instrument that encumbers the Leased Property or any part thereof and agrees with each such Facility Lender that Lessee will attorn to and recognize such Facility Lender or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such Facility Instrument, as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such Facility Lender simultaneously executes and delivers 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.

49

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.

Except for the proposed conversion of the Facility's existing skilled nursing beds to long-term acute care beds as described in this Lease, 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.

50

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 or such licenses and Medicare and/or Medicaid Certifications for it to operate in accordance with the Primary Intended Use; (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.

51

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. This Lease shall be governed by and construed in accordance with the laws of California but not including its conflict of laws rules; provided, however, the parties hereto agree that the venue for all actions in connection with this Lease and all matters relating to the Leased Property shall be Jefferson County, Alabama.

42.2 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; (b) requests by Lessor for approval or consent under this Lease and all other documents executed between Lessor and Lessee in connection herewith, (c) any circumstances or developments which give rise to Lessor's right of consent or approval, (d) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions, and (e) a request for changes including, but not limited to, (i) the permitted use of the Leased Property, (ii) alterations and improvements to the Leased Improvements, (iii) subletting or assignment, and (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

42.3 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.

42.4 LEASE GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously herewith deliver to the Lessor a Lease Guaranty in form and content satisfactory to Lessor, whereby the Guarantors jointly and severally, absolutely and irrevocably, guarantee the full payment and performance of all of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors and any Affiliate of Lessee and any Affiliate of Guarantors to Lessor. Such Lease Guaranty shall specifically provide that

52

the Lease Guaranty and the obligations of the Guarantors thereunder shall remain in full force and effect during the Term, regardless of whether this Lease has been assigned or any portion of the Leased Property has been subleased.

42.5 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, Lessee shall notify Lessor in writing ("Lessee's Notice") of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee. Lessor shall notify Lessee in writing on or before the expiration of twenty (20) business days after receipt of Lessee's Notice whether Lessor is interested in providing such financing. If Lessor agrees to provide the financing, the terms and conditions of such financing will be contingent upon, among other things, performance benchmarks acceptable to Lessor and the Lessor's satisfaction and approval of other due diligence requirements.

42.6 LETTER OF CREDIT. Lessee shall obtain and deliver to Lessor an unconditional and irrevocable letter of credit from a bank acceptable to Lessor (the "Letter of Credit") naming Lessor beneficiary thereunder, in an amount equal to three (3) months' Base Rent (the "LOC Amount") (estimated in the first year of the Term to be approximately Four Hundred Seventy-Two Thousand Five Hundred and No/100 Dollars (\$472,500.00)) and upon terms, conditions and provisions acceptable to Lessor. The parties acknowledge and agree that Lessee contemporaneously herewith has made a cash deposit with Lessor in the LOC Amount and such deposit is accepted in lieu of the Letter of Credit. At Lessee's option, Lessee may obtain the Letter of Credit in the LOC Amount and, in such event, Lessor shall release said cash deposit to Lessee. The parties acknowledge that, in the event of a Purchase Price Adjustment and a corresponding increase

in Base Rent, the LOC Amount shall immediately increase and Lessee shall increase the amount of the cash deposit or Letter of Credit accordingly.

42.7 CHANGE IN OWNERSHIP/CONTROL. So long as this Lease remains in effect, the aggregate ownership of the current members of Lessee shall not be reduced without the prior written consent of Lessor. In addition, so long as this Lease remains in effect, Brad E. Hollinger's ownership of Vibra Healthcare, LLC shall not be reduced below the percentage he owns currently without the prior written consent of Lessor.

42.8 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, in connection with a public offering or the private placement of securities of Lessor or MPT, or their efforts to obtain financing for the Leased Property, Lessor and MPT may disclose that Lessor has entered into this Lease with the Lessee respecting the Facility and the Leased property and may provide and disclose other information regarding this Lease, the Lessee, the Guarantors, the Leased Property, the Facility, the Commitment Letter, and such other additional information which Lessor and MPT may reasonably deem necessary, to its proposed investors in such public offering or private offering of securities or any prospective lenders with respect to such financing. Lessee shall cooperate with Lessor and MPT by providing financial and other information reasonably requested by Lessor and MPT in connection with such offering of securities or financing. Lessor and MPT shall have the right of access to the Facility, at reasonable business hours and upon advance notice, and all documentation and information relating to the Facility.

42.9 NON-RECOURSE AS TO LESSOR. Anything contained herein to the contrary notwithstanding, any claim based on or in respect of any liability of Lessor under this Lease shall be enforced only against the Leased Property and not against any other assets, properties or funds of (i) Lessor, (ii) any director, officer, general partner, shareholder, limited partner, beneficiary, employee or agent of Lessor or any general partner of Lessor or any of its general partners (or any legal representative, heir, estate, successor or assign of any thereof), (iii) any predecessor or successor partnership or corporation (or other entity) of Lessor or any of its general partners, shareholders, officers, directors, employees or agents, either directly or through Lessor or its general partners, shareholders, officers, directors, employees or agents or any predecessor or successor partnership or corporation (or other entity), or (iv) any person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof.

53

42.10 MANAGEMENT AGREEMENTS. Lessee shall not engage any Management Company or allow any tenants, subtenants or sublessees of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, Lessor's rights relating to any Management Company as set forth in Section 16.2 hereof shall be at Lessor's sole and absolute discretion. Lessee shall, if required by Lessor, assign all of Lessee's rights under the Management Agreements to Lessor and Lessor shall be entitled to assign same to Lessor's lender. At the request of the Lessor from time to time, Lessee shall execute and deliver (and require the tenants, subtenants or sublessees to execute and deliver, if applicable) an assignment and/or subordination agreement relating to the Management Agreements, which assignment and/or subordination agreement shall be in such form and content as reasonably acceptable to Lessor and/or any lender providing financing to Lessor, and shall be delivered to Lessor within ten (10) days after Lessor's request. Lessee hereby agrees that all payments and fees payable under the Management Agreements are and shall be subordinate to the payment of the obligations under this Lease and all other documents executed in connection with this Lease and the Purchase Agreement. Lessee agrees that all Management Agreements entered into in connection with the Leased Property shall expressly contain provisions acceptable to Lessor which (i) require an assignment of the Management Agreements to Lessor upon request by Lessor, (ii) confirm and warrant that all sums due and payable under the Management Agreements are subordinate to this Lease, (iii) grant Lessor the right to terminate the Management Agreement as provided at the end of Section 16.2 of this Lease, (iv) require the Management Company to execute and deliver to Lessor within ten (10) days from Lessor's request an estoppel certificate, assignment and/or subordination agreement as required by Lessor and/or Lessor's lender providing financing to Lessor, in such form and content as is acceptable to Lessor and/or its lender, and (v) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. At the request of the Lessor from time to time, Lessee shall execute and obtain from all parties

subject to such Management Agreements executed written confirmation of such assignment or subordination, which shall be delivered to Lessor within ten (10) days from Lessor's request.

42.11 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

ARTICLE XLIII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

54

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 REDDING, LLC

BY: MPT OPERATING PARTNERSHIP, L.P.

ITS: Sole Member

By: /s/ Emmett E. McLean

Name: Emmett E. McLean

Its: Executive Vice President, Chief Operating Officer
and Treasurer

LESSEE:

NORTHERN CALIFORNIA REHABILITATION
HOSPITAL, LLC

By: /s/ Brad E. Hollinger

Name: Brad E. Hollinger

Its: President

EXHIBIT A

Parcels A and B as set forth and shown on that certain Map entitled, "Parcel Map No. LS 104-78 for David Lee McGeorge and Shirley Jean McGeorge, as Co-Trustees of Daves Mac., Inc. Profit Sharing Trust, being a portion of Tract E, Division 2 of the P.B. Reading Grant, in the City of Redding, Shasta County, California" filed in the Office of the County Recorder, February 7, 1979, in Book 17 of Parcel Maps at Page 87, Shasta County Records.

APN: 103-240-051

EXHIBIT B

1. All taxes, supplemental taxes, dues and general and special taxes and assessments.

2. An easement for water pipelines/overland flow of water and incidental purposes, recorded May 10, 1938, as Book 2 of Rights of Way, Page 136, in favor of the City of Redding, a municipal corporation.

3. An easement for right of way and incidental purposes, recorded January 30, 1957, as Book 520, Page 381, of Official Records, in favor of Northern California Congregational Conference, a California corporation, affecting the

easterly 60 feet of Parcel B.

4. An easement for drain and sewer and incidental purposes, recorded July 22, 1975, in Book 1284, Page 460, of Official Records, in favor of the City of Redding, a municipal corporation, affecting a 15 foot strip of land running North/South through Parcel A.

5. An easement shown or dedicated on the map filed or recorded June 26, 1975, as Book 6, Page 124 of Parcel Maps, for a proposed storm drain and sewer easement over the Easterly 10 feet of Parcel A and the Westerly 5 feet of Parcel B and incidental purposes.

6. An easement for utility and incidental purposes, recorded July 1, 1977, as Book 1437, Page 420, of Official Records, in favor of the City of Redding, a municipal corporation, affecting the most Southerly portion within Parcel A.

7. An easement shown or dedicated on the Map filed on February 7, 1979, in Book 17 of Parcel Maps at Page 87, for a proposed 15 foot utility easement (to be dedicated); reciprocal driveway easement; pre-existing and rights of way; terms and conditions as set forth in the notes and incidental purposes.

8. Covenants, conditions, restrictions and easements in the document recorded March 5, 1979, as Book 1602, Page 106, of Official Records, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status. Said restrictions recite, among other things: "Fast food restaurants are prohibited on the herein described property."

9. An easement for pedestrian trail and incidental purposes, recorded December 19, 1986, as Book 2278, Page 876, of Official Records, in favor of The Knolls, a general partnership, affecting a 10 foot strip located within Parcel A.

10. The existing telephone vault and concrete pad as disclosed by off-record information regarding an ALTA Survey under Job No. 1058.01.

11. An unrecorded lease dated November 12, 1997, executed by National Medical Specialty Hospital of Redding, Inc., a California corporation, as lessor, and Guardian Postacute Services, Inc., a California corporation, as lessee, as disclosed by a Memorandum recorded November 12, 1997, as Instrument No. 1997-0038345 of Official Records.

12. A Deed of Trust to secure an original indebtedness of \$37,000,000.00 recorded July 15, 2004, as Instrument # 2004-0040416 of Official Records; Trustor: Shasta Regional Medical Center, LLC, a California limited liability company, Trustee: Chicago Title Insurance Company, and Beneficiary: General Electric Capital Corporation, a Delaware corporation.

13. A Deed of Trust (no amount shown) recorded July 15, 2004, as Instrument # 2004-0040417 of Official Records; Trustor: Shasta Regional Medical Center, LLC, a California limited liability company, Trustee: Chicago Title Insurance Company, and Beneficiary: Wellpoint Health Networks, Inc., a Delaware corporation.

14. A Deed of Trust to secure an original indebtedness of \$30,000,000.00 recorded July 15, 2004, as Instrument # 2004-0040418 of Official Records; Trustor: Shasta Regional Medical Center, LLC, a California limited liability company, Trustee: Chicago Title Insurance Company, and Beneficiary: General Electric Capital Corporation, a Delaware corporation.

15. Rights of parties in possession.

16. Any facts, rights, interests or claims which would be disclosed by a current ALTA/ACSM survey.

17. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.

EXHIBIT C

GROUND LEASE AGREEMENT

* * * * *

NATIONAL MEDICAL SPECIALTY HOSPITAL

OF REDDING, INC.

as Landlord

AND

GUARDIAN POSTACUTE SERVICES, INC,

as Tenant

Dated: November 14, 1997

TABLE OF CONTENTS

		Page

I	DEFINITIONS.....	1
1.1	"Adjoining Land".....	1
1.2	"Affiliate".....	1
1.3	"Article", "Section", "Subsection" or "Paragraph".....	1
1.4	"Commencement Date".....	1
1.5	"CPI".....	1
1.6	"Default".....	1
1.7	"Demised Premises" or "Premises".....	2
1.8	"Effective Date of Execution".....	2
1.9	"Event of Default".....	2
1.10	"Exhibits".....	2
1.11	"Governmental Authority(ies)".....	2
1.12	"Impositions".....	2
1.13	"Land".....	2
1.14	"Landlord".....	2
1.15	"Lease".....	2
1.16	"Leasehold Mortgage".....	2
1.17	"Leasehold Mortgagee".....	2
1.18	"Legal Requirements".....	2
1.19	"Material Change".....	2
1.20	"Minimum Rent".....	2
1.21	"Parking".....	2
1.22	"Permitted Encumbrances".....	2
1.23	"Person".....	2
1.24	"Prime Rate".....	2
1.25	"Rent".....	3
1.26	"Subsequent Year".....	3
1.27	"Subtenant (s) ".....	3
1.28	"Tenant".....	3
1.29	"Tenant Affiliate".....	3
1.30	"Term".....	3
II	GRANT AND TERM OF LEASE.....	3
2.1.	Ground Lease.....	3
2.2.	Habendum.....	3
2.3.	Term.....	3
III	AUTHORITY AND COVENANT OF QUIET ENJOYMENT.....	3
3.1.	Landlord's Authority.....	3
3.2.	Tenant's Authority.....	3
3.3.	Covenant of Quiet Enjoyment.....	3
IV	RENT.....	4
4.1.	Minimum Rent.....	4
4.2.	Additional Rent.....	4
4.3.	Place of Payment.....	4
4.4.	Taxes, Assessments, etc.	4

4.5.	Advances by Landlord on Tenant's Behalf.....	4
4.6.	Interest and Attorneys' Fees.....	5
4.7.	Net Lease.....	5

V

ALTERATIONS AND REPLACEMENTS.....	5
5.1. Landlord's Consent.....	5
5.2. Manner of Alterations.....	5
5.3. Plans and Specifications.....	5

-i-

VI	PARKING, MAINTENANCE AND REPAIRS.....	6
6.1.	Parking.....	6
6.2.	Tenant's Obligations.....	6
6.3.	Landlord's Rights.....	6
VII	USE.....	7
7.1.	Exclusive Use of Project.....	7
7.2.	Governmental Requirements.....	7
7.3.	No Discrimination.....	7
7.4.	Permits, Licenses and Easements.....	8
7.5.	No Abandonment.....	8
VIII	CONDEMNATION.....	8
8.1.	Definitions.....	8
8.2.	Division of Award.....	8
8.3.	Condemnation of Less Than a Substantial Portion.....	9
8.4.	Condemnation of a Substantial Portion.....	9
8.5.	Arbitration.....	9
8.6.	Temporary Taking.....	10
8.7.	Appraisal.....	10
IX	DAMAGE OR DESTRUCTION.....	10
9.1.	Tenant's Obligations.....	11
9.2.	Manner of Repair and Restoration.....	11
9.3.	Damage or Destruction Near End of Lease Term.....	11
X	INSURANCE.....	11
10.1.	During the Term.....	11
10.2.	During Construction.....	12
10.3.	Insurance With Respect to Improvements.....	12
10.4.	Form.....	12
10.5.	Waivers of Subrogation.....	12
10.6.	Effect of Compliance.....	12
10.7.	Blanket Policies of Insurance.....	13
10.8.	Index of Amounts.....	13
10.9.	Insurance Proceeds.....	13
XI	INDEMNIFICATION.....	13
11.1.	Tenant Indemnifies Landlord.....	13
11.2.	Landlord Indemnifies Tenant.....	13
XII	ASSIGNMENT AND SUBLETTING.....	14
12.1.	Permitted Subleases.....	14
12.2.	Tenant's Covenants with Respect to Subtenants.....	14
12.3.	Assignment by Tenant.....	14
12.4.	Assignment by Landlord.....	14
XIII	DEFAULT - FORFEITURE - TERMINATION.....	15
13.1.	Equitable Relief.....	15
13.2.	Event of Default.....	15
13.3.	Cure by Leasehold Mortgagee.....	16
13.4.	Landlord's Rights Upon Default.....	16
13.5.	Effect of Termination.....	17
13.6.	Performance of Tenant's Obligations By Landlord.....	17
XIV	LEASEHOLD MORTGAGE.....	17
14.1.	Right to Encumber.....	17
14.2.	Notice to Landlord.....	17
14.3.	Right of Leasehold Mortgagee to Cure.....	18

14.4.	Additional Leasehold Mortgagee Protection Clauses.....	18
XV	TITLE TO IMPROVEMENTS.....	19
15.1.	During the Term.....	19
15.2.	Following the Term.....	19
XVI	SURRENDER OF PREMISES.....	19
16.1.	19
XVII	OPTION TO PURCHASE.....	20
XVIII	ESTOPPEL CERTIFICATES.....	21
18.1.	21
XIX	MISCELLANEOUS.....	21
19.1.	Notices.....	21
19.2.	Time of Essence.....	22
19.3.	No Waste.....	22
19.4.	Holding Over.....	22
19.5.	Waiver.....	22
19.6.	Severability.....	22
19.7.	Rights Cumulative.....	22
19.8.	Entire Agreement.....	22
19.9.	Successors and Assigns.....	23
19.10.	Governing Law.....	23
19.11.	Counterparts.....	23
19.12.	Relationship of Parties.....	23
19.13.	Non-Merger.....	23
19.14.	Memorandum of Lease.....	23
19.15.	Modification as Required by Leasehold Mortgagee.....	23
19.16.	Provision of Quit-Claim Release.....	23

STATE OF CALIFORNIA

COUNTY OF SHASTA

GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT entered into this 14th day of November, 1997, by and between NATIONAL MEDICAL SPECIALTY HOSPITAL OF REDDING INC., a California corporation (hereinafter referred to as "Landlord"), and GUARDIAN POSTACUTE SERVICES, INC., a California corporation (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Landlord is the owner in fee simple of the Land (as hereinafter defined), on which is located an existing rehabilitation hospital and certain real property improvements related to the operation of the Project (collectively, the "Project");

WHEREAS, Landlord, as Seller, and Tenant, as Buyer, have entered into that certain Asset. Sale Agreement of even date herewith pursuant to which Tenant has purchased the Project and certain equipment, fixtures and other personal property related to the operation of the Project ("Asset Sale Agreement").

WHEREAS, Landlord desires to lease and demise to Tenant, and Tenant desires to lease and demise from Landlord, the Land, all upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Landlord and Tenant, Landlord and Tenant do hereby enter into this Ground Lease Agreement, and do hereby agree as follows:

ARTICLE I

DEFINITIONS

In addition to the other terms defined herein, the following shall have for the purposes of this Lease the following meanings, unless the context otherwise clearly requires:

- 1.1 "Adjoining Land" means that certain tract of real property adjacent to the Land owned by the Landlord, as more particularly described in Exhibit "C" attached hereto and by this reference incorporated herein.
- 1.2 "Affiliate" means, (i) a Person directly or indirectly controlling, controlled by, or under common control with another Person; (ii) a Person owning or controlling 10 percent or more of the outstanding voting securities or beneficial interests of another Person; (iii) an officer, director, partner, or member of the immediate family of an officer, director or partner, of another Person; and/or (iv) any affiliate of any such Person.
- 1.3 "Article", "Section", "Subsection" or "Paragraph" means the specified Article, Section, Subsection or Paragraph of this Lease.
- 1.4 "Commencement Date" means the date of the "Closing" under the Asset Sale Agreement.
- 1.5 "CPI" means the index now known as the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items and Major Group Figures for Urban Wage Earners and Clerical Workers (1982-84 = 100).
- 1.6 "Default" shall have the meaning ascribed thereto in Section 13.2.
- 1.7 "Demised Premises" or "Premises" means the Land and the rights and easements appurtenant thereto.
- 1.8 "Effective Date of Execution" means the date on which the latter of the Landlord and Tenant executes this Lease.
- 1.9 "Event of Default" shall have the meaning ascribed thereto in Section 13.2.
- 1.10 "Exhibits" shall mean the exhibits attached to this Lease, as may be amended from time to time, (or which are referred to in this Lease as Exhibits and are initialed for identification by representatives of the parties), each of which shall be deemed to form part of this Lease whether or not so stated in this Lease.
- 1.11 "Governmental Authority(ies)" means all Federal, state, city, county, municipal and local governments, and all departments, commissions, boards, bureaus and offices thereof, having jurisdiction over the Demised Premises.
- 1.12 "Impositions" means any taxes and assessments imposed on the Demised Premises, as more particularly described in Section 4.4.
- 1.13 "Land" means that certain tract of real property Owned and to be demised by Landlord to Tenant, as more particularly described in Exhibit "A" attached hereto and by this reference incorporated herein.
- 1.14 "Landlord" means National Medical Specialty Hospital of Redding, a California corporation, and its successors and assigns.
- 1.15 "Lease" means the entire understanding of the Landlord and Tenant as embodied in this Ground Lease Agreement, including specifically, without limitation, any amendments hereto in writing that may be agreed upon by the Landlord and Tenant from time to time.
- 1.16 "Leasehold Mortgage" means any deed to secure debt, mortgage, indenture or similar security instrument given by Tenant encumbering the whole or part of Tenant's leasehold estate and interest in and to the Demised Premises.
- 1.17 "Leasehold Mortgagee" means the holder of a Leasehold Mortgage, as expressly provided for in Section 14.1.

- 1.18 "Legal Requirements" shall mean all present and future laws, ordinances, rules, regulations and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which may be applicable to the Demised Premises, or any part thereof including the improvements which from time to time constitute part of or are constructed on the Demised Premises, or the use or manner of use of any of the foregoing, and shall also mean and include all requirements of policies of public liability, fire and other insurance policies at any time in force with respect to any of the foregoing.
- 1.19 "Material Change" shall have the meaning ascribed thereto in Section 5.1.
- 1.20 "Minimum Rent" means the rent payable by Tenant to Landlord pursuant to Section 4.1.
- 1.21 "Parking" means that area comprising a portion of the Land, which will be maintained as parking to serve the Project, as expressly provided for in Section 6.1.
- 1.22 "Permitted Encumbrances" means those items more particularly described in Exhibit "B" attached hereto and by this reference incorporated herein.
- 1.23 "Person" means and includes an individual, corporation, partnership, association, limited liability company, trust, estate, or other entity.

-2-

- 1.24 "Prime Rate" means the annual rate of interest announced from time to time by Bank of America, N.A. at its head office in San Francisco, California, as its "reference rate" of interest, adjusted automatically upon any change in such rate of interest. In the event Bank of America, N.A. discontinues or suspends the practice of announcing such a "reference rate", the Prime Rate shall be determined by reference to any equivalent rate announced by a national bank selected by Landlord, which is at that given date one of the twenty (20) largest banks, as measured by capital and surplus, in the United States.
- 1.25 "Rent" means collectively the Minimum Rent, Percentage Rent and Additional Rent.
- 1.26 "Subsequent Year" means any calendar year following calendar year 1997.
- 1.27 "Subtenant(s)" means any person(s) or entity(ies) whom Tenant may permit to sublet any portion of the Demised Premises in accordance with the terms and conditions of Article XII.
- 1.28 "Tenant" means Guardian Postacute Services, Inc., a California corporation, and its successors and assigns.
- 1.29 "Tenant Affiliate" means any subsidiary corporation of Tenant, or any joint venture or partnership, whether limited or general, in which Tenant and/or some of its principal officers and shareholders are venturers or partners.
- 1.30 "Term" means that period of time commencing on the Commencement Date and extending through the thirtieth (30th) anniversary of the Commencement Date, as expressly provided for in Section 2.3 unless this Lease shall have been terminated pursuant to its terms and provisions, in which case the Term shall be that period of time commencing on the Commencement Date and continuing until the termination date.

ARTICLE II

GRANT AND TERM OF LEASE

Section 2.1. Ground Lease. Effective as of the Commencement Date upon the terms and conditions hereinafter stated, Landlord does let, lease and demise unto Tenant, and Tenant does let, lease and demise from Landlord, the Land, subject to the Permitted Encumbrances and subject to all Legal Requirements.

Section 2.2. Habendum. To have and to hold the Land, together with all privileges and appurtenances thereunto belonging or appertaining and provided

for herein unto Tenant for the full Term of this Lease.

Section 2.3. Term. The Term of this Lease shall commence on the Commencement Date and shall continue through the thirtieth (30th) anniversary of the Commencement Date unless this Lease shall be sooner terminated in accordance with its terms. Upon the Commencement Date, Landlord and Tenant shall be bound by every provision of this Lease.

ARTICLE III

AUTHORITY AND COVENANT OF QUIET ENJOYMENT

Section 3.1. Landlord's Authority. Landlord is a duly organized corporation in good standing under the laws of the State of California, is not subject to any involuntary proceeding for dissolution or liquidation thereof, and is duly authorized by its board of directors to enter into this Lease. Upon request, Landlord shall provide Tenant with reasonable evidence of such authority.

Section 3.2. Tenant's Authority. Tenant is a duly organized corporation in good standing under the laws of the State of California, is not subject to any proceeding for dissolution or liquidation thereof, and is duly authorized by its board of directors to enter into this Lease. Upon request, Tenant shall provide Landlord with reasonable evidence of such authority.

-3-

Section 3.3. Covenant of Quiet Enjoyment. Tenant, by performing and observing the several covenants by it to be kept and performed hereunder to include the payment of Rent as and when provided, may peaceably hold and enjoy the Land, subject to all the terms of this Lease. Landlord represents and warrants to Tenant that the Land is being leased to Tenant free and clear of all liens, encumbrances and rights of third parties except for the title exceptions set forth in Exhibit "B" hereto (the "Permitted Encumbrances").

ARTICLE IV

RENT

Section 4.1. Minimum Rent. Tenant shall pay to Landlord commencing on the Commencement Date of this Lease (the "Rent Commencement Date"), and thereafter for each year during the Term of this Lease, without set off or deduction in any manner whatsoever, the yearly rent as set forth in Exhibit "C" attached hereto and hereby incorporated herein by reference (the "Minimum Rent"). The Minimum Rent shall be payable in advance in equal monthly installments on the first day of each calendar month during the Term of this Lease commencing with the Rent Commencement Date. If the Commencement Date or termination date of this Lease falls on other than the first day of a given calendar month, Minimum Rent shall be prorated for such month and shall be payable in advance on the first day of such partial calendar month.

Section 4.2. Additional Rent. In addition to the rental specified in Section 4.1 hereof, any and all other payments which Tenant is required to make hereunder to or on behalf of or for the benefit of Landlord shall be deemed to be "Additional Rent", and said other sums payable hereunder as Additional Rent shall be deemed "Rent" under this Lease, and any remedies now or hereafter afforded to Landlord by the laws of the State of California for collection of such rents shall be available to Landlord, in addition to any rights and remedies specified herein. All such other Rent shall be payable in accordance with the applicable provisions specifying the terms and conditions of payment of such other amounts to be paid as Additional Rent.

Section 4.3. Place of Payment. Each payment of Rent to Landlord by Tenant, which is payable directly to Landlord, shall be payable at the office of the Landlord at the address appearing in Section 19.1 hereof.

Section 4.4. Taxes, Assessments, etc. Tenant shall pay to the Governing Authority charged with the collection of same, before the same become delinquent, and shall indemnify and hold Landlord harmless from, all taxes (other than an increase in tax attributable to a change in ownership of the Land), assessments, license fees, excises, imposts, and charges of every sort, foreseen and unforeseen (the "Impositions"), that during the Term of this Lease shall be levied, assessed, charged, or imposed upon the Demised Premises, with

such taxes for the first and last years of the Term to be prorated between Landlord and Tenant based on the number of days in the applicable tax year the Land is leased by Tenant. Any Imposition that may be paid, according to applicable law, over a period of time may be paid by Tenant over that period of time with any interest therein to be paid by Tenant. Tenant shall not have the obligation, however, to pay any income, capital gain or franchise tax, or any tax imposed on rentals and revenues received by Landlord hereunder that may be payable by Landlord under any existing or future tax law of the United States or any other country or of the State of California or any subdivision thereof; provided, however, that Tenant shall be responsible for the payment of any future tax levied in lieu of ad valorem property taxes on the Land. If any Imposition shall be deemed by Tenant to be improper, illegal, or excessive, Tenant may, at its sole cost and expense (in its own name or in the name of Landlord or both, as may be necessary), dispute and contest the same in good faith and with due diligence, and in such case such items need not be paid until adjudged to be valid. Upon being adjudged valid, Tenant may continue to contest same; provided, however, prior thereto, Tenant shall first post bond or other security equal to that amount determined to be due and owing in such adjudication, to be applied by Tenant, or failing to do so, by Landlord, in satisfaction of such amount should such adjudication not be reversed or the case be remanded for further proceedings upon termination of appeal. Unless so contested by Tenant, all Impositions shall be paid by Tenant within the time provided by law; and, if contested, any such Imposition shall be paid before the issuance of execution based on final judgment. Landlord shall cooperate with Tenant in any such dispute or contest, but at Tenant's sole cost and expense.

-4-

Section 4.5. Advances by Landlord on Tenant's Behalf. In case of any default by Tenant in the payment of any Imposition or payment of any other amount herein provided to be paid by Tenant, or in the procuring of insurance as herein provided for, Landlord may at its sole discretion, on behalf of Tenant, make such payment or payments or procure any such insurance, and Tenant covenants thereupon on demand to reimburse and pay Landlord any amount reasonably paid or expended therefor.

Section 4.6. Interest and Attorneys' Fees. Any amount payable under the Lease by Tenant to Landlord and not paid within ten (10) days of when due shall bear interest at the rate of four percent (4%) in excess of the Prime Rate from time to time during the period in which any such sum is due and owing (or the maximum rate of interest permitted by California law whichever is the lesser.) If it becomes necessary to bring suit for collection of the Rent, and Landlord is successful in such suit, or of any other sums herein stipulated to be paid or in case the same has to be collected upon demand of an attorney, Tenant agrees to pay such attorneys' fees as Landlord may reasonably incur.

Section 4.7. Net Lease. Except as otherwise stated in this Lease, it is the express purpose and intent of Landlord and Tenant that the Rent to be paid by Tenant to Landlord shall be absolutely net to Landlord, so that this Lease shall yield to Landlord, but prior to any expenses of Landlord relating to the management of its ownership interest or estate in and to the Premises, the Rent specified in Section 4.1 and that all costs, expenses and obligations of every kind and nature whatsoever relating to the use, occupancy and maintenance of the Premises by Tenant which may arise and become due during or outside of the Term of this Lease, and that Landlord shall be indemnified and held harmless by Tenant from and against the same, and from the cost of defending against any action brought to collect same.

ARTICLE V

ALTERATIONS AND REPLACEMENTS

Section 5.1. Landlord's Consent. Tenant shall have the right to alter, add to, demolish or reconstruct the Project, or any portion thereof, only if there does not exist an Event of Default under this Lease and, with respect to a Material Change, only if Tenant has obtained the express written consent of Landlord, which consent shall not be unreasonably withheld. Tenant shall not be required to obtain Landlord's consent with respect to (a) any alteration or reconstruction of interior space located in the Project, or (b) alterations or additions of the Premises (including, without limitation, the erection, installation, maintenance and operation in the Premises of such equipment, trade fixtures, fixtures and signs as Tenant may deem advisable) other than Material Changes (as hereinafter defined). For purposes of this Article V, a Material

Change shall be an alteration or addition to the Project which (i) will materially lessen the quality of materials or workmanship utilized in development of the Project or (ii) will violate any term of this Lease. In any event, all such alterations and replacements shall be effected in compliance with all Legal Requirements.

Section 5.2. Manner of Alterations. With respect to a Material Change, for the purpose of permitting Landlord to satisfy itself that the Premises after the proposed Material Change will comply with the requirements of this Lease, Tenant shall deliver to Landlord plans and specifications of the work to be performed at least thirty (30) days before the beginning of such change or alteration, which plans and specifications shall meet the standards set forth in Section 5.3. Landlord shall have the right to approve or disapprove said plans and specifications as set forth in Section 5.3. Thereupon, Tenant shall proceed with such change or alteration pursuant to the provisions of Article V hereof, to the extent applicable to the portion of said improvements with respect to which action is being taken pursuant to this Article V.

Section 5.3. Plans and Specifications.

(a) Tenant shall submit to Landlord for Landlord's approval, which approval will not be unreasonably withheld or delayed, preliminary plans and specifications for the Material Change to the Project. Such preliminary plans and specifications shall further take into consideration and provide for the aesthetic integration of the facades of the buildings to be constructed on the Land with the existing improvements on the Adjoining Land. Within fifteen (15) business days following

-5-

receipt by Landlord of said preliminary plans and specifications from Tenant, Landlord shall notify Tenant of Landlord's approval or disapproval of said preliminary plans and specifications. Landlord's failure to notify Tenant within such period shall be deemed to be Landlord's approval. Any notice of approval or disapproval shall be in writing, and if disapproved, shall set forth the grounds for such disapproval. Following Landlord's first or any subsequent disapproval, Tenant shall undertake, in conjunction with Landlord, to amend and modify the preliminary plans and specifications, and, upon the completion thereof, submit revised plans and specifications to Landlord for its review and approval, in accordance with the foregoing.

(b) Following approval of preliminary plans and specifications, Tenant shall develop final plans and specifications substantially in conformity with the preliminary plans and specifications previously approved by Landlord. Such final plans and specifications shall be subject to review by Landlord. Within thirty (30) days following receipt by Landlord of said final plans and specifications from Tenant, Landlord shall notify Tenant of Landlord's approval, which approval will not be unreasonably withheld, or disapproval, as the case may be. Landlord's failure to notify Tenant within such period shall be deemed to be Landlord's approval. Any notice of approval or disapproval shall be in writing, and if Landlord disapproves, then such notice shall set forth the grounds for such disapproval. Following Landlord's first or any subsequent disapproval, Tenant shall undertake, to amend or modify the final plans and specifications and then submit the revised final plans and specifications to Landlord for its review as set forth above. Changes from the preliminary plans and specifications shall be considered to be within the scope of the preliminary plans and specifications, if they are not substantial, or if they are made in order to comply with the reasonable requirements of a Leasehold Mortgagee or of a Governmental Authority.

(c) In no event shall Tenant begin construction prior to procuring Landlord's approval of said final plans and specifications; provided, however, that such approval may be procured incrementally to allow development of the Project in phases. This prohibition applies to the commencement of any on-site infrastructure construction as well.

ARTICLE VI

PARKING, MAINTENANCE AND REPAIRS

Section 6.1. Parking. Tenant shall at all times during the Term of this Lease maintain parking facilities (the "Parking") for the Premises sufficient to comply with all Legal Requirements to include specifically, without limitation,

applicable zoning ordinances. Tenant shall keep and maintain the Parking clean, neat, safe and in good repair.

Section 6.2. Tenant's Obligations. Tenant shall, at all times and at its sole cost and expense, keep the improvements on the Premises, including, but not limited to the Parking and the sidewalks, driveways, curbs, fencing and landscaping on the Land, in good, clean and safe order, condition and repair. Landlord, except as otherwise provided in this Lease, shall not be required to make any repairs or improvements to the Premises during the Term of this Lease, or in any manner to supply maintenance for the improvements on the Premises. If at any time during the Term of this Lease, any addition, alteration, change, repair, or other work of any nature, structural or otherwise, shall be required or ordered or become necessary on account of any Legal Requirement now in effect or hereafter adopted passed, or promulgated or on account of any other reason with respect to any improvements hereafter placed on the Premises, Tenant promptly shall make such changes regardless of when the same shall be incurred or become due, and the entire cost thereof shall be the liability of Tenant, and in no event shall the Landlord be called upon to contribute thereto or do or pay for any work of any nature whatsoever on the Premises. All repairs of the improvements on the Premises required to be made by Tenant hereunder shall be at least equal in quality and material to the original construction of the Project, and in such a manner so as not to otherwise adversely affect Landlord's interest in or use of the Adjoining Land, or Landlord's occupancy and quiet enjoyment of the Adjoining Land, or any portion thereof.

Section 6.3. Landlord's Rights. Subject to any Governmental Authorities' security rules and regulations that may apply to any portion of the Premises, Landlord may enter the Premises at reasonable times during normal business hours after reasonable notice to Tenant to inspect the Premises in order to determine whether Tenant or any of its Subtenants are complying with their

-6-

obligations under this Lease and to take any actions authorized pursuant to this Lease including, but not limited to, Landlord's remedies contained in Section 13.4, but shall have no obligation to do so. In the event Landlord shall exercise its rights under this Section, it shall do so in such a manner so as to limit interference with Tenant's occupancy and use of the Premises to a level as minimal as is possible considering the circumstances.

ARTICLE VII

USE

Section 7.1. Exclusive Use of Project. During the term of this Lease, Tenant hereby agrees as follows:

(a) Tenant's sole and exclusive use of the Premises shall be to own and operate a post-acute hospital offering and providing only the following services: (i) skilled nursing, (ii) physical rehabilitation, (iii) occupational therapy, (iv) speech pathology, (v) social services, (vi) assisted living, (vii) day health programs for children and adults, (viii) LTAC services, (ix) psychiatric services, (x) geriatric clinic services, (xi) outpatient services related to the foregoing service categories, and (xii) other post-acute services. Neither Tenant nor any Affiliates of Tenant (nor any assignee or successor thereto) shall, on or within the Premises, own, operate or manage, directly or indirectly, any corporation, partnership, division or other entity or business (whether or not the same is a not-for-profit organization), which engages in the development, ownership, operation or management of a provider of any health care services other than those described in the first sentence of this Section 7.1 (a). Without limiting the generality of the foregoing, neither Tenant nor any Affiliate of Tenant (nor any assignee or successor thereto) shall own, operate or manage, within the Premises, any (i) general or acute care hospital, mental health or psychiatric facility, or drug or alcohol abuse detoxification or rehabilitation facility, (ii) surgical center, diagnostic center, or emergency or non-emergency outpatient service centers or clinics, or (iii) any medical practices, group medical practices, health maintenance organizations, physician associations, integrated delivery systems or any managed care provider or organization offering or providing any health care services other than those described in the first sentence of this Section 7.1(a).

(b) Tenant acknowledges and agrees that its covenants herein set

forth form part of the consideration hereunder and is one of the inducements for Landlord entering into this Lease, that the provisions of this Section 7.1 are necessary to protect the interests of Landlord and the continue value of the Premises, that the restrictive covenants set forth herein are reasonable in scope and duration and that the provisions of this Section 7.1 are for the benefit of, and may be enforced by, Landlord and its Affiliates and their successors and assigns.

(c) Tenant hereby agrees that a breach of the covenants contained in this Section 7.1 will result in irreparable harm and damages to Landlord which cannot be adequately compensated for by a monetary award and that in addition to all other remedies available in law or in equity Landlord and its Affiliates and their successors and assigns shall be entitled to the remedy of a temporary restraining order, preliminary injunction or such other form or injunctive or equitable relief as may be issued by a court of competent jurisdiction to restrain or enjoin Tenant and any Affiliates of Tenant (or any successor or assign thereto) from breaching the provisions of this Section 7.1 or otherwise to specifically enforce the provisions of this Section 7.1.

(d) Tenant agrees that if any restriction contained in this Section 7.1 is held by any court of competent jurisdiction to be unenforceable or unreasonable, a lesser restriction as determined by such court to be enforceable shall be severable therefrom and enforced in its place, and the remaining restrictions contained herein shall be enforceable independently of each other.

Section 7.2. Governmental Requirements. Tenant shall, at Tenant's sole cost and expense, obtain any and all licenses and permits necessary for its construction of the use of the Premises. Tenant shall, at its sole cost and expense, also comply with all Legal Requirements applicable to the Premises and the use thereof including, without limitation, all valid governmental orders and directives for the correction, prevention and abatement of nuisances in, upon or connected with the Premises; provided, however, that Tenant in its discretion, shall have the right in good faith to

-7-

contest any such orders or directives, and Tenant shall not be obligated to comply unless and until such order or directive has been finally adjudicated to be valid and enforceable.

Section 7.3. No Discrimination. Tenant covenants, that it will not discriminate against or segregate any person or group of persons, on account of sex, race, color, creed, national origin, or ancestry in the leasing, subleasing, licensing, use or enjoyment of the Premises, nor shall Tenant permit any person claiming under or through Tenant, to establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the Premises; provided, however, that, in the event Tenant shall violate the provisions of this Section 7.3, Landlord's sole remedies shall be (a) to enjoin Tenant from the continuation of repetition of such violation and (b) to sue Tenant for Landlord's damages, if any, arising out of such violation.

Section 7.4. Permits, Licenses and Easements. Landlord agrees, promptly upon request of Tenant, but without cost to Landlord, to join in (a) any and all applications for permits, licenses, easements and other authorizations required by any Governmental Authority, (b) any grants for easements for electric, telephone, gas, water, sewer, drainage, access and such other public and private utilities and facilities as may be reasonably necessary or desirable in the operation of the Premises, or any improvements erected thereon, and (c) any requests for easements or other rights, including air rights to be obtained from any Governmental Authority. Nothing in this Section 7.4, however, shall obligate Landlord to join in any matter referred to herein which matter is not in accordance with the final plans and specifications for the Premises approved by Landlord pursuant to Article V.

Section 7.5. No Abandonment. In no event shall Tenant abandon the Premises.

ARTICLE VIII

CONDEMNATION

Section 8.1. Definitions.

(a) The terms "condemnation," "any condemnation" or "condemn" shall mean any taking or takings for any public or quasi-public purpose under any governmental law, ordinance or regulation by the exercise of the right of eminent domain or by the granting, conveying or private sale pursuant to the threat thereof, at any time or cumulatively from time to time.

(b) The taking of a "substantial portion" of the Premises shall mean the taking of such portion of the Premises as (i) shall render (as determined by agreement of both Landlord and Tenant or, failing agreement of the issue, by arbitration pursuant to Section 8.5) the untaken portion of the Premises to be incapable of restoration economically or operationally so as to support the operation of the Project for the uses contemplated herein.

(c) The "fair market value" as used herein shall mean the price to a willing buyer not compelled to buy, if the Land were vacant, unimproved, but encumbered by this Lease but not by any Leasehold Mortgage, and shall be determined as expressly provided for in Section 8.7.

Section 8.2. Division of Award.

(a) If, during the term of this Lease, the Premises, or any portion thereof, are condemned or taken by any Governmental Authority having the power of eminent domain, or on behalf of which the power of eminent domain may be exercised, the court in such condemnation proceedings shall be requested to make separate awards to Landlord and Tenant as to their respective interests in the Premises, and Landlord and Tenant agree to request such action by the court. This Paragraph 8.2 (a) shall be construed as superseding any statutory provisions now in force or hereafter enacted concerning condemnation proceedings to the extent permitted by law.

(b) In the event that Landlord and Tenant are unable to obtain separate awards with respect to their respective interests in the Premises, then the net award received (after deductions of reasonable fees and expenses of collection, including, but not limited to, reasonable

-8-

attorney's fees) shall be fairly and equitably apportioned between Landlord and Tenant to reflect their respective interests in the Premises. The portion of the award to be received by Landlord shall reflect the taking of fee simple estate in and to the Land based upon the fair market value of the Land as of the date preceding the day on which title to the Land vests in the condemning authority. In addition, there shall be taken into consideration the fact that the buildings and other improvements constructed on the Land will belong to Landlord upon the expiration of the Term of this Lease. The portion of the award to be received by Tenant shall be based upon the taking and reduction of Tenant's leasehold estate created by this Lease, the taking of any building and other improvements on the Land, loss or interruption of business, and the cost of any restoration or repair necessitated by such taking or condemnation. Such values shall be determined as of the time of condemnation by agreement of the parties or by arbitration in the manner set out in Section 8.5. Landlord and Tenant agree that, in the event they are unable to obtain separate awards, there shall be no settlement of any condemnation award or proceeding without the consent of any Leasehold Mortgagee; it being understood, however, that any such Leasehold Mortgagee shall have rights only in and to Tenant's portion of the award.

Section 8.3. Condemnation of Less Than a Substantial Portion.

(a) If any condemnation of the Premises results in the taking of less than a substantial portion of the Premises, or if Tenant does not elect to terminate this Lease following the taking of a substantial portion of the Premises, then this Lease shall continue in full force and effect; provided, however, that Rent shall abate in proportion to the number of square feet of the Premises which is taken or is rendered unusable by such taking bears to the number of square feet of the Premises immediately prior to such taking. Tenant, with its award and any other necessary funds of Tenant, shall promptly repair and reconstruct any of the Premises damaged or diminished by such condemnation so as to provide buildings and improvements on the Land of the same general appearance and quality as prior to such condemnation, unless Tenant obtains Landlord's consent to a change in use of the Premises, which Landlord may withhold, in its sole and absolute discretion, and Tenant shall repair and

reconstruct and add to the Parking (if possible) to the extent necessary to provide parking as required by Section 7.1.

(b) If Landlord and Tenant are unable to agree on either or both of the reasonable value of any building or portion thereof forming a part of the Premises which has been taken or has been rendered unusable by taking and which cannot be replaced and/or the reasonable value of the entire building or group of buildings forming a part of the Premises immediately prior to such taking, then such value shall be determined in the manner provided in Section 8.5.

Section 8.4. Condemnation of a Substantial Portion. If any condemnation results in the taking of a substantial portion of the Premises, Tenant may terminate this Lease within ninety (90) days following such condemnation upon written notice to Landlord. If Tenant does not elect to terminate this Lease, Tenant, with its award and any other necessary funds of Tenant, shall promptly repair and reconstruct any of the Premises damaged or diminished by such condemnation so as to provide buildings and improvements on the Land of the same general appearance and quality as prior to such condemnation, unless Tenant obtains Landlord's consent to the change in use of the Premises, which Landlord may withhold, in its sole and absolute discretion, and Tenant shall repair and reconstruct and add to the Parking (if possible) to the extent necessary to provide parking as required by Section 7.1. If Tenant so elects to terminate this Lease, then the Term hereof shall cease on the date title is transferred by reason of such condemnation, and all rentals shall be paid up to the date of termination, and the parties hereto shall thereupon have no further obligation to each other hereunder. Upon such termination all awards payable to Tenant, as described in Section 8.2, shall be free from any interest of Landlord pursuant to the terms of this Lease, and all awards payable to Landlord, as described in Section 8.2, shall be free from any interest of Tenant pursuant to the terms of this Lease.

Section 8.5. Arbitration. As used in the Lease, a taking of less than a substantial portion of the Premises shall mean a taking of such portion as leaves remaining a balance which can be economically operated for the purposes for which the Premises was operated prior to such taking.

(a) In the event the parties are unable to agree as to whether any particular taking constitutes a taking of a substantial portion of the Premises, either party may submit the matter to

-9-

binding arbitration by giving written notice to that effect to the other party and shall in such notice appoint an arbitrator on its behalf. Within twenty (20) days thereafter, the other party shall by written notice to the first party appoint a second arbitrator on its behalf, and the two arbitrators so appointed shall appoint a third arbitrator, and the three arbitrators shall determine the matter in dispute by majority action. If the second party shall fail to appoint the second arbitrator or if the two arbitrators fail within thirty (30) days after the appointment of the second arbitrator to appoint a third arbitrator, then either party to the Lease, upon written notice to the other party, may request such appointment by the American Arbitration Association (or any organization successor thereto), or on its failure, refusal or inability to act, may apply for such appointment to a court of competent jurisdiction in the State of California.

(b) The determination made as provided above shall be conclusive upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrators chosen by the parties shall give written notice to the parties stating their determination, and shall furnish to each party a signed copy of such determination. The decision of the arbitrators shall be a condition precedent to any right of legal action that either party may have against the other with respect to the subject matter of the arbitration; and

(c) Each party shall pay the fees and expenses of the arbitrator appointed by such party and one-half of the other expenses of the arbitration properly incurred hereunder.

Section 8.6. Temporary Taking. If the temporary use of the whole or any part of the Premises shall be taken as aforesaid, the Lease shall not be affected in any way and the Tenant shall continue to pay in full Rent payable by the Tenant hereunder. Any award or payment for such use shall be paid to the Landlord to be applied to the payment of Minimum Rent and other sums and charges due hereunder, or which will become due during the period covered by such award;

provided that if any portion of such award or payment includes an amount to compensate for damage to or destruction of the Premises, such portion shall be held and applied as provided in Section 8.5. The balance, if any, of such award shall be paid to the Tenant after satisfaction of all current obligations of the Tenant under the Lease.

Section 8.7. Appraisal. In the event that the Landlord and the Tenant have not agreed on the fair market value of the Land on the basis aforesaid within thirty (30) days after a taking, either party may submit the matter to binding appraisal by giving written notice to that effect to the other party and shall in such notice appoint a disinterested person of at least ten (10) years' experience as a real estate appraiser in the County of Shasta, State of California, who shall have had experience in appraising major commercial Properties for major lending institutions, as appraiser on its behalf, and who has a MAI designation by the American Appraisal Institute. Within twenty (20) days thereafter, the other party shall by written notice to first party appoint a second disinterested person possessing like qualifications as appraiser on its behalf, and the appraisers so appointed shall appoint a third appraiser possessing like qualifications, and the three appraisers shall determine the fair market value of the Land on the aforesaid basis by majority action.

(a) If either party shall first appoint an appraiser as provided in this Section and then the other party shall fail within said twenty (20) day period to appoint a second appraiser, then the first party, upon written notice to the other party may request such appointment by the American Arbitration Association (or any organization successor thereto), or on its failure, refusal or inability to act may apply for such appointment to a court of competent jurisdiction in the State of California, if the two appraisers appointed by the parties shall be unable to agree, within thirty (30) days after the appointment of the second appraiser, on the appointment of a third appraiser, they or either of them shall promptly give written notice of such failure to agree to the parties, and if the parties fail to agree upon the selection of such third appraiser within fifteen (15) days after such notice, then within ten (10) days thereafter either of the parties, upon written notice to the other party, may request such appointment by the American Arbitration Association (or any organization successor thereto), or on its failure, refusal or inability to act, may apply for such appointment to a court of competent jurisdiction in the State of California;

(b) The determination made as above provided shall be conclusive upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The appraisers chosen by the parties shall give written notice to the parties stating their determination,

-10-

and shall furnish to each party a signed copy of such determination. The decision of the appraisers shall be a condition precedent to any right of legal action that either party may have against the other with respect to the subject matter of the appraisal; and

(c) Each party shall pay the fees and expenses of the appraiser appointed by such party and one-half of the other expense of the appraisal properly incurred hereunder.

ARTICLE IX

DAMAGE OR DESTRUCTION

Section 9.1 Tenant's Obligations. In the event of damage to or destruction of any or all of the improvements constituting a part of the Premises by fire or other casualty, Tenant covenants immediately to notify Landlord of such damage or destruction. If the casualty is an insured loss, then, notwithstanding such damage or destruction, this Lease shall continue in full force and effect with no reduction in Rent due hereunder, and Tenant, at Tenant's expense, shall promptly repair and restore ' such improvements substantially to their condition immediately prior to the casualty.

Section 9.2. Manner of Repair and Restoration. For the purpose of permitting Landlord to satisfy itself that the repair and restoration of the Premises will comply with the requirements of this Lease, Tenant shall deliver to Landlord architectural plans and specifications of the restoration work no later than ninety (90) days following the date Tenant has obtained all necessary

permits for said reconstruction (with Tenant being obligated to apply for such permits promptly after such damage or destruction and to proceed diligently with such application process thereafter), which plans and specifications shall meet the standards established in Section 5.3. Thereupon, Tenant shall diligently proceed with such repair and restoration pursuant to the provisions of Article VI (except as to the dates set forth therein which for the purposes hereof shall be deemed to be a reasonable time), hereof and shall complete such repair or restoration no later than twelve (12) months following the approval by Landlord of said plans and specifications.

Section 9.3. Damage or Destruction Near End of Lease Term. Notwithstanding the foregoing, in the event of the damage or destruction which occurs within the last three years of the Term and which renders more than twenty-five percent (25%) of the improvements on the Premises unusable for their intended use, Tenant shall have the option to terminate this Lease by giving written notice to Landlord within ninety (90) days of the date of such damage or destruction. In the event of such termination, any insurance proceeds payable by reason of such damages or destruction shall be assigned to Landlord.

ARTICLE X

INSURANCE

Section 10.1. During the Term. Upon commencement of and at all times during the Term hereof, Tenant shall obtain and maintain in effect (or cause to be obtained and maintained in effect):

(a) General Liability Insurance (including Premises-Operations Liability, Independent Contractors' Protective Liability, Contractual Liability, Completed Operations Liability. Broad Form Property Damage coverage; not excluding "blasting or explosion," "collapse" or "underground", and also including all three groups of Personal Injury Liability including coverage for false arrest, wrongful detention or imprisonment, malicious prosecution, libel, slander, defamation, violation of the right to privacy, wrongful eviction or other invasion of the right to private occupancy) against claims for personal injury, bodily injury, death or property damage occurring as the result of the occupancy and use of the Premises or any portion thereof by Tenant, or any Subtenant of a portion of the Premises, or as the result of any activities on the Premises by Tenant or any Subtenant or by the employees, agents or contractors of Tenant or any Subtenant or by the invitees or licensees of Tenant or any Subtenant or by any other person, or as the result of any conditions arising on the Premises or created thereon by any person, which insurance shall be in such amounts as may, from time to time, be reasonable in view of the amounts customarily maintained in connection with development projects substantially similar to the one contemplated hereunder occurring in the area in which the Premises are located, but in no event less than Two

-11-

Million Dollars (\$2,000,000) combined single limit for bodily injury and property damage and in no event less than Two Million Dollars (\$2,000,000) per policy year from personal injuries;

(b) Workers' Compensation and Employee's Liability insurance covering employees of Tenant and Subtenants as may be required by the laws of the State of California;

(c) Automobile Liability Insurance, in an amount in no event less than One Million Dollars (\$1,000,000) combined single limit per occurrence or accident, covering bodily injury and property damage liability arising out of the use of any automobile (including, without limitation, owned, non-owned, leased and borrowed) upon the Premises by Tenant or any Subtenant; and

(d) Umbrella Liability Insurance (including Following Form, or Broad as Primary, endorsement pertaining to all underlying policies including business, employers, automobile and general liability) in such amount as may, from time to time, be reasonable in view of the amount customarily maintained in connection with development projects substantially similar to the one contemplated hereunder occurring in the area in which the Premises are located, but in no event less than Five Million Dollars (\$5,000,000) in respect of personal injury, bodily injury, death and property damage arising out of one occurrence and per policy year and subject to availability.

Section 10.2. During Construction. Upon commencement of construction on the Premises, Tenant shall obtain and maintain in effect (or cause to be obtained and maintained in effect) with respect to improvements constructed on the Premises, until their completion, Builders' risk insurance on an "All Risks" basis subject to the standard exclusions of such insurance (and excluding the risk of damage to foundations and footings and earthquake and flood damage) in an amount equal to the full cost of the improvements constructed on the Premises.

Section 10.3. Insurance With Respect to Improvements. Except as otherwise expressly provide herein below, with respect to any improvements on the Premises, Tenant shall obtain and maintain in effect (or cause to be obtained and maintained in effect) with respect to such improvements, until the expiration of the term hereof:

(a) Fire, Extended Coverage and Vandalism insurance in an amount equal to the then full replacement cost of such improvements;

(b) Prior to the installation in such improvements and operation of any steam boilers and steam piping, Boiler insurance, with respect thereto, in such amount, in respect of any one accident may, from time to time, be reasonable in view of the amount customarily maintained in connection with development projects substantially similar to the one contemplated hereunder, occurring in the area in which the Premises are located, but in no event less than Five Hundred Thousand Dollars (\$500,000); and

(c) During any period in which Tenant or any Subtenant conducts or permits activities or brings, operates or permits equipment on or about the Premises involving unusual hazard (those hazards not described in Sections 10.1, 10.2 and 10.3), such unusual hazard insurance as may be sufficient to cover the risks incidental to such hazard; insurance shall not constitute a waiver of Landlord's right, if Landlord would otherwise have such right, to demand the removal, cessation or abatement of such hazards.

Section 10.4. Form. All insurance policies maintained by Tenant hereunder shall be with insurance carriers which have, according to the most current Best's Insurance Reports, a general rating of at least "A" and a financial rating of at least Class 8, and all such policies shall name Tenant and any Leasehold Mortgagee as insureds as their respective interests may appear, provided, however, as to the insurance required under Section 10.1 hereof, the 'Liability Insurance', Landlord shall be a named additional insured. Also, all such Liability Insurance policies shall provide that no cancellation or non-renewal of such policies shall be effective until at least thirty (30) days after receipt of notice thereof by Landlord. Prior to the time that such policies are required to be effective hereunder, and thereafter not less than ten (10) days prior to the expiration dates of the expiring policies required hereunder, Tenant shall deliver to Landlord, in a form reasonably satisfactory to

-12-

Landlord, originals or certified copies of the policies or renewal policies, or certificates of insurance with respect to such policies, or binders, as the case may be, required by this Lease.

Section 10.5. Waivers of Subrogation. Tenant shall obtain from each of the insurers under all policies of insurance required hereunder a waiver of all rights of subrogation which the insurers under such policies might otherwise have against Landlord, said waiver to be in writing and for the express benefit of Landlord. Landlord shall obtain from each of its insurers a waiver of all rights of subrogation which the insurers under such policies might otherwise have against Tenant and its Subtenants, said waiver to be in writing and for the express benefit of Tenant and its Subtenants.

Section 10.6. Effect of Compliance. In no event shall compliance by Tenant with Sections 10.1 through 10.5 hereof release Tenant from any other obligations of Tenant under this Lease or be construed as giving Tenant or employees or agents of Tenant the right to engage in, permit or suffer any activity or conduct otherwise prohibited by this Lease.

Section 10.7. Blanket Policies of Insurance. All insurance policies maintained by Tenant hereunder may at any time during the Term hereof be under blanket policies of insurance covering liabilities and properties other than those specified herein and covering insureds other than Tenant and Landlord,

provided such policies otherwise comply with all the provisions of this Article X.

Section 10.8. Index of Amounts. If reasonably necessary, and subject to availability and reasonableness of cost, the amounts of liability and excess liability insurance required to be maintained by Tenant pursuant to this Article X shall be increased at the beginning of each tenth year hereunder following the first full year during which Rent in due hereunder by multiplying the required amounts in effect on the date hereof by an amount equal to the CPI at the time of such adjustment, divided by the CPI in effect on the date hereof. If the CPI is discontinued, then the Consumer Price Index published by the U.S. Department of Commerce shall be used; and if the U.S. Department of Commerce Index is discontinued, then Landlord and Tenant shall, in good faith, agree on a suitable substitute.

Section 10.9. Insurance Proceeds. The proceeds of any such insurance shall be payable to Leasehold Mortgagee as trustee for the benefit of Tenant. Such funds shall be held in trust for the purpose of defraying the cost of rebuilding or repairing, in the case may be, the portion or the Premises so damaged or destroyed. Upon completion of such rebuilding or repair of the Premises so damaged or destroyed, any unexpended funds received from such trustee, including any interest thereon, shall inure to and become the property of Tenant, provided that no default exists hereunder.

ARTICLE XI

INDEMNIFICATION

Section 11.1. Tenant Indemnifies Landlord. Tenant agrees to indemnify, hold harmless and defend Landlord from and against any and all demands, claims and causes of actions for injury to persons, loss of life, damage to or loss of use of property (including without limitation, the Land or the Adjoining Land or any portion thereof), from and, against any and all penalties, fines and prosecutions, and from and against any and all suits for abatement of any public or private nuisance, as well as any costs or expenses (including, without limitation, reasonable attorneys' fees) incurred in connection with any such demand, claim, cause of action, penalty, fine, prosecution and suit, whether or not asserted during or after the Term hereof, occurring as the result of the negligence or wilful neglect of Tenant or the employees, representatives, agents or independent contractors of Tenant, or as the result of any failure by Tenant to perform or comply with any of the terms and conditions contained in this Lease or to comply with any applicable Legal Requirement. Landlord shall, within fifteen (15) days after Landlord becomes aware of any such demand, give Tenant written notice thereof. In the event that Landlord fails, within such period of time, to give Tenant such notice, such failure shall be deemed to be only a release by Landlord of those obligations of Tenant hereunder which could have reasonably been avoided had such notice been duly given. In the event that Tenant fails to promptly and diligently defend any such demand, Landlord shall be entitled, but not obligated, to assume the entire defense thereof, and Tenant shall be liable for all reasonable expenses incurred by Landlord in connection with said defense (including, without limitation, reasonable attorneys' fees). Tenant further agrees to repair any damage to the Premises

-13-

or any portion thereof, arising out of any of the causes described above in this Article XII; provided, however, that Landlord shall pay or reimburse Tenant for the cost of repairing any such damage arising out of an intentional tort or negligence on the part of Landlord or the employees, representatives or agents of Landlord.

Section 11.2. Landlord Indemnifies Tenant. Notwithstanding anything to the contrary contained elsewhere in this Agreement, Landlord agrees to indemnify, hold harmless and defend Tenant to the extent and in accordance with the provisions set forth in Paragraph 16 of the Asset Sale Agreement. In the event of any conflict between this Agreement and the Asset Sale Agreement, the Asset Sale Agreement shall control.

ARTICLE XII

ASSIGNMENT AND SUBLETTING

Section 12.1. Permitted Subleases.

(a) Tenant shall have the right, at any time and during the Term hereof, to sublet any portion of the Premises to Subtenants or permit any portion of the Premises to be occupied or used by licensees or concessionaires.

(b) If an Event of Default shall occur while the Premises or any part thereof be subleased, Landlord, in addition to any other remedies herein provided or provided by law, shall have the right (while such Event of Default remains uncured) to collect directly from any and all Subtenants all rents becoming due to Tenant under such sublease and apply such rent against any sums due to Landlord by Tenant hereunder. No direct collection by Landlord from any such Subtenant shall be construed to constitute a novation or release of Tenant from the further performance of any of Tenant's obligations hereunder. Notwithstanding anything in this Paragraph to the contrary, Landlord's rights to so collect rents shall be subject and subordinate to the rights of a Leasehold Mortgagee.

Section 12.2. Tenant's Covenants with Respect to Subtenants. Tenant hereby agrees that all subleases entered into with Subtenants shall be subject and subordinate to all of the terms and conditions of this Lease to the extent applicable.

Section 12.3. Assignment by Tenant.

(a) Subject to Tenant's right to sublet portions of the Premises, Tenant shall not, without the consent of Landlord, have any right to assign its interest in this Lease, except for a collateral assignment to a Leasehold Mortgagee, and an assignment to a Tenant Affiliate; provided that, in the event of an assignment to a Person other than an Affiliate of Tenant who simultaneously acquires all of Tenant's interest in the improvements on the Premises in a bona fide arm's length purchase, Landlord's consent shall not be withheld if the prospective assignee demonstrates, to Landlord's reasonable satisfaction, sufficient financial capacity to enable it to comply with each and every obligation of Tenant hereunder and if such assignee assumes all of Tenant's obligations hereunder. Notwithstanding any assignment to a Leasehold Mortgagee or to a Tenant Affiliate undertaken in accordance with this Section 12.3, Tenant shall remain primarily liable to Landlord on this Lease; provided, however, that Tenant shall not be liable for any obligations arising under this Lease following the effective time of an assignment to a Person other than an Affiliate of Tenant who simultaneously acquires all of Tenant's interest in the improvements on the Premises in accordance with the immediately preceding sentence.

(b) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code (Bankruptcy Reform Act of 1978, as amended) shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on or after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

-14-

(c) Tenant shall not assign, mortgage, or encumber this Lease nor sublet, nor suffer the Demised Premises or any part thereof to be used by others except as expressly provided for in this Section 12.3.

(d) Notwithstanding anything in this Lease to the contrary, all amounts paid by the Tenant to or on behalf of Landlord, under this Lease, whether or not expressly denominated as Rent, shall constitute rent for the purposes of Section 502(b)(6) of the Bankruptcy Code.

Section 12.4. Assignment by Landlord. Landlord shall have the right, at all times during the term hereof, to hypothecate, encumber or assign (as security or otherwise) its interests in the Premises and the Adjoining Land or any portion thereof; provided, however, that any such hypothecation, encumbrance or assignment shall be junior and subordinate to this Lease.

ARTICLE XIII

DEFAULT - FORFEITURE - TERMINATION

Section 13.1. Equitable Relief. This Lease is granted on the condition that, if an Event of Default, as expressly provided for in Section 13.2, shall occur and if a Default shall thereafter occur in accordance with the terms and provisions hereof, this Lease, subject, however, to the provisions of Article

XIV hereof, may be terminated by Landlord as hereinafter provided in Section 13.4 hereof, and Landlord may, in addition to any other remedies at law or in equity provided elsewhere in this Lease, enjoin Tenant from the continuation or repetition of any such Event of Default.

Section 13.2. Event of Default.

(a) There shall be an Event of Default if and when:

(i) there shall have been a failure by Tenant to pay Rent to Landlord pursuant to the terms hereof;

(ii) Tenant shall fail to keep, observe, perform, carry out and execute in every particular the covenants, agreements, obligations and conditions set out in this Lease;

(iii) Tenant abandons the Premises;

(iv) Tenant or any guarantor of any of Tenant's obligations hereunder shall cease doing business as a going concern, make an assignment for the benefit of creditors, generally not pay its debts as they become due or admit in writing its inability to pay its debts when they become due, file a petition commencing a voluntary case under any chapter of the Bankruptcy Code (11 U.S.C. Section 101 et seq.), be adjudicated an insolvent, file a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under the Bankruptcy Code or any other present or future statute, law, rule or regulation, or file an answer admitting the material allegations of a petition filed against it in any such proceeding, consent to the filing of such petition or acquiesce in the appointment of a trustee, receiver, custodian or other similar official for it or any substantial part of its assets or properties, take any action looking to its dissolution or liquidation, or take any corporate action authorizing any of the foregoing; or

(v) A case, proceeding or other action shall be instituted against the Tenant or any guarantor of the Tenant's obligations hereunder, seeking the entry of an order for relief against Tenant or any such guarantor of a debtor, to adjudicate Tenant or any such guarantor as a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or similar relief against Tenant, or any such guarantor under the Bankruptcy Code or any other present or future statute, law, rule or regulation, which case, proceeding or other action either results in such entry, adjudication, or issuance or entry of any other order or judgment having a similar effect or remains undismissed for sixty (60) days or within sixty (60) days after the appointment without Tenant's or such guarantors consent or acquiescence of any trustee, receiver, Custodian or other similar official for it or

-15-

such guarantor or any substantial part of it or such guarantors assets or properties, such appointment should not be vacated.

(b) An Event of Default occurring under Paragraphs a(iv) and a(v) shall be immediately deemed to place Tenant in Default.

(c) Before a Default shall ripen from or out of any of the foregoing Events of Default, except those Events described in Paragraphs a(iv) and a(v) hereof, Tenant and any Leasehold Mortgagee shall have been given:

(i) A notice in writing of the failure of Tenant to pay, when due, any amounts due hereunder at least twenty (20) days in advance of the effective date of a Default; or

(ii) A notice in writing of the effective date of any other Event of Default hereunder, setting forth the manner in which such Event of Default may be cured at least thirty (30) days in advance' of the effective date of Default; provided, however, if the Event of Default cannot be cured within said forty-five (45) day period, such Event of Default shall not ripen into a Default hereunder if Tenant commences to cure said event within said forty-five (45) day period and diligently proceeds to cure such event within a reasonable time thereafter.

(d) Upon the occurrence of an Event of Default and the expiration of the notice periods as provided in this Lease, and except as otherwise provided therein, the Tenant shall be in Default and the Landlord shall be entitled to pursue any and all remedies provided in this Lease.

(e) The acceptance of Rent or other performance while such Default exists shall not constitute a waiver of Landlord's right to terminate pursuant to Section 13.4 hereof as to any subsequent failure to so observe or perform the obligations of Tenant hereunder.

Section 13.3. Cure by Leasehold Mortgagee. Notwithstanding anything else herein, if an Event of Default shall have occurred, in addition to any Leasehold Mortgagee's rights under Section 14.3, the Leasehold Mortgagee shall have the right to cure such Event of Default on behalf of Tenant prior to the time that Landlord has terminated this Lease pursuant to Section 13.4. and any such party electing to so cure shall give Landlord immediate written notice of its intent to so cure.

Section 13.4. Landlord's Rights Upon Default.

(a) A Default as defined in Section 13.2 having occurred, then and in any such event Landlord shall have the right, at its election, to pursue either of the following remedies:

(i) As Tenant's legal representative, without terminating this Lease, to take any action necessary to preserve or maintain the property, to enter upon and rent the Premises at the best price obtainable by reasonable effort without advertisement and by private negotiations and for any term and on such conditions as Landlord deems proper. Upon each such reletting, all rentals received by Landlord shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second, to the payment of any loss and expense of such reletting, including brokerage fees and attorneys fees and costs of any alterations or repairs; third, to the payment of Rent due and unpaid hereunder; and the residues if any, shall be held by Landlord and applied in payment of future Rent as the same may become due and payable hereunder. Tenant shall remain liable to Landlord for the deficiency, if any, between Tenant's Rent hereunder and rent obtained by Landlord on reletting; and

(ii) To terminate this Lease by written notice, which notice shall state the date as of which this Lease is thereby terminated, which date shall not be earlier than the date of such notice, and to enter into and upon the Premises and take possession of the same, and the Landlord may hold and retain said Premises as of its first or former estate. The election by Landlord to pursue the remedy set forth in Paragraph 13.4(a)(i) above shall in no way

-16-

preclude Landlord from thereafter exercising its right to terminate this Lease pursuant to this Paragraph 13.4(a)(ii).

(b) Should Landlord at any time terminate this Lease for any breach and/or abandonment, in addition to any other remedies Landlord may have at law, in equity or under this Agreement, Landlord may recover including, without limitation, any unpaid Rent and charges equivalent to rent having accrued plus interest; all costs associated with recovering and/or reletting the Premises; all costs associated with performing Tenant's obligations hereunder; and the worth at the time of such termination of all Rent and charges equivalent to rent lost over the remainder of the Term.

(c) Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any Rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, provisions and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of any of Landlord's rights hereunder.

Section 13.5. Effect of Termination. Upon the termination of this Lease by

Landlord pursuant to Section 13.4 or otherwise by operation of law, all rights of the Tenant, and of all persons whomsoever claiming by, or otherwise by operation of law through or under Tenant, whether by grant, assignment, deed to secure debt, mortgage, deed of trust, sublease, foreclosure, proceedings or other conveyance or encumbrance, to the Premises, and any fixtures attached thereto, shall co-instant, wholly cease and terminate, except as provided in Article XIV; and the Premises, and any improvements and fixtures attached thereto shall thence forward constitute and belong to and be the absolute property of the Landlord and Landlord's successors or assigns, without further act or conveyance, and without liability to make compensation to the Tenant or to anyone whosoever, and free and discharged from this and all and every lien, encumbrance and charge of any character created or attempted to be created by the Tenant at any time. It is further expressly understood and agreed that upon termination of this Lease by Landlord pursuant to Section 13.4 or otherwise by operation of law, the rights of Tenant, or any Tenant's affiliate to any fee, commission or similar compensation for the procurement of any sublease of all or part of the Premises shall wholly cease and terminate, and Landlord shall be released and relieved from any further liability whatsoever therefor.

Section 13.6. Performance of Tenant's Obligations By Landlord.

(a) If Tenant fails to perform any covenant or agreement contained in this Lease, Landlord may, in addition to any other remedies at law or in equity or elsewhere in this Lease provided, immediately or at any time thereafter upon ten (10) days prior written notice to Tenant perform the same for the account of Tenant. Tenant agrees that neither the Landlord nor any person acting on, its behalf shall be liable for any loss or damage resulting to Tenant by the exercise of the rights granted under this Section 13.6.

(b) If Landlord under any provision of this Lease exercises any option or right conferred upon it to expend monies or incur expenses or liabilities, and such monies and expenses or the cost of discharging such liabilities are under the provisions of this Lease to be paid by or charged against the Tenant, such monies and expenses and costs incurred shall also constitute Additional Rent due hereunder, for the purposes of this Article XIII.

(c) If Landlord reasonably expends any money for attorneys' fees, costs and expenses in any proceedings growing out of or occasioned by a Default of Tenant under the provisions of this Lease, such money so expended shall also constitute Additional Rent due hereunder, for the purposes of this Article XIII.

-17-

ARTICLE XIV

LEASEHOLD MORTGAGE

Section 14.1. Right to Encumber. Tenant shall have the right during the Term of this Lease, and from time to time, to encumber by Leasehold Mortgage, leasehold assignment and related security instrument, all of Tenant's right, title and interest hereunder in all respects, however, subordinate and inferior to Landlord's rights, title, privileges, liens and interest as provided in this Lease; provided, however, that said Leasehold Mortgage shall contain a clause or clauses to the effect that it conveys to the Leasehold Mortgagee and to the holder of any security issued thereunder, no rights in the Premises greater than or extending beyond the rights of Tenant under this Lease, and that such Leasehold Mortgage shall be subject to all and each of the rights of Landlord herein and to all and each of the conditions, covenants, agreements and obligations contained in this Lease.

Section 14.2. Notice to Landlord. If at any time, and from time to time after the execution and recording the Office of the Clerk of Superior Court of Shasta County, California, of any such Leasehold Mortgage encumbering Tenant's rights, title and interest hereunder, the Leasehold Mortgagee shall notify the Landlord in writing that such Leasehold Mortgage has been given and executed by the Tenant and shall at the same time furnish the Landlord with the address to which it desires copies of notices to be mailed, Landlord hereby agrees that it will mail to such party at the address so given a duplicate copy of any and all notices in writing which the Landlord may, from time to time, give or serve upon the Tenant under the terms of this Lease. It is understood and agreed that no notice by Landlord to Tenant hereunder shall be deemed to have been duly given unless and until a copy thereof has been duly given to the holder of any leasehold mortgage as provided above. So long as there exists any unpaid loan

secured by a Leasehold Mortgage encumbering all or any part of the Premises, but in all events subject to Landlord's rights under Article XIII, Landlord hereby agrees that Landlord will not accept a surrender of the Premise or a cancellation or modification of this Lease from Tenant prior to the expiration of the Term of this Lease, without the written consent of the holder of such Leasehold Mortgage.

Section 14.3. Right of Leasehold Mortgagee to Cure. Any Leasehold Mortgagee may, at its option at any time before this Lease shall have been terminated, pay any amount or do any act or thing required of the Tenant by the terms of this Lease; and all payments so made and all acts or things so done and performed by any such mortgagee shall be as effective to prevent, a forfeiture of the rights of the Tenant hereunder as if done or performed by Tenant instead of by such Leasehold Mortgagee. Such Leasehold Mortgagee may, in addition, at its option, enter into a new lease with Landlord; provided, however, that Landlord shall receive written notice of the exercise of the aforesaid option within thirty (30) days from the termination of this Lease pursuant to a Default hereunder. In order for such written notice to remain effective such Leasehold Mortgagee shall pay to Landlord all amounts accrued and then due and owing to Landlord under this Lease, but for such termination, together with the reasonable expenses incurred by Landlord in terminating this Lease, plus Minimum Rent next coming due, within ten (10) days of receipt by such Mortgagee of written notice from Landlord of amounts payable as aforesaid; provided, however, that any payment required of Leasehold Mortgagee in connection with said new lease shall be reduced by net income collected by Landlord during the period for which it is entitled to collect rental income directly from Subtenants. In the event any Leasehold Mortgagee exercises such option then such Mortgagee and Landlord shall thereupon have the obligation to enter into such new lease within thirty (30) days after the date on which notice of exercise is received by Landlord. Such Leasehold Mortgagee shall reimburse Landlord for all expenses, including reasonable attorneys' fees actually incurred in connection with the execution of such new lease. Such new lease shall be effective as of the date of termination of this Lease, shall be for a term corresponding with the remainder of the initial term hereunder, and shall be for the same Minimum Rent and Additional Rental and upon the same covenants, agreements, terms, conditions, provisions and limitations as this Lease, and shall in all respects be identical to this Lease except for the date thereof, the commencement of the initial term thereunder and the designation of the parties thereto. Any Leasehold mortgages entering into such new lease as lessee thereunder, shall thereupon acquire all of the rights and assume all of the obligations hereunder of Tenant from that time forward. Upon the execution and delivery of any such new lease in accordance with the provisions hereof, any and all subleases which theretofore may have been assigned and transferred to Landlord as a result of the termination of this Lease shall

-18-

thereupon be assigned and transferred without recourse by Landlord to the Tenant under such new lease.

Section 14.4. Additional Leasehold Mortgagee Protection Clauses.

(a) In case of a Default by Tenant in the performance or observance of any term, covenant, condition or agreement on the Tenant's part to be performed under this Lease concerning the payment of a sum of money, if Landlord shall elect to exercise its remedies under Section 13.4 of this Lease, then Landlord shall, before exercising those remedies shall give to the Leasehold Mortgagee an additional written notice of such Default giving to the Leasehold Mortgagee thirty (30) days within which to cure such Event of Default.

(b) In case of a Default by Tenant in the performance or observance of any term, covenant, condition or agreement on the Tenant's part to be performed under this Lease a term, covenant, condition or agreement requiring the payment of a sum of money, if such Default is of such a nature that the same cannot practically be cured by the Leasehold Mortgagee without taking possession of the Premises, or if such Default is of a nature that the same cannot be cured by the Leasehold Mortgagee, then Landlord shall not terminate this Lease if and so long as:

(i) the Leasehold Mortgagee is diligently seeking to obtain possession of the Premises, either directly or through the appointment of a receiver, and, upon obtaining possession, shall promptly commence and diligently prosecute to completion such action as may be necessary to cure

such Default; and

(ii) within thirty (30) days after an additional notice of Default from Landlord, the Leasehold Mortgagee agrees, in writing, that it will cure the Default when it can do so.

(c) If the Leasehold Mortgagee, or its nominee, or a purchaser at a foreclosure sale shall acquire title to Tenant's leasehold estate and shall cure all Defaults of Tenant which can be cured, then the Default of any prior holder of the Tenant's leasehold estate which cannot be cured shall no longer be deemed to be Defaults.

(d) If this Lease shall be terminated by reason of a Default of the Tenant or if the Lease is disaffirmed in a bankruptcy proceeding affecting the Tenant, and if within thirty (30) days after such termination a Leasehold Mortgagee, by written notice to Landlord shall request Landlord to enter into a new lease of the Premises pursuant to this Paragraph 14.4(d), then Landlord shall enter into a new lease with the Leasehold Mortgagee, or its nominee, on similar terms and conditions within thirty (30) days of said written notice. Simultaneously with the giving of such notice, the Leasehold Mortgagee shall deliver to the Landlord a written instrument agreeing to cure all Defaults of Tenant under this Lease, other than those which can not be cured by the Leasehold Mortgagee. Said new lease shall commence, and rent and all obligations of the tenant under the new lease shall accrue as of the date of termination of this Lease. The term of said new lease shall continue for the period which would have constituted the remainder of the Term of this Lease had this Lease not been terminated, and shall be upon all of the terms and conditions which were in force and effect immediately prior to the termination of the Lease. Said new lease shall be superior to all rights, liens and interests, other than those to which this Lease shall have been subject immediately to termination and those matters to which this Lease may, by its terms, become subject. Simultaneously with the delivery of the new lease, the new tenant shall pay to Landlord all Rent and other sums of money due under the Lease on the date of termination of this Lease, Plus all sums of money due under the new lease for the period from the date of commencement of the term thereof to the date of delivery of the new lease.

ARTICLE XV

TITLE TO IMPROVEMENTS

Section 15.1. During the Term. Notwithstanding any other provisions of this Lease, the Project, and all other improvements erected on the Premises, and all alterations, additions, equipment and fixtures built, made, or installed by Tenant in, on, under, or to the Premises shall be the sole

-19-

property of Tenant until the expiration or other termination of the Term hereof for any reason whatsoever.

Section 15.2. Following the Term.

(a) The Project, and all of said other improvements, and all of said alterations, additions, equipment, and fixtures (including, without limitation, such items as air conditioning equipment, boilers, furnaces, ducts, elevators, escalators, and lighting fixtures) shall be deemed to be and shall automatically become the property of Landlord, without cost or charge to Landlord, upon the expiration or other termination of the Term hereof for any reason whatsoever.

(b) Tenant may, at any time prior to the expiration or other termination of the Term hereof, if Tenant is not in Default hereunder, remove from the Premises any and all equipment or fixtures which Tenant has furnished or installed, provided that Tenant shall repair any damage to the Premises caused by the removal of such fixtures or equipment, and provided further that Tenant shall not remove any such equipment or Fixtures (such as air conditioning equipment, boilers, furnaces, ducts, elevators, escalators, and lighting fixtures) which are necessary to the operation of the Project.

ARTICLE XVI

SURRENDER OF PREMISES

Section 16.1. Tenant shall, on or before the last day of the Term hereof or on the sooner termination hereof, peaceably and quietly leave, surrender, and yield up unto Landlord the Premises, together with all alterations, additions, improvements, equipment, and fixtures (including air conditioning equipment, boilers, furnaces, ducts, elevators, escalators, and lighting fixtures) which may on that day be in or on the Premises, in good order and repair, ordinary wear and tear, obsolescence and acts of God, excepted. All such equipment, computers, moveable machinery and other personal property shall be removed on the last day of the Term hereof, and all such equipment not so removed by Tenant shall be deemed abandoned by Tenant and conveyed to Landlord.

ARTICLE XVII

OPTION TO PURCHASE

(a) Grant of Option. Landlord hereby grants to Tenant, and Tenant hereby accepts from Landlord, the exclusive right and option (the "Option") to purchase the Land, all subject to and in accordance with the provisions of this Agreement. The Option may be exercised by Tenant giving Landlord written notice of such exercise at any time commencing 180 days prior to the expiration of the Lease Term and ending 90 days prior to the expiration of the Lease Term, such notice to be given in the manner and at the address set forth in Section 19.1 of this Lease.

(b) Escrow. Within three (3) business days after the exercise of the Option by Tenant, the parties hereto shall open an escrow (the "Escrow") at Chicago Title Company (the "Escrow Holder"), and, concurrently therewith, execute and deliver to Escrow Holder escrow instructions (the "Instructions") on Escrow Holder's standard form of purchase and sale escrow instructions, which Instructions shall be executed and delivered for the purpose of enabling the Escrow Holder to complete the purchase and sale of the Land pursuant to the provisions of this Article XVII. In the event of any conflict between the Instructions and provisions of this Article XVII with regard to the purchase and sale of the Land upon exercise of the Option, the provisions of this Article XVII shall govern. The Instructions shall set forth the agreement of the parties hereto as to the purchase and sale of the Property as follows:

(1) Title. Upon close of the Escrow, Landlord shall convey the Property to Tenant, or Tenant's nominee, by grand deed (the "Grand Deed") subject to: (i) Permitted Exceptions; (ii) non-delinquent real property taxes; and (iii) all other exceptions to title made or suffered by Tenant or any person or persons claiming through or under Tenant. Landlord shall deposit the Grant Deed, in recordable form, into the Escrow prior to the date on or before which the Escrow is to close. Landlord

-20-

agrees to cause to be delivered to Tenant upon close of the Escrow, at Tenant's sole cost and expense, a CLTA Standard Coverage Form of Policy of Title Insurance issued by Chicago Title Insurance Company (the "Title Company"), with liability equal to the Purchase Price of the Property, insuring title to the Property vested in Tenant, or Tenant's nominee, in the condition set forth at items (i), (ii) and (iii). Tenant shall have the right, at any time prior to close of the Escrow, to designate by written notice to Escrow Holder a person or entity in which title to the Property shall vest upon close of the Escrow. All costs incurred in delivering title to the Property to Tenant in the manner required by this Lease shall be the responsibility of Landlord.

(2) Purchase Price. The total purchase price of the Property (the "Purchase Price") shall be equal to the fair market value (the "Value") at the time of exercise as mutually determined by the parties. If the parties are unable to agree, such Value shall be determined by appraisal as follows: Within thirty days, each party shall appoint an appraiser who shall have at least ten years' experience in valuing commercial real estate. Each such appraiser shall arrive at the Value within 30 days of his appointment. If the Value of one appraiser is not more than 10% higher than the Value of the other appraiser, the Value shall be the average of such appraisers' determination. If the difference in Values is greater than 10%, then both appraisers shall appoint a third appraiser, which third appraiser shall choose one of the Values of the other two appraisers within ten days of his appointment.

(3) Close of Escrow. Escrow shall close on or before thirty (30) days from the date of opening of the Escrow.

(4) Payment of Costs. Expenses of the Escrow and adjustments to be made in the escrow shall be as follows: Tenant shall pay for (i) documentary transfer taxes, (ii) the premium on the policy of title insurance required by this Lease, and (iii) the total Escrow fees and all recording costs. The real property taxes on the Property for the fiscal year in which the Escrow closes shall be prorated as of the close of the Escrow.

(5) Other Documents. Prior to the close of the Escrow, each of the parties hereto shall deposit into the Escrow such funds and instruments as are required on its part to close the Escrow in compliance with the provisions of this Lease.

ARTICLE XVIII

ESTOPPEL CERTIFICATES

Section 18.1. Landlord and Tenant agree that any time and from time to time upon not less than twenty (20) days' prior written notice by the other or upon request from any Leasehold Mortgagee (including any proposed Leasehold Mortgagee) or holder of a Landlord Mortgage, Landlord or Tenant will execute, acknowledge, and deliver to the other or to such Leasehold Mortgagee or holder of a Landlord Mortgage, a statement in writing Certifying (a) that this Lease is unmodified (or, if there have been modifications, that this Lease is in full force and effect as modified, With such modifications being identified); (b) the date charges have been paid; and (c) that, so far as the certifier knows, if such be the case, there is no Default, set-off, defense or other claim against Landlord (or if so, specify the nature of same) under the provisions of this Lease. It is intended that any such statement may be relied upon by any person proposing to acquire Landlord's, Tenant's, Leasehold mortgagee's or the holder of a Landlord Mortgagee's interest.

ARTICLE XIX

MISCELLANEOUS

Section 19.1. Notices. All notices required or permitted to be given to Landlord hereunder shall conspicuously bear the legend "NOTICE UNDER NATIONAL MEDICAL SPECIALTY HOSPITAL OF REDDING GROUND LEASE" on the notice itself and on the envelope containing

-21-

the notice, shall, until contrary instructions are given to Tenant in writing, be effectively given to Landlord when delivered simultaneously by hand or mailed by registered or certified mail, return receipt requested, to Landlord, as follows:

c/o Tenet HealthSystem
14001 Dallas Parkway, Suite 105
Dallas, TX 75240
Attn: Donald W. Thayer
Facsimile (972) 789-2318

with a copy to counsel for Landlord:

Tenet HealthSystem
14001 Dallas Parkway
Dallas, TX 75240
Attn: General Counsel
Facsimile (972) 789-2370

and

Gary Q. Michel, Esq.
Ervin, Cohen & Jessup LLP
9401 Wilshire Blvd., 9th Floor
Beverly Hills, CA 90212-2974
Facsimile: (310) 859-2325

All notices required or permitted to be given to Tenant hereunder shall conspicuously bear the legend "NOTICE UNDER NATIONAL MEDICAL SPECIALTY HOSPITAL OF REDDING GROUND LEASE" on the notice itself and the envelope containing the notice, and shall, until contrary instructions are given to Landlord in writing, be effectively given when mailed by registered or certified mail, return receipt requested, to Tenant, as follows:

c/o Guardian Health Group
5725 Paradise Drive
Suite 550
Corte Madera, CA
Attn: Chief Executive Officer
Facsimile (415) 945-2282

with a copy to counsel for Tenant:

Bianchi, Engel, Keegin & Talkington, LLP
1000 Fourth Street
Suite 600
San Rafael, California 94901
Attn: Stafford W. Keegin, Esq.
Facsimile: (415) 456-1921

In the event that either party desires or finds it necessary to change the manner of giving notice as herein-provided, notice of such change in the manner of giving notice shall be given to the other party as provided in this Section 21.1.

Section 19.2. Time of Essence. Time is of the essence of this Lease.

Section 19.3. No Waste. Tenant will neither commit nor permit waste upon the Premises.

-22-

Section 19.4. Holding Over. If Tenant remains in possession after the expiration of the Term of this Lease without any written agreement of the parties, there shall be no renewal of this Lease by operation of law, and Tenant shall be deemed to occupy the Premises on a month-to-month tenancy. In said event, Tenant shall pay a rental at a rate equal to the rate in effect at the end of the Term.

Section 19.5. Waiver. No failure of Landlord to exercise any power given Landlord hereunder or to insist upon strict compliance by Tenant with its obligations hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Landlord's right to demand exact compliance with the terms hereof. No failure of Tenant to exercise any power given Tenant hereunder or to insist upon strict compliance by Landlord with its obligations hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Tenant's right to demand exact compliance with the terms hereof.

Section 19.6. Severability. If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term, covenant, or condition to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby; and each term, covenant, or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 19.7. Rights Cumulative. All rights, powers and privileges conferred herein upon the parties shall be cumulative but not restrictive to those given by law.

Section 19.8. Entire Agreement. This Lease contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements oral or otherwise, between the parties not embodied herein shall be of any force or effect.

Section 19.9. Successors and Assigns. Except as otherwise expressly provided for in this Lease, the terms of this Lease shall be binding upon and shall inure to the benefit of the parties hereto, their respective heirs, personal representatives, successors and assigns.

Section 19.10. Governing Law. This Lease shall be governed by the laws of the State of California,

Section 19.11. Counterparts. This Lease may be executed in several counterparts each of which shall be deemed an original, and such counterparts shall constitute but one and the same instrument.

Section 19.12. Relationship of Parties. No relationship exists between Landlord and Tenant other than landlord and tenant, and the parties hereto expressly declare that, in connection with the activities and operations contemplated by this Lease, they are neither partners or joint venturers, nor does a debtor-creditor, principal-agent or any other relationship, except as aforesaid, exist between them.

Section 19.13. Non-Merger. There shall be no merger of this Lease, or of the leasehold estate created hereby, with a fee estate in and to the Premises by reason of the fact that this Lease, or the leasehold estate created thereby, or by interest in either such estate, may be held directly or indirectly by or for the account of any person who shall own the fee estate in and to the Premises or any portion thereof, and no such merger shall occur unless and until all persons at the time having an interest in this Lease or the leasehold estate, including any Leasehold Mortgagees and the holder of any mortgage upon the fee estate in and to the Premises, shall join in a written instrument effecting such merger.

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-23-

Section 19.14. Memorandum of Lease. Each of the parties hereto agrees that it will promptly execute in form appropriate for recording and will cause to be recorded a short-form memorandum of this Lease satisfactory in form and substance to the other party.

Section 19.15. Modification as Required by Leasehold Mortgagee. In the event any Leasehold Mortgagee requires a modification of this Lease, Landlord shall modify the Lease as required only if such modification is in no way detrimental to the economic interests of Landlord under this Lease.

Section 19.16. Provision of Quit-Claim Release. In the event this Lease is terminated either in accordance with its own terms and provisions or by virtue of any action of Tenant, Tenant shall provide Landlord upon request with a quit-claim deed of release to the effect that Tenant no longer possesses any interest, legal or equitable, in and to the Premises.

IN WITNESS WHEREOF, Landlord, acting by and through its duly authorized officers has caused these presents to be executed and its corporate seal to be hereunto affixed, and Tenant, acting by and through its duly authorized officers, has caused these presents to be executed and its corporate seal to be hereunto affixed, all on the day, month and year first above written.

LANDLORD:

NATIONAL MEDICAL SPECIALTY HOSPITAL OF REDDING,
a California corporation

By: /s/ Donald W. Thayer

Its: Donald W. Thayer
AUTHORIZED SIGNATORY

Attest: _____
Its: _____

[CORPORATE SEAL]

Date of Execution: _____

TENANT:

GUARDIAN POSTACUTE SERVICES, INC., a California
corporation

By: /s/ Robert G. Peirce

Its: President
Attest: -----
Its:

[CORPORATE SEAL]

Date of Execution: _____

LIST OF EXHIBITS

Exhibit "A" LEGAL DESCRIPTION OF LAND TO BE OWNED

Exhibit "B" PERMITTED ENCUMBRANCES

-25-

EXHIBIT "A"

LEGAL DESCRIPTION OF LAND TO BE OWNED

The following land situated in the State of California, County of Shasta:

PARCELS A AND B AS SET FORTH AND SHOWN ON THAT CERTAIN MAP ENTITLED, "PARCEL MAP NO. LS 104-78 FOR DAVID LEE MCGEORGE AND SHIRLEY JEAN MCGEORGE, AS CO-TRUSTEES OF DAVES MAC., INC. PROFIT SHARING TRUST, BEING A PORTION OF TRACT E, DIVISION 2 OF THE P.B. READING GRANT, IN THE CITY OF REDDING, SHASTA COUNTY, CALIFORNIA" FILED IN THE OFFICE OF THE COUNTY RECORDER, FEBRUARY 7, 1979 IN BOOK 17 OF PARCEL MAPS AT PAGE 87, SHASTA COUNTY RECORDS. ASSESSOR'S PARCEL NUMBER 103-240-51.

EXCEPTING FROM SAID PARCEL 3 ALL THAT PORTION CONVEYED TO THE CITY OF REDDING BY DEED RECORDED NOVEMBER 12, 1985 IN BOOK 2190 PAGE 500, SHASTA COUNTY RECORDS.

EXCEPTING THEREFROM ALL BUILDINGS AND IMPROVEMENTS, WHICH ARE AND SHALL REMAIN REAL PROPERTY.

ASSESSOR'S PARCEL NUMBER 103-240-51.

EXHIBIT "B"

PERMITTED ENCUMBRANCES

EXHIBIT C

		LEASE PAYMENTS (YEAR)														
Facility(1)	PV	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Central California Modesto	\$179,645	9,968	10,387	10,803	11,235	11,684	12,151	12,638	13,143	13,669	14,216	14,784	15,376	15,991	16,630	17,295

		LEASE PAYMENTS (YEAR)														
Facility(1)		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Central California Modesto		17,987	18,707	19,455	20,233	21,042	21,884	22,760	23,670	24,617	25,601	26,625	27,690	28,798	29,950	31,148

		LEASE PAYMENTS (YEAR)														
Facility(1)	PV	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Golden State \$299,601 16,657 17,323 18,016 18,737 19,486 20,266 21,076 21,919 22,296 23,708 24,656 25,642 26,668 27,735 28,844
SanRamon

Facility(1)	LEASE PAYMENTS (YEAR)														
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Golden State	29,998	31,198	32,446	33,744	35,093	34,497	37,957	39,475	41,054	42,696	44,404	46,180	48,028	49,949	51,947
SanRamon															

Facility(1)	PV	LEASE PAYMENTS (YEAR)													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Redding	\$284,457	15,815	16,447	17,105	17,790	18,501	19,241	20,011	20,311	21,644	22,509	23,410	24,346	25,320	26,333

Facility(1)	LEASE PAYMENTS (YEAR)														
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Redding	28,482	26,621	30,806	32,038	33,319	34,652	36,038	37,480	38,979	40,538	42,160	43,846	45,600	47,424	49,321

	PV	Year 1
	-----	-----
Total	\$763,703	\$ 90,478
	-----	-----

(1) Discounted at 7.5 percent with (???) percent [ILLEGIBLE] calculator.

GROUND LEASE

This Lease is made and executed on July 15, 1993, by and between the West Jersey Health System, a non-profit corporation organized and existing pursuant to the laws of the State of New Jersey having its principal office located at 1000 Atlantic Ave., Camden, NJ, hereinafter referred to as "Lessor" and West Jersey/Mediplex Rehabilitation Limited Partnership, a New Jersey limited partnership having a principal office at 15 Walnut Street, Wellesley, Massachusetts 02181.

SECTION ONE

DEMISE, DESCRIPTION AND USE OF PREMISES

A. Demise: Lessor hereby leases to Lessee the real property owned by Lessor and located in Evesham Township, Burlington County, New Jersey and being a portion of Lot 5A and 5A-1, Block 26 (Evesham Township Tax Map) as shown outlined in red and coded "Leased Premises" upon the plan annexed hereto as Exhibit A. The term "premises" when used in this lease shall mean the area defined by Exhibit A outlined in red and coded and labelled "Leased Premises", together with any improvements now or hereafter constructed thereon. The term "West Jersey Hospital premises" when used in this lease shall mean the area adjacent to and surrounding the premises, the perimeter of which is outlined in black on Exhibit A and is described on Schedule C, which area is retained by Lessor.

As appurtenant to the premises, Lessor hereby grants Lessee the right, during the term of this Lease, to use all of the roadways, driveways, sidewalks, parking areas (as more particularly set forth in Section 34 hereof), easements, and land which form a part of or are appurtenant to the West Jersey Hospital premises, for the installation, provision and maintenance of utilities and for access to and egress from the premises as and to the extent necessary or desirable to allow Lessee the full use and enjoyment of the premises and for all other purposes as roads and ways are now or hereafter commonly used in Evesham Township.

B. Use: The premises shall be used by Lessee for the construction and subsequent operation of a seventy-bed (more or less) rehabilitation hospital together with parking and other appurtenant site improvements and other uses ancillary to a rehabilitation hospital as may now or hereafter be customary (herein sometimes collectively, the "Project") or for any other

1

health care purpose authorized by a Certificate of Need heretofore or hereafter issued by the Department of Health of the State of New Jersey to Lessee or any other lawful use subject to the restrictions hereinafter provided. As long as Lessee uses and operates a rehabilitation hospital it shall maintain accreditation with the Committee on Accreditation of Rehabilitation Facilities, a successor organization, or by any similar body which accredits rehabilitation hospitals.

SECTION TWO

TERM

A. Immediately following execution of this lease and the satisfaction of the conditions precedent stated in Section Three paragraphs (B) and (C), Lessor shall grant reasonable access to the premises and the Lessor's hospital premises to Lessee for the purpose of accomplishing necessary site work, engineering and related studies, appraisals, etc. in order to enable Lessee to process Lessee's application(s) for site plan, zoning, building permits, and other required governmental approvals and for mortgage financing related to the construction by Lessee of the rehabilitation hospital and other improvements described in Section One (B) hereof.

B. Upon receipt of all necessary approvals and permits required in order that Lessee may commence construction as aforesaid, Lessee shall be granted possession of the premises and access to, over and under the Lessor's hospital premises in order to proceed with construction.

C. The initial term of this Lease shall be thirty-five (35) years plus the Construction Period (as defined hereafter), and shall commence on the date of execution of this Lease ("Commencement Date"). The period beginning on the Commencement Date and ending upon the first day of the first month after the later to occur of (i) receipt by Lessee of a final certificate of occupancy for all portions of the Project, or (ii) receipt by Lessee of a license for the operation of the Project as a 70-bed comprehensive rehabilitation hospital from the New Jersey Department of Health is called the "Construction Period". In any event, the Construction Period shall end no later than the date the Project is first operated for the public as a rehabilitation hospital. The "Occupancy Date" shall be the last day of the Construction Period. The initial term of this Lease shall end on the last day of the 420th successive month after the Occupancy Date. The first payment of rent shall be due on the Occupancy Date.

D. Provided the Lessee is not at the time of exercise in

2

default under the terms of this Lease, continuing beyond any applicable notice and cure period, Lessee is hereby granted the option to renew this Lease for an additional term of thirty-five years to follow immediately the initial term described in the preceding paragraph. Lessee shall give Lessor written notice at least one year prior to the expiration of the initial term hereof of the exercise by Lessee of the option granted by this paragraph. Failure to give such notice in timely fashion shall render such option null and void. In the event that Lessee elects to exercise such renewal option all terms of this Lease except those relating to the amount of rent to be paid which shall be as stated in Section Four shall remain the same.

E. Until the expiration or sooner termination of this lease, title to any building, structure, fixtures, equipment or other improvements erected or installed upon the premises by Lessee shall remain in Lessee. Lessee and not Lessor shall be entitled to all depreciation or other tax deductions to be taken upon such buildings, structures, fixtures, equipment and improvements.

F. Upon the expiration or sooner termination of this lease, title to all buildings, structures, fixtures and equipment (except for Lessee's moveable equipment) erected, constructed, installed or located upon the premises shall vest in Lessor and shall be free and clear of all liens, claims and encumbrances except for items shown on Exhibit "B" attached hereto and easements, agreements and other matters now or hereafter consented to by Lessor, but not including any liens or obligations created as security for any indebtedness of Lessee. Lessee shall execute all necessary documents in order to transfer such title to Lessor and to satisfy any and all such liens, claims and encumbrances. During the term of this Lease, Lessor's interest in the buildings, structures, fixtures and equipment erected, constructed, installed or located upon the premises shall be subject and subordinate to the rights and remedies of any and all construction and permanent lenders making leasehold mortgage loans (or loans secured by a collateral assignment of this Lease) to Lessee from time to time (collectively, "Lenders".)

SECTION THREE PERMITS/FINANCING ISSUES

A. Anything herein to the contrary notwithstanding this Lease and all obligations, rights and privileges conferred herein are expressly contingent upon the following all of which must be fully satisfied in Lessee's judgment or expressly waived by Lessee within the stated time periods: 1) satisfactory mortgage commitment for 85% of the Project costs as approved by the New

3

Jersey Department of Health) for the rehabilitation facility received by Lessee at no more than 12% per annum interest amortized over a period of not less than fifteen (15) years, said commitment shall be received and communicated to Lessor not more than ninety (90) days after all permits and approvals herein stated have been granted; and 2) satisfactory soil boring and environmental tests received by Lessee and communicated to the Lessor one-hundred and eighty (180) days subsequent to the date this Lease is fully executed to the effect that the real estate herein leased is free of hazardous or toxic material or waste and

will support and permit the construction of the rehabilitation facility, 3) all zoning, site plans and other necessary permits and approvals for the construction and operation of the rehabilitation facility, including without limitation, permits, approvals and agreements for the provision of adequate public water and sewer and for storm water runoff and drainage shall be received and communicated to Lessor not more than three-hundred and twenty (320) days subsequent to the date of this Lease; and 4) a certificate of occupancy for the Project and licensure thereof by the New Jersey Department of Health being issued; and 5) Lessee's leasehold title to the premises being good and marketable, free and clear of all encumbrances, liens and other objections not acceptable to Lessee, and insurable as such at regular rates by a title insurance company selected by Lessee as of the Commencement Date and as of the Occupancy Date. In the event Lessee does not satisfy any of the conditions precedent and the Lease is terminated, Lessee agrees to restore the premises to its original condition and shall indemnify Lessor against any liability, harm or loss arising from Lessee's activities at the premises. If this Lease is terminated, the Lessee agrees to furnish Lessor with all surveys, plans, drawings, studies, etc.

B. Lessor shall use its best efforts to obtain a satisfactory non-disturbance agreement for the premises between Lessee and United Jersey Bank, as Master Trustee under the Mortgage referred to in EXHIBIT "B." Prior to commencing construction upon the premises, Lessee shall furnish to Lessor a construction completion bond or bonds in the aggregate amount of the total cost of construction and in a form reasonably satisfactory to Lessor and counsel for Lessor.

C. Anything herein to the contrary notwithstanding, this Lease is expressly contingent upon Lessor receiving either a satisfactory opinion of Lessor's counsel or private letter revenue ruling by the IRS that the Lease and the performance of the Lease shall in no way affect Lessor's tax exempt status or tax-exempt financing of Lessor not more than sixty (60) days subsequent to the execution of this Lease.

4

SECTION FOUR RENT/DEPOSIT

A. The total rent for the initial thirty-five year term of this Lease shall be Three-Million-One-Hundred-Fifty Thousand Dollars (\$3,150,000) payable in monthly installments without deduction or offset, as set forth in Schedule I appended hereto. The first payment shall be made on the date described in Paragraph C of Section Two hereof and shall continue on the first day of each succeeding month during the initial term. If Lessee exercises the renewal option granted by paragraph D of Section Two hereof rent to be paid during the renewal period shall continue to be paid in monthly installments but shall be adjusted upward or downward compounded each year in relation to increases or decreases in the "Consumer Price Index for Urban Wage Earners and Clerical Workers Philadelphia-New Jersey" published by the U.S. Department of Commerce ("CPI") in the following manner. (In the event such index is no longer in effect the parties shall upon mutual agreement substitute a comparable index.) Annual rent for the first year of the renewal term shall be an amount determined by multiplying the rent for the last year of the initial term (specified in Schedule I) by a fraction the numerator of which is the CPI for the last month of the initial term and the denominator of which is the CPI for the same month of the immediately preceding year. The product of such computation shall be paid in monthly installments. The rent to be paid during each succeeding year of the renewal term shall be determined in the same manner; that is, by applying the annual CPI increase or decrease to the preceding year's total rent in order to arrive at the amount of rent to be paid in the then current year. Because there may be delays in the publishing of the CPI figures, monthly rent payable for the preceding year shall remain effective until an appropriate computation of revised rent can be made. Any increase or decrease remaining unpaid or overpaid shall be added to or deducted from the next monthly installment.

SECTION FIVE ASSIGNMENT/SUBLETTING RESTRICTIVE COVENANT

A. Lessee may not assign, sublet or transfer this Lease, nor may any interest herein be transferred (including the transfer of the stock or any ownership interest in Lessee) without the prior written consent of Lessor which

consent shall be granted within sixty (60) days after its being requested unless the proposed assignment, sublease or transfer would jeopardize in any manner the tax exempt status of the West Jersey Health System or its Revenue Bonds; furthermore, Lessor shall be entitled to obtain as a condition of its consent reasonable assurances that the use by the assignee, sublessee or transferee

5

shall continue to be a use permitted under this Lease and the operator shall not be in competition with Lessor's Marlton acute care inpatient hospital on the premises (it being acknowledged by Lessor that the use of the premises by such assignee as a rehabilitation hospital as permitted under this lease shall be deemed acceptable to Lessor). Any assignment, subletting or transfer without Lessor's consent shall be void, and shall, at the option of Lessor, constitute an event of default under the terms of this Lease. Neither this Lease nor Leasehold estate of Lessee nor any interest of Lessee hereunder in the premises or any buildings or improvements thereon shall be subject to involuntary assignment, transfer, or sale, or to assignment, transfer or sale by operation of law in any manner whatsoever, and any such attempted involuntary assignment, transfer or sale shall be void and of no effect and shall, at the option of Lessor constitute an event of default under the terms of this Lease, provided, however, that neither the death nor disability of Lessee or any partner or shareholder of Lessee shall cause this Lease to be terminated, it being intended that the interest of the deceased or disabled person shall be transferable to such person's heirs, administrators, successors and assigns subject only to the conditions of Lessor's consent as set forth above.

B. Except for transactions involving Lessee's Secured Financing, if Lessee at any time during the term of this Lease desires in a single transaction either to:

(i) Assign substantially all of its interest in this Lease; or

(ii) Sublease substantially all of the premises for substantially all of the remaining term of this Lease,

then prior to offering such an assignment or sublease to any third party, Lessee shall notify Lessor in writing, which notice shall state the terms and conditions under which Lessee plans to offer such an assignment or sublease to any third party. The notice shall also grant to Lessor the right to accept such offer on those same terms and conditions. Lessor shall have a period of thirty (30) days from the submission of such notice to either accept or reject the offer. The failure of Lessor to accept such offer by written notice to Lessee within such thirty (30) day period shall be deemed a rejection. After any such rejection, Lessee shall have a period of six (6) months thereafter to assign this Lease or sublease the premises on terms and conditions which are no less favorable than those which were offered to Lessor. Any such assignment or sublease during the six (6) month period shall be free and clear of any right and interest of the Lessor except for the requirement that Lessee comply with the approval process set forth in subparagraph A above. In the event that Lessee shall fail to assign substantially all of its interest in this Lease or sublease substantially all of the premises for substantially all of the remaining term of this Lease during such

6

six (6) month period, or shall elect to offer more favorable terms and conditions than those submitted to the Lessor, Lessee shall be obligated to again submit an offer to the Lessor for thirty (30) days consideration prior to consummating any such transaction with a third party. The requirements of this subparagraph B shall in no event apply to any partial assignment by Lessee of its interest in this Lease, nor shall they apply to a sublease of a portion of the premises, nor shall they apply to the exercise of any rights or remedies by the holder of any collateral assignment, mortgage or security interest related to this Lease granted in connection with any of Lessee's secured financing.

C. During the term of this Lease, Lessee or any assignee, affiliate transferee or successor agrees not to operate an acute care inpatient hospital upon the Lessee's premises. Furthermore, certain of Lessee's services shall be limited as follows:

(i) X-rays to be performed within the Lessee's premises shall be limited to bone and chest area X-rays.

(ii) Laboratory services to be performed within the Lessee's premises shall be limited to routine services such as blood counts and urinalysis.

(iii) Drug and alcohol rehabilitation within the Lessee's premises shall be limited to treatment which is ancillary to physical rehabilitation and restoration and shall not be offered as a primary treatment.

(iv) No respite care shall be provided within the Lessee's premises.

D. During the term of this Lease neither Lessor nor any assignee, affiliate, lessee, sublessee, transferee or successor shall perform inpatient or outpatient physical rehabilitation or restoration services within the West Jersey Hospital premises including without limitation the proposed medical office building except as follows:

(i) Physical therapy may be provided on an inpatient basis within the existing acute care hospital as ancillary to the providing of acute care services but shall not be offered as a primary treatment.

(ii) Physical therapy may be provided on an outpatient basis within the existing acute care hospital to patients following their discharge from the Hospital as ancillary to the providing of acute care services for which such patient was previously an inpatient but shall not be offered as a primary treatment.

7

(iii) Physical therapy or occupational therapy or speech therapy may only be performed directly by a physician or by their qualified technicians or employees working with them within such physician's office in the proposed medical office building on the West Jersey Hospital premises but only such therapy as is incidental to such physician's practice. Moreover, no space in the proposed medical office building shall have as its primary use the performance of physical therapy, physical rehabilitation or restoration services.

Anything in this Article V to the contrary notwithstanding it is expressly agreed and permitted by the parties hereto that nothing shall be construed to limit Lessor or Lessee from contracting with others to provide customary and permitted services ordinarily provided by the parties under any managed care network or other health care integrated delivery system, if such services are performed at a location other than the Lessee's premises or the West Jersey Hospital premises.

SECTION SIX TAXES AND ASSESSMENTS

As additional rent hereunder, Lessee shall pay and discharge as they become due, promptly and before delinquency, all taxes, assessments, rents, charges, license fees, municipal liens, levies, excises or imports, whether general or special, or ordinary or extraordinary, of every name, nature or kind, which may be levied, assessed, charged, or imposed, or which may become a lien or charge on or against the land hereby demised, or any part thereof, the leasehold of Lessee herein, the premises described herein, any building or buildings, or any other improvements now or hereafter thereon during the term of this Lease. Notwithstanding the foregoing, Lessee's obligations for taxes hereunder shall commence on the "Commencement Date" and shall be limited to real estate taxes and assessments in the nature of real estate taxes, and shall specifically exclude any income, franchise or similar taxes payable by Lessor.

SECTION SEVEN CONSTRUCTION OF NEW BUILDING

A. Prior to submission for building permits Lessee shall, at Lessee's sole expense, prepare plans and specifications for the building of a rehabilitation hospital to be erected on the premises. Such plans and specifications shall be submitted to Lessor for Lessor's written approval to make certain that the construction of the new building does not: 1) materially and adversely affect the structural integrity of Lessor's Marlton Facility on the West Jersey Hospital premises (herein sometimes referred to as the "Marlton Facility") or;

2) substantially and unreasonably disrupt or interfere with the Marlton Facility and

8

patients on the campus of the Marlton Facility; 3) materially and adversely affect the sewer, water and other utilities of the Marlton Facility; and 4) result in a building which is aesthetically inconsistent with the architecture and construction already existing at the West Jersey Hospital premises. Lessor shall not unreasonably withhold such approval. In the event of disapproval, Lessor shall give to Lessee an itemized statement of reasons therefor within thirty (30) days of Lessee's submission of plans and specifications to Lessor. In the event that Lessor fails to provide such itemized statement of reasons for disapproval to Lessee in writing within forty-five (45) days of such submission by Lessee, the Lessor shall be deemed to have approved such plans and specifications. Upon any such disapproval of the plans and specifications for the Project by Lessor, Lessee shall have the option to terminate this Lease without further liability for rent or any other charges, by notice to Lessor given within sixty (60) days after receipt of such statement of disapproval by Lessee. In addition, after the initial approval of the plans and specifications, Lessee shall have the right to make reasonable changes to the plans and specifications by change order during the construction process without the consent of Lessor. Any changes required by any governmental agency shall be deemed reasonable and acceptable to Lessor.

Lessee hereby covenants and agrees that once all permits are granted and all conditions precedent as stated in Section Three above have been satisfied that Lessee will prosecute construction diligently and with all due speed.

B. Lessee shall have the right to make such alterations, improvements and changes to any building which may from time to time be on the premises as Lessee may deem necessary, or to replace any such building with a new one of at least equal value, provided that the alterations, improvements and changes shall not cause the value of the building to be diminished, are aesthetically consistent with existing architecture, and the structural integrity of the building or the Marlton facility is not materially adversely affected or disrupted by any such alterations, improvements, or changes, and provided that in the event of any substantial or material alterations, improvements or changes, Lessor be first notified.

SECTION EIGHT REPAIRS, MAINTENANCE, IMPROVEMENTS AND DESTRUCTION

A. Except as elsewhere provided in this Lease, Lessee shall, throughout the term of this Lease, at its own cost, and without any expense to Lessor, keep and maintain the premises, including all buildings and improvements of every kind which may be a part thereof, and all appurtenances thereto, including

9

sidewalks, driveways, parking lots, etc. on the premises, in good, sanitary and neat order and repair, and except as specifically provided herein or elsewhere in this Lease, and except if such repair, restoration or rehabilitation results from a matter for which Lessee is entitled to indemnification by Lessor under Section 11.B. of this Lease, restore and rehabilitate any improvements of any kind which may be destroyed by fire, casualty or any other cause whatsoever. Lessee shall also comply with and abide by all federal, state, county, municipal and other governmental statutes, ordinances, laws and regulations affecting the demised premises, the improvements thereon or any activity or condition on or in such premises.

B. Except as elsewhere provided in this Lease, Lessor shall, throughout the term of this Lease, at its own cost, and without any expense to Lessee, keep and maintain the West Jersey Hospital premises, including all buildings and improvements of every kind which may be a part thereof and all improvements thereto including sidewalks, driveways, parking lots, etc. in good, sanitary and neat order and repair and except as specifically provided for herein or elsewhere in this Lease and except if such repair, restoration or rehabilitation results from a matter for which Lessor is entitled to indemnification by Lessee under Section 11.A. of this Lease, restore and rehabilitate any improvements of any kind which may be destroyed by fire, casualty or any other cause whatsoever.

Lessor shall also comply with and abide with all federal, state, county, municipal and other governmental statutes, ordinances, laws and regulations affecting the West Jersey Hospital premises, the improvements thereon or any activity or condition on or in such premises.

C. The damage, destruction, or partial destruction of any building or other improvement which is a part of the premises shall not release Lessee from any obligation hereunder and in the event of damage to or destruction of any such building or improvement, except as provided herein or elsewhere in this Lease, Lessee shall at its own expense promptly rebuild, repair and restore the same to a condition as good or better than that which existed prior to such damage or destruction. Without limiting the obligations of Lessee, it is agreed that the proceeds of any insurance covering such damage or destruction shall be made available to Lessee for such repair or replacement.

D. Notwithstanding anything contained in this Section Eight or elsewhere in this Lease to the contrary, Lessee's obligation to repair or restore the premises following a fire or other casualty shall be subject in all cases to the release of sufficient insurance proceeds by the Lenders.

10

E. Notwithstanding anything contained to the contrary in this section Eight or elsewhere in this Lease, in the event that such damage, destruction or partial destruction shall occur within the last two (2) years of the then current term of the Lease, Lessee shall not be obligated to rebuild, restore or repair as aforesaid and this Lease shall terminate sixty (60) days after such damage or destruction, unless Lessee notifies Lessor of its intent to rebuild, restore or repair.

F. The damage, destruction or partial destruction of any building or other improvement which is a part of the west Jersey Hospital premises shall not release Lessor from any obligation hereunder and in the event of damage to or destruction of any such building or improvement, Lessor shall at its own expense, promptly rebuild, repair and restore the same to a condition as good or better than that which existed prior to damage or destruction. Without eliminating the obligations of Lessor, it is agreed that the proceeds of any insurance covering such damage or destruction shall be made available to Lessor for such repair or replacement.

SECTION NINE UTILITIES

Without limitation, Lessee shall fully and promptly pay for all water, sewer, gas, heat, light, power, telephone service and all other public utilities of every kind furnished to the premises throughout the term hereof, and all other costs and expenses of every kind whatsoever of or in connection with the use, operation and maintenance of the premises and all activities conducted thereon and Lessor shall have no responsibility of any kind for any thereof. Utilities for the new building will if separately metered and any charge for sewer service will if possible be separately metered and any charge for sewer service will, if possible, be separately billed to Lessee and not prorated. It is understood and agreed that Lessor is not responsible for the adequacy or the availability of any utilities and will have no liability for interruptions in service to the Lessee.

SECTION TEN LIENS

A. Lessee shall keep all of the premises and every part thereof and all buildings and other improvements at any time located thereon free and clear of any and all mechanics', materialmen's, and other liens for or arising out of or in connection with work or labor done, services performed, or materials or appliances used or furnished for or in connection with any operations of Lessee, any alteration, improvement, or repairs or additions which Lessee may make or permit or cause to be made, or any work or construction, by, for, or permitted by

11

Lessee on or about the premises, or any obligations of any kind incurred by

Lessee, and at all times promptly and fully pay and discharge any and all claims on which any such lien may or could be based, and indemnify Lessor and all of the premises and all buildings and improvements thereon against all such liens and claims of liens and suits or other proceedings pertaining thereto. This shall not preclude Lessee from granting a security interest in any of its equipment in or upon the leased premises and shall not preclude the granting of a collateral assignment or mortgage of Lessee's leasehold interest as part of a Lessee's Secured Financing. Lessor shall execute any reasonably required waivers of interest with respect to fixtures and equipment required by Lessee's Lenders.

B. If Lessee desires to contest any such lien, it shall notify Lessor of its intention to do so within thirty (30) days after the filing of such lien. In such case, and provided that Lessee shall on demand protect Lessor by a good and sufficient surety bond against any such lien and any cost, liability, or damage arising out of such contest, Lessee shall not be in default hereunder until sixty (60) days after the final determination of the validity thereof, within which time Lessee shall satisfy and discharge such lien to the extent held valid; but the satisfaction and discharge of any such lien shall not, in any case, be delayed until execution is had on any judgment rendered thereon, and such delay shall be a default of Lessee hereunder. In the event of any such contest, Lessee shall indemnify, defend, and hold harmless Lessor against all loss, expense, (including reasonable attorney's fees) and damage resulting therefrom.

SECTION ELEVEN INDEMNIFICATION OF LESSOR AND LESSEE

A. Lessor shall not be liable for any loss, injury, death, or damage to persons or property which at any time may be suffered or sustained by Lessee or by any person whosoever may at any time be using or occupying or visiting the premises or be in, on, or about the same, whether such loss, injury, death, or damage shall be caused by or in any way result from or arise out of any act, omission, or negligence of Lessee or of any occupant, subtenant, visitor, or user of any portion of the premises, or shall result from or be caused by any other matter or thing whether of the same kind as or of a different kind than the matters or things above set forth, and Lessee shall defend and indemnify Lessor against all claims, liability, loss, or damage whatsoever on account of any such loss, injury, death, or damage. Lessee hereby waives all claims against Lessor for damages to the building and improvements that are now on or hereafter placed or built on the premises and to the property of Lessee in, on, or

12

about the premises, and for injuries to persons or property in or about the premises, from any cause arising at any time. The two preceding sentences shall not apply to loss, injury, death, or damage arising by reason of the negligence or misconduct of Lessor, its agents, or employees.

B. Lessee shall not be liable for any loss, injury, death or damage to persons or property which at any time may be suffered or sustained by Lessor or by any person whosoever may at any time be using or occupying or visiting the West Jersey Hospital premises or be in, on, or about the same, whether such loss, injury, death or damage shall be caused by or in any way result from or arise out of any act, omission, or negligence of Lessor or of any occupant, sub-tenant, visitor or user of any portion of the West Jersey Hospital premises, or shall result from or be caused by any other matter or thing whether of the same kind as or of a different kind than the matters or things above set forth, and Lessor shall defend and indemnify Lessee against all claims, liability, loss or damage whatsoever on account of any such laws, injury, death or damage. Lessor hereby waives all claims against Lessee for damages to the buildings and improvements that are now on or hereafter placed on the West Jersey Hospital premises and to the property of Lessor in, on, or about the West Jersey Hospital premises, and for injuries to persons or property in or about the West Jersey Hospital premises, from any cause arising at any time. The two preceding sentences shall not apply to loss, injury, death or damage arising by reason of the negligence or misconduct of Lessee, its agents or employees.

SECTION TWELVE ATTORNEYS' FEES

If any action at law or in equity shall be brought to recover any rent under this Lease, or for or on account of any breach of, or to enforce or interpret any of the covenants, terms, or conditions of this Lease, or for the

recovery of the possession of the demised premises, the prevailing party shall be entitled to recover from the other party as part of the prevailing party's costs reasonable attorneys' fee, the amount of which shall be fixed by the court and shall be made a part of any judgment or decree rendered.

SECTION-THIRTEEN
REDELIVERY OF PREMISES

Lessee shall pay the rent and all other sums required to be paid by Lessee hereunder in the amounts, at the times, and in the manner herein provided, and shall keep and perform all the terms and conditions hereof on its part to be kept and performed, and,

13

at the expiration or sooner termination of this Lease, peaceably and quietly quit and surrender to Lessor the premises in good order and condition subject to the other provisions of this Lease.

SECTION FOURTEEN
REMEDIES CUMULATIVE

All remedies hereinbefore and hereafter conferred on Lessor shall be deemed cumulative and no one exclusive of the other, or of any other remedy conferred by law, subject, however, to the notice and cure provisions hereinafter set forth.

SECTION FIFTEEN
INSURANCE

A. Lessee shall, at all times during the term of this Lease and during occupancy and construction of the facility, and at Lessee's sole expense, keep the premises and all improvements which are now or hereafter a part of the premises insured against loss or damage by fire and the extended coverage hazards for the full replacement value of the premises with loss payable to Lessor, Lessee and the Lessee's Lenders as their interests may appear. Lessor shall, at all times during the term of this Lease and at Lessor's sole expense, keep the West Jersey Hospital premises and all improvements which are now or hereafter a part of the West Jersey Hospital premises insured against loss or damage by fire and extended coverage hazards for the full replacement value of the West Jersey Hospital premises.

B. Lessee and Lessor shall each maintain in effect throughout the term of this Lease, and during occupancy and construction of the facility, personal injury liability insurance covering the premises and the West Jersey Hospital premises respectively and their appurtenances and the sidewalks, parking lots fronting thereon in the amount of 1 million/3 million aggregate for injury to or death of any person. Such insurance shall specifically insure Lessee against all liability assumed by it hereunder, as well as liability imposed by law, and shall insure both Lessor and Lessee but shall be so endorsed as to create the same liability on the part of the insurer as though separate policies had been written for Lessor and Lessee.

C. All of the policies of insurance referred to in this section shall be written in form reasonably satisfactory to Lessor and Lessee and by insurance companies reasonably satisfactory to Lessor and Lessee. Lessor consents to Lessee providing the required Insurance under blanket and umbrella policies covering other properties of Lessee or its affiliates to

14

the extent such are adequate to cover the insurance obligations of Lessee under this Lease. Each party shall pay all of the premiums for its policies and deliver such policies, or certificates thereof, to the other and in the event of the failure of Lessee or Lessor, either to effect such insurance in the names herein called for or to pay the premiums therefor or to deliver such policies, or certificates thereof, to the other, the other shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor, which premiums shall be repayable to the party exercising such right immediately and failure by Lessee to repay the same shall carry with it the same consequence as failure to pay any installment of rental. Each insurer mentioned in this section shall agree, (if obtainable on commercially reasonable terms) by endorsement on the policy or policies issued by it, or by independent instrument

furnished to Lessor and Lessee that it will give to Lessor and Lessee thirty (30) days' written notice before the policy or policies in question shall be altered or canceled. Lessor and Lessee agree that they will not unreasonably withhold their approval as to the form or to the insurance companies selected by the other.

D. In the event that either party shall at any time deem the limits of the personal injury or property damage public liability insurance then carried to be either excessive or insufficient, the parties shall endeavor to agree on the proper and commercially reasonable limits for such insurance then 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; but, if the parties shall be unable to agree thereon, the proper and commercially reasonable limits for such insurance then to be carried shall be determined by an impartial third person selected by the parties, or should they be unable to agree on a selection, by an impartial third person chosen by the New Jersey American Arbitration Association or their successors on application by either party made after sixty (60) days' written notice to the other party of the time and place of such application, and the decision of such impartial third person as to the proper and commercially reasonable limits, for such insurance then to be carried shall be binding on the parties and such insurance shall be carried with the limits as thus determined until such limits shall again be changed pursuant to the provisions of this section. The expenses of such determination shall be borne equally by the parties.

E. To the extent that any loss or damage to any building, structure or other tangible property, or resulting loss of income, or losses under workmen's compensation laws and benefits, are adequately covered by insurance, neither Lessor nor Lessee shall be liable to the other or to any insurance company insuring the other party (by way of subrogation or otherwise) , even though such loss or damage might have been occasioned by the negligence

15

of such party, its agents or employees; provided, however, that if by reason of the foregoing waiver, either party shall be unable to obtain any such insurance, then the foregoing waiver shall be deemed not to have been made by such party.

SECTION SIXTEEN
PROHIBITION OF INVOLUNTARY ASSIGNMENT; EFFECT OF
BANKRUPTCY OR INSOLVENCY

A. Except as provided in Section Five of this Lease, neither this Lease nor the leasehold estate of Lessee nor any interest of Lessee hereunder in the premises or in the building or improvements thereon shall be subject to involuntary assignment, transfer, or sale, or to assignment, transfer, or sale by operation of law in any manner whatsoever (except through statutory merger or consolidation, or devise, or intestate succession) and any such attempt at involuntary assignment, transfer, or sale shall be void and of no effect. An assignment, transfer or sale of the Lessee's interest in this Lease following a default under Lessee's leasehold mortgage or collateral assignment to any of the Lessee's Lenders, shall not constitute a default under this Lease or be subject to the prohibition set forth in this Section Sixteen (A).

B. Without limiting the generality of the provisions of the preceding Paragraph of this section, Lessee agrees that in the event any proceedings under the Bankruptcy Act or any amendment thereto be commenced by or against Lessee, and, if against Lessee, such proceedings shall not be dismissed before either an adjudication in bankruptcy or the confirmation of a composition, arrangement, or plan or reorganization, or in the event Lessee is adjudged insolvent or makes an assignment for the benefit of its creditors, or if a receiver is appointed in any proceeding or action to which Lessee is a party, with authority to take possession or control of the premises or the business conducted thereon by Lessee, and such receiver is not discharged within a period of thirty (30) days after his appointment or such longer period as may be reasonably necessary provided that Lessee is diligently and in good faith attempting to discharge same any such event or any involuntary assignment prohibited by the provisions of the preceding Paragraph of this section shall be deemed to constitute a breach of this Lease by Lessee and shall, at the election of Lessor, but not otherwise, without notice or entry or other action of Lessor terminate this Lease and also all rights of Lessee under this Lease and in and to the premises and also all rights of any and all persons claiming under Lessee.

16

SECTION SEVENTEEN
NOTICE

All notices required to be given under this Lease shall be sent by certified or registered mail or by a nationally recognized overnight courier service to the addresses below or at such other addresses as subsequently provided by the parties. Notices shall be deemed effective upon dispatch.

To Lessor:

West Jersey Health System
1000 Atlantic Ave.
Camden, N.J. 08104
Attn: Office of the President

To Lessee:

Francis J. Bonner, Jr., M.D.
264 North Radnor
Chester Road
Radnor, PA 19087

and

The Mediplex Group, Inc.
15 Walnut Street
Wellesley, MA 02181
ATTENTION: President and
General Counsel

SECTION EIGHTEEN
DEFAULT

In the event of an occurrence of any event of default as described in Section Nineteen hereof or of any breach of this Lease by Lessee and expiration of all applicable cure periods as set forth in Section Nineteen, Lessor in addition to the other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Lessee. Should Lessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, Lessor may either terminate this lease or it may from time to time, without terminating this lease, re-let the demised premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this lease) and at such rental or rentals and on such other terms and conditions as Lessor in the sole discretion of Lessor may deem advisable with the right to make reasonable alterations which are consistent with the then use of the facility and repairs to the demised premises. On each such re-letting (a) Lessee shall be immediately liable to pay to Lessor, in addition to any indebtedness other than rent due hereunder, the reasonable expenses of such re-letting and of such alterations and repairs, incurred by Lessor, and the amount, if

17

any, by which the rent reserved in this Lease for the period of such re-letting (up to but not beyond the term of this Lease) exceeds the amount agreed to be paid as rent for the premises for such period on such re-letting; or (b) at the option of Lessor, rents received by such Lessor from such re-letting 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 expenses of such re-letting and of such alterations and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Lessor and applied in payment of future rent as the same may become due and payable hereunder. If Lessee has been credited with any rent to be received by such re-letting under option (a) hereof, and such rent shall not be promptly paid to Lessor by the new tenant, or if such rentals received from such re-letting under option (b) hereof during any month is less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of the demised premises by Lessor shall be construed as an election on the part of Lessor to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any such re-letting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach. Should Lessor at any time terminate this Lease for any breach, in addition to any other remedy it may have, Lessor may recover from Lessee all damages incurred by reason of such breach, including the cost of recovering the premises, and including the worth (at present value using a discount rate of 10%) at the time of such termination of the excess, if any, of

the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the premises for the remainder of the stated term, all of which amount shall be immediately due and payable from Lessee to Lessor.

SECTION NINETEEN EVENTS OF DEFAULT

The occurrence of any of the following shall constitute a material default and breach of this Lease by Lessee:

A. A failure by Lessee to pay, when due, any installment of rent hereunder or any such other sum herein required to be paid by Lessee where such failure continues for fifteen (15) days after written notice thereof from Lessor to Lessee;

B. A failure by Lessee to observe and perform any other provisions or covenants of this Lease to be observed or performed by Lessee, where such failure continues for thirty (30) days

18

after written notice thereof from Lessor to Lessee; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within such 30-day period, Lessee shall not be deemed to be in default if Lessee shall, within such period, commence such cure and thereafter diligently prosecute the same to completion;

C. The filing of a petition by or against Lessee for adjudication as a bankrupt or insolvent or for its reorganization or for the appointment pursuant to any local, state or federal bankruptcy or insolvency law of a receiver or trustee of Lessee's property; or an assignment by Lessee for the benefit of creditors; or the taking possession of the property of Lessee by any local, state or federal governmental office or agency or court-appointed official for the dissolution or liquidation of Lessee or for the operating, either temporarily or permanently, of Lessee's business; provided, however, that if any such action is commenced against Lessee without Lessee's consent, the same shall not constitute a default if Lessor or Lessee causes the same to be dismissed within thirty (30) days after the filing of same or such longer period as may be reasonably necessary provided that Lessee is diligently and in good faith attempting to dismiss same.

SECTION TWENTY LESSOR'S RIGHT TO PERFORM

In the event that Lessee by failing or neglecting to do or perform any act or thing herein provided by it to be done or performed, shall be in default hereunder beyond any applicable cure period, then, Lessor may, but shall not be required to, do or perform or cause to be done or performed such act or thing (entering on the premises for such purposes, if Lessor shall so elect), and Lessor shall not be held liable or in any way responsible for any loss, inconvenience, annoyance, or damage resulting to Lessee on account thereof, and Lessee shall repay to Lessor on demand the entire expense thereof, including compensation to the agents and employees of Lessor. Any act or thing done by Lessor pursuant to the provisions of this section shall not be or be construed as a waiver of any such default by Lessee, or as a waiver of any covenant, term, or condition herein contained or the performance thereof, or of any other right or remedy of Lessor, hereunder or otherwise. All amounts payable by Lessee to Lessor under any of the provisions of this lease, if not paid when the same become due as in this lease provided, shall bear interest from the date they become due until paid at the rate of the then annual prime rate of the Chase Manhattan Bank, N.A., compounded annually. Lessor's right to perform any act or thing under this Section Twenty shall only arise after Lessor has given notice to Lessee and an opportunity to cure pursuant to Section Nineteen.

19

SECTION TWENTY-ONE EFFECT OF EMINENT DOMAIN

A. In the event the entire premises shall be appropriated or taken under the power of eminent domain by any public or quasi-public authority, this Lease shall terminate and expire as of the date of such taking, and Lessee and Lessor

shall thereupon be released from any liability thereafter accruing hereunder.

B. In the event a portion of the premises shall be so appropriated or taken and the remainder of the premises shall not be suitable for the use then being made of the premises by Lessee, Lessee shall have the right to terminate this lease as of the date of such taking on giving to Lessor written notice of such termination within sixty (60) days after Lessor has notified Lessee in writing that the premises has been so appropriated or taken.

C. In the event of such partial taking and Lessee does not so terminate this Lease, then this Lease shall continue in full force and effect as to the part not taken, and the rental to be paid by Lessee during the remainder of the term, shall be equitably abated and any such determination shall not affect or change the times at which Lessor may require an adjustment in rent under the terms of this Lease.

D. In the event of the total or partial taking of the premises by eminent domain, then in any such condemnation proceedings Lessor and Lessee shall be free to make claim against the condemning or taking authority for the amount of any damage done to them, respectively, as a result thereof.

E. In the event of any appropriation or taking under the power of eminent domain and notwithstanding anything to the contrary contained herein or elsewhere in this Lease, the buildings, improvements and equipment on the premises shall be treated solely as property of Lessee, and all proceeds payable therefore shall be allocated and paid solely to Lessee.

SECTION TWENTY-TWO SURRENDER OF LEASE

The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subleases or subtenancies, or may, at the option of Lessor, operate as an assignment to it of any or all such subleases or subtenancies.

20

SECTION TWENTY-THREE DISPOSITION OF IMPROVEMENTS ON TERMINATION OF LEASE

On termination of this Lease for any cause, Lessor shall become the owner of the building(s) improvements on the demised premises (except as provided in Section 21.E. of this Lease) and Lessee agrees to execute any and all documents to effectuate such ownership as more fully set forth in Section Two (F) of this Lease. At the end of the term, title to all buildings, structures, fixtures and equipment (except for Lessee's movable equipment), erected, constructed, installed or located upon the premises shall vest in Lessor.

SECTION TWENTY-FOUR WAIVER

The waiver by Lessor or Lessee of, or the failure of Lessor or Lessee to take action with respect to any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition, or subsequent breach of the same, or any other term, covenant, or condition therein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant, or condition of this Lease, other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

SECTION TWENTY-FIVE PARTIES BOUND

The covenants and conditions herein contained shall, subject to the provisions as to assignment, transfer, and subletting, apply to and bind the heirs, successors, executors, administrators, and assigns of all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

SECTION TWENTY-SIX TIME OF THE ESSENCE

Time is of the essence of this Lease, and of each and every covenant, term, condition, and provision hereof.

21

SECTION TWENTY-SEVEN
SECTION CAPTIONS

The captions appearing under the section number designations of this Lease are for convenience only and are not a part of this lease and do not in any way limit or amplify the terms and provisions of this Lease.

SECTION TWENTY-EIGHT
WARRANTIES OF TITLE AND QUIET POSSESSION

Lessor covenants that Lessor is seized of the premises in fee simple and has full right to make this Lease and that Lessee shall have quiet and peaceable possession of the premises during the term hereof.

SECTION TWENTY-NINE
WASTE AND NUISANCE PROHIBITED

During the term of this Lease, Lessee shall comply with all applicable laws affecting the Lessee's use of the premises, the breach of which might result in any penalty on Lessor or forfeiture of Lessor's title to the premises. Lessee shall not commit, or suffer to be committed, any waste on the premises, or any nuisance.

SECTION THIRTY
ABANDONMENT OF PREMISES

Lessee shall not vacate or abandon the premises at any time during the term hereof, except due to fire, reasons due to temporary repair, casualty or other reasons beyond Lessee's reasonable control. If Lessee shall abandon, vacate or surrender the premises, except as set forth in the preceding sentence, or be dispossessed by process of law, or otherwise, any personal property belonging to Lessee and left on the premises shall be deemed to be abandoned, at the option of Lessor.

SECTION THIRTY-ONE
LESSOR'S RIGHT OF ENTRY

Lessee shall permit Lessor and the agents and employees of Lessor after reasonable notice to enter into and upon the premises at all reasonable times and always subject to the rights of patients in the facility for the purpose of inspecting the same, or for the purpose of posting, notices of non-responsibility for alterations, additions, or repairs, without any rebate of rent and without any liability to Lessee for any loss of occupation or quiet enjoyment of the premises thereby occasioned.

22

SECTION THIRTY-TWO
RECORDING

Lessor and Lessee shall be entitled to file and maintain a memorandum of this Lease with the appropriate state or county real estate recording offices which memorandum shall provide that the obligations of the Lessor and Lessee hereunder shall run with the land and shall bind all future owners, lessees, mortgagees and successors in title to the premises and the West Jersey Hospital premises.

SECTION THIRTY-THREE
ENCUMBRANCE OF LESSEE'S LEASEHOLD INTEREST

A. Lessee may encumber by mortgage or deed of trust, or other proper instrument, its leasehold interest and estate in the demised premises, together with all buildings and improvements placed by Lessee thereon, as security for any indebtedness of Lessee. Lessee's mortgage shall, however, always be subject and subordinate to the terms of this Lease.

B. If Lessee shall encumber its leasehold interest and estate in the demised premises and if Lessee or the holder of the indebtedness secured by

such encumbrance shall give notice to Lessor of the existence thereof and the address of such holder, then Lessor will mail or deliver to such holder, at such address, a duplicate copy of all notices in writing which Lessor may, from time to time, give to or serve on Lessee under and pursuant to the terms and provisions hereof; such copies shall be mailed or delivered to such holder, at, or as near as possible to the same time such notices are given to or served on Lessee. Such holder may, at its option, at any time before the rights of Lessee shall be terminated as provided herein, pay any of the rents due hereunder, or pay any taxes and assessments, or do any other act or thing required of Lessee by the terms hereof, or do any act or thing that may be necessary and proper to be done in the observance of the covenants and conditions hereof, or to prevent the termination hereof; all payments so made, and all things so done and performed by such holder shall be as effective to prevent a foreclosure of the rights of Lessee thereunder as the same would have been if done and performed by Lessee.

C. Notwithstanding anything to the contrary contained in this Lease, upon any default by Lessee under this Lease, Lessor shall give simultaneous notice of such default to each Lender who has given notice to Lessor pursuant to Subsection (B) above, and each such Lender shall have the right to cure such default at any time within sixty (60) days after receipt of such notice, which cure shall fully reinstate the Lease. Upon a default by Lessee

23

under any loan agreement with any Lender, any Lender shall have the right to foreclose on its leasehold mortgage or collateral assignment and either assume Lessee's obligations under this Lease, or assign the Lessee's interest in this Lease to a new lessee which shall be bound by the terms and conditions of this Lease. Lessor agrees to modify this Lease as may be reasonably requested by any Lender providing financing for Lessee provided that such modifications do not materially alter the fundamental obligations of Lessor and Lessee hereunder.

SECTION THIRTY-FOUR
PARKING AND SIGNAGE
INGRESS AND EGRESS

A. Those portions of the premises depicted upon Exhibit "A" as "Rehab Hospital Parking Area" and containing a total of one hundred and eleven (11) parking spaces shall be used only for the parking of motor vehicles and shall be reserved for exclusive use by Lessee and its employees, patients, visitors, staff doctors and other invitees ("Lessee Users"). Lessee shall be entitled to prohibit unauthorized vehicles from parking in the Rehab Hospital Parking Area through appropriate signage, striping, and temporary barricades. Lessee shall not install, nor permit the installation of, any fences, gates, walls, permanent barricades, curb bumpers or other like structures for the purpose of delineating the Rehab Hospital Parking Area or excluding vehicles therefrom.

B. In addition to the Rehab Hospital Parking Area shown on Exhibit "A", Lessee Users shall be entitled to park in such other public parking areas as may now or in the future be located within the West Jersey Hospital premises. Such additional parking shall be in a common with Lessor, its employees, patients, visitors, staff doctors, tenants of other buildings located upon the West Jersey Hospital premises, and other invitees and therefore shall not be exclusive. Notwithstanding the foregoing, Lessee acknowledges and agrees that the existing "Doctor's Parking Lot" which is delineated by permanent curbing and gates, designated areas for "Emergency Room Parking" and the "Existing Employee Parking Area" to the rear of Lessor's existing hospital building which is delineated by temporary barricades (both of which areas are shown on Exhibit "A") are for the exclusive use of Lessor's employees and that such areas are for the exclusive use of Lessor.

C. At any time after the end of the first five years of the term of this Lease, Lessee shall have the right to notify Lessor that an additional one hundred thirteen (113) parking spaces shall be identified and set aside for the exclusive use of Lessee Users anywhere on the campus site. Within ninety (90) days after the giving or receipt of such notice, Lessor shall

24

designate and make available for the exclusive use of Lessee Users such additional one hundred thirteen (113) spaces at a location within the West

Jersey Hospital premises. The selection and location of such spaces shall be determined within Lessor's sole discretion. All such spaces shall be contiguous to one another but need not necessarily be adjacent to the one hundred eleven (111) spaces described in paragraph A of this section. Upon such designation by Lessor the additional one hundred thirteen (113) spaces shall become part of the premises subject to this Lease as additional Rehab Hospital Parking Area. Lessee shall be entitled to prohibit unauthorized vehicles from parking in such additional area in the same manner and subject to the same restrictions as specified in paragraph A of this section for the original one hundred eleven (111) parking spaces. Notwithstanding the foregoing provisions of this paragraph, Lessee may only exercise the right of designation granted to Lessee upon demonstrating that the common parking area (described in paragraph B of this article) has become inadequate for Lessee's purposes. Such inadequacy shall be presumed upon a showing that the aforesaid common parking area is substantially full during any fifteen (15) days of any calendar month.

D. Lessor shall, at Lessor's expense, be responsible for the maintenance, repair, landscaping, illumination, security, cleaning, snow and ice removal and all other services relating to all parking areas located within the West Jersey Hospital premises and the Rehab Hospital Parking Area. Lessee shall reimburse Lessor for Lessee's pro-rata share of the aforesaid expense. Lessee's share shall be determined by multiplying the total cost to Lessor of all parking area expenses by a fraction having as its numerator the number one hundred and eleven (111) [and after the addition of the one hundred thirteen (113) , two hundred twenty-four (224)], and having as its denominator the total number of parking spaces located within the West Jersey Hospital premises and the Rehab Hospital Parking Area combined. Lessor shall submit bills with appropriate back-up to Lessee for Lessee's share of the total parking area expenses on a periodic basis but no more frequently than monthly and such bills shall be paid by Lessee within thirty (30) days after their submission.

E. Lessee shall be entitled at its own cost and expense to erect exterior signage on the premises and the West Jersey Hospital premises, identifying Lessee's rehabilitation facility. The location, design and appearance of all such signs shall be subject to the written approval of Lessor which shall be obtained by Lessee prior to their erection. Lessor's approval shall not be unreasonably withheld or delayed and Lessor's failure to deny approval within sixty (60) days after its being requested shall be deemed to be an approval. Lessee shall comply with all governmental requirements in connection with the installation of any such signage and Lessee shall be solely responsible for all maintenance and repairs in connection with such signage.

25

F. Lessee and Lessor shall each provide to the other reasonable access, ingress and egress for pedestrian and vehicular traffic, over and across those portions of the premises and the West Jersey Hospital premises respectively as are suitable for such access including those portions which from time to time may contain sidewalks, driveways and internal roads. Lessor and Lessee shall each be entitled to make such changes to its sidewalks, driveways and internal roads from time to time as each may determine provided, however, that each shall at all times provide to the other reasonable access in order to enable the other to operate its property in the manner contemplated by this Lease including the construction of the improvements described herein. It is contemplated that the rehabilitation hospital facility and the acute care hospital and proposed medical office building on the West Jersey Hospital premises shall be interconnected with each other. Lessor and Lessee shall cooperate with each other in the construction of the Project and operation of their respective facilities and will provide the other, including the owner of the Medical Office Building, with the necessary legal rights to ensure the free flow of pedestrian traffic between facilities and the maintenance and repair of common party walls and other common appurtenances. Without limiting the generality of the foregoing, Lessor hereby grants Lessee the right to use in common with Lessor, for all purposes: i) the stairwell located in the northwest corner of the West Jersey Hospital as a means of ingress to and egress from the rehabilitation hospital, as and to the extent necessary to comply with applicable law, and ii) the area designated on Exhibit "A" as the obstacle course on which area Lessee may erect, install, and maintain improvements and equipment suitable thereto (Lessee shall maintain liability insurance covering the obstacle course in accordance with the requirement of Section 15 of this Lease.)

G. In the event that the holder of a mortgage or other lien or any party claiming thereunder succeeds to the interest of the Lessor under this Lease or as owner of the fee of the West Jersey Hospital premises by virtue of

foreclosure or other legal process against the Lessor or all or a portion of the West Jersey Hospital premises and such successor is not required to or does not agree to recognize all of Lessee's rights to use the West Jersey Hospital premises as set forth in Section I, this Section 34 or elsewhere in this Lease (collectively the "WJH Rights"), then Lessee shall be entitled to make the continuation by such successor of any right to use any portion" of the premises as set forth in this Lease conditional upon the execution and delivery by such successor of a recordable instrument in form and substance reasonably satisfactory to Lessee by which such, successor, for itself and its successors and assigns, irrevocably recognizes and agrees not to disturb the continued exercise and use of the WJH Rights by Lessee and its successors and assigns.

26

SECTION THIRTY-FIVE TITLE

Lessor hereby represents and warrants to Lessee that Lessor has and will maintain throughout the term of this Lease good and marketable title to the premises free and clear of all liens and encumbrances except as follows:

A. The conditions, restrictions and limitations, if any, now appearing of record and listed on Exhibit "B" attached hereto and made a part hereof;

B. Easements of roads and rights of public service companies as Lessor may in the future grant provided that the same shall not materially conflict or interfere with the rights of the Lessee under this Lease; and

C. Zoning regulations and ordinances now existing or which may hereafter exist by reason of any legal authority during the term of this Lease.

D. The lien of any refinancing obtained by Lessor in the future provided that the holder thereof enters into a non-disturbance agreement acceptable in form to Lessee and its Lenders.

SECTION THIRTY-SIX NET RENT

Unless expressly provided in this Lease, the Lessee is responsible for all charges, rents or fees associated with the ownership, possession, construction and operation of the premises.

SECTION THIRTY-SEVEN ESTOPPEL CERTIFICATES

Lessor and Lessee mutually agree, upon prior written notice, to execute estoppel certificates in content and form reasonably satisfactory to the requesting party.

SECTION THIRTY-EIGHT ENVIRONMENTAL

Lessor and Lessee mutually agree to comply with all environmental laws and, to remediate any spills, leaks, discharges or releases of hazardous or toxic substances or wastes

27

occurring upon their respective premises. Lessee further represents and agrees that it will not install any underground storage tanks at the premises and will, to the extent applicable comply with the provisions of the Environmental Clean-up Responsibility Act and other environmental laws. Lessor represents and warrants to Lessee that Lessor has no knowledge of the presence on the premises or the West Jersey Hospital premises of any hazardous substances, hazardous wastes, solid wastes or other substances, the presence of which would create an obligation for remediation or reporting under any federal, state or local law, regulation or ordinance.

SECTION THIRTY-NINE ASSISTANCE DURING CONSTRUCTION PERIOD

All at the Lessee's sole expense, the Lessor agrees that, within five (5) days after receipt of written request from Lessee, Lessor will take all

reasonably requested actions and join in any and all applications for permits, licenses or other authorizations required by any governmental or other body claiming jurisdiction in connection with any work which the Lessee may do hereunder, and will also join in any grants for easements for electric, telephone, gas, water, sewer and such other public utilities and facilities as may be reasonably necessary in the operation of the premises or of any improvements that may be erected thereon.

SECTION FORTY
LENDER'S CONSENT

This Lease shall not be further modified without the consent of the Lenders holding leasehold mortgages or collateral assignments of this Lease at the time.

SECTION FORTY-ONE
SHARED EXPENSES

Lessor acknowledges that many of the improvements required to be made by Lessee in connection with the Project will inure to the benefit of Lessor, including without limitation, in connection with Lessor's proposed construction of a medical office building on the West Jersey Hospital premises. Therefore, Lessor and Lessee hereby agree that all costs and expenses incurred for outside consultants, including without limitation, attorneys' (which will be shared equally), architectural and engineering fees in connection with obtaining required permits and approvals for the Project (including without limitation, obtaining sewer permits and approvals for the Project) shall be shared as follows: 60% by Lessor and 40% by Lessee; provided, however, that the costs of obtaining amendments for all existing

28

zoning approvals for the Project which are required as a result of the increase in the size of the rehabilitation hospital from 60 to 70 beds, shall be borne entirely by Lessee.

In WITNESS WHEREOF, the parties intending to be legally bound have executed this lease on the day and year first above written.

West Jersey/Mediplex Rehabilitation
Limited Partnership

By: Mediplex of New Jersey, Inc. ,
as general partner but not
individually

7/15/93

Date

By: /s/ Richard S. Mann

West Jersey Health System

7/15/93

Date

By: /s/ Barry D. Brown

Barry D. Brown President

7/15/93

Date

By: /s/ Harry D. Ambrose

Harry D. Ambrose, Jr. Esq.
Immediate Past Chairman

29

EXHIBIT "B"

1. Easement as contained in Deed Book 1846 page 432.
2. Easement as contained in Deed Book 1846 page 437.
3. Easement as contained in Deed Book 2177 page 181.
4. Mortgage by West Jersey Health System, a not-for-profit-corporation to United Jersey Bank, Hackensack, New Jersey, dated October 22, 1992, recorded October 23, 1992, in Mortgage Book 4737, page 168 to secure the

sum of \$91,395,000.00. (Provided, however, that this Mortgage does not cover or include the premises but does cover portions of the West Jersey Hospital premises and, therefore, affects some of the land and buildings in which Lessee has the WJH Rights.)

31

SCHEDULE I

WEST JERSEY HEALTH SYSTEM
GROUND LEASE
RENTAL SCHEDULE

YEAR 1	\$65,000
YEAR 2	\$65,000
YEAR 3	\$65,000
YEAR 4	\$65,000
YEAR 5	\$65,000
YEAR 6	\$94,167
YEAR 7	\$94,167
YEAR 8	\$94,167
YEAR 9	\$94,167
YEAR 10	\$94,167
YEAR 11	\$94,167
YEAR 12	\$94,167
YEAR 13	\$94,167
YEAR 14	\$94,167
YEAR 15	\$94,167
YEAR 16	\$94,167
YEAR 17	\$94,167
YEAR 18	\$94,167
YEAR 19	\$94,167
YEAR 20	\$94,167
YEAR 21	\$94,167
YEAR 22	\$94,167
YEAR 23	\$94,167
YEAR 24	\$94,167
YEAR 25	\$94,167
YEAR 26	\$94,167
YEAR 27	\$94,167
YEAR 28	\$94,167
YEAR 29	\$94,167
YEAR 30	\$94,167
YEAR 31	\$94,167
YEAR 32	\$94,167
YEAR 33	\$54,167
YEAR 34	\$94,167
YEAR 35	\$94,167

32

First American Title Insurance Company

Commitment No. 01-5413-93

SCHEDULE C

All that certain lot, piece or porcol of land, with the buildings and improvements thereon erected, situate lying and being in the Township of Evesham County of Burlington and State of New Jersey:

TRACT I

BEGINNING at a point in the Northeasterly line of Horner Road (49.5 feet wide), said point being South 75 degrees 39 minutes 29 seconds East, measured along said Northeasterly line of Horner Road 320.00 feet from the Easterly line of the sight corner of New Jersey State Highway Route #73 (formerly S-41); thence

(1) along lands n/f Garden State Community Medical Center formerly G. &

V. Realty Company, North 13 degrees 20 minutes 30 seconds East, 726.00 feet to a point; thence

(2) parallel with Horner Road, South 76 degrees 39 minutes 29 seconds East, 720.00 feet to a point in the line of lands formerly Samuel Eves, now or formerly G. & V. Realty Company; thence

(3) along same, South 13 degrees 20 minutes 31 seconds West, 726.00 feet to a point in the aforesaid Northeasterly line of Horner Road; thence

(4) along same, North 76 degrees 39 minutes 29 seconds West, 720.00 feet to the place of beginning.

TRACT II

BEGINNING at a point in the line of land n/f Garden State Community Medical Center, formerly G. & V. Realty Co. corner to other lands of American Medicorp Dev. Co., said point being the following two (2) courses from the intersection of the Northeasterly line of Hornar Road (49.5 feet wide) with the Easterly line of the sight corner of N.O.S.H. Route 73,

(A) along the Northeasterly line of Horner Road, South 75 degrees 39 minutes 29 seconds East 320.00 feet to a point; thence

(B) along the division line between lands n/f Garden State Community Medical Center and other lands of American Medicorp Dev. Co. North 13 degrees 20 minutes 31 seconds East 726.00 feet to said place of beginning extending therefrom; thence

(1) along said lands of Garden State Community Medical center North 13 degrees 20 minutes 31 seconds East, 114.77 feet to a point in the line of lands of Evesham Township Board of Education; thence

(2) along said Board of Education, North 54 degrees 39 minutes 01 seconds East, 767.24 feet to a point; thence

Commitment No. 01-5413-93

SCHEDULE C

(Continued)

(3) along same South 64 degrees 35 minutes 18 seconds East 329.32 feet to a point in the line of lands n/f G. & V. Realty Co.; thence

(4) along said lands n/f G. & V. Realty Co., South 48 degrees 44 minutes 20 seconds West 187.32 feet to a point; thence

(5) along same South 13 degrees 20 minutes 31 seconds West, 469.54 feet to a point corner to other lands of American Medicorp Dev. Co.; thence

(6) along said other lands of American Medicorp Dev. Co. North 76 degrees 39 minutes 29 seconds West, 720.00 feet to the place of beginning.

BEING known as Lot 5A, Block 26 on the Tax Map of the Township of Evesham.

[FLOOR PLAN]

AMENDMENT NO. 1 TO
GROUND LEASE AGREEMENT

THIS AMENDMENT NO. 1 TO GROUND LEASE AGREEMENT ("FIRST AMENDMENT") is made and entered into as of November 29, 2001 by and between NATIONAL MEDICAL SPECIALTY HOSPITAL OF REDDING, INC., a California corporation ("LANDLORD"), and OCADIAN CARE CENTERS, INC., a California corporation formerly known as Guardian Postacute Services, Inc. ("TENANT"), with reference to the following facts:

A. Landlord and Tenant are parties to that certain Ground Lease Agreement dated November 14, 1997 ("LEASE"). Pursuant to the Lease, Tenant leases from Landlord the Land upon which Redding Specialty Hospital, a rehabilitation hospital owned by Tenant, is located.

B. Landlord and Tenant now desire to amend the Lease to extend the term thereof and to provide a new schedule of Minimum Rent for the Term as extended.

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows.

1. DEFINITIONS

Unless otherwise defined in this First Amendment, all capitalized terms used herein shall have the meanings given to them in the Lease.

2. TERM

Notwithstanding anything to the contrary contained in the Lease, the Term shall expire at 12:00 p.m. on November 16, 2075.

3. MINIMUM RENT

The schedule of Minimum Rent attached to the Lease as "EXHIBIT C" is hereby deleted and the schedule of Minimum Rent attached hereto as "REPLACEMENT EXHIBIT C" is substituted therefore.

4. EFFECT ON LEASE; GENERAL PROVISIONS

Except as set forth in this First Amendment, the terms and provisions of the Lease are hereby ratified and declared to be in full force and effect. This First Amendment shall be governed by the provisions of the Lease regarding governing law and successors and assigns. This First Amendment shall become effective upon its execution, which may occur in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Caption and paragraph headings are used herein for convenience only, are not a part of this First Amendment or the Lease as amended by this First

Amendment and shall not be used in construing either document. Each reference to the Lease in any agreement contemplated thereby or executed in connection therewith, whether or not accompanied by reference to this First Amendment, shall be deemed a reference to the Lease as amended by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment on the date written above.

LANDLORD:

NATIONAL MEDICAL SPECIALTY
HOSPITAL OF REDDING, INC.

By: /s/ Lawrence G. Hixon

Name: Lawrence G. Hixon
Title: Vice President

TENANT:

OCADIAN CARE CENTERS, INC.

By: _____
Name: _____
Title: _____

Amendment and shall not be used in construing either document. Each reference to the Lease in any agreement contemplated thereby or executed in connection therewith, whether or not accompanied by reference to this First Amendment, shall be deemed a reference to the Lease as amended by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment on the date written above.

LANDLORD:

NATIONAL MEDICAL SPECIALTY
HOSPITAL OF REDDING, INC.

By: _____
Name: Lawrence G. Hixon
Title: Vice President

TENANT:

OCADIAN CARE CENTERS, INC.

By: /s/ Robert G. Peirce

Name: Robert G. Peirce
Title : Chief Executive Officer

-2-

REPLACEMENT EXHIBIT C

Schedule of Minimum Rent

Minimum Rent

Year 1	15,815
Year 2	16,448
Year 3	17,106
Year 4	17,790
Year 5	18,501
Year 6	19,241
Year 7	20,011
Year 8	20,811
Year 9	21,644
Year 10	22,510
Year 11	23,410
Year 12	24,346
Year 13	25,320
Year 14	26,333
Year 15	27,386
Year 16	28,482
Year 17	29,621
Year 18	30,806
Year 19	32,038
Year 20	33,320
Year 21	34,653
Year 22	36,039
Year 23	37,480
Year 24	38,979
Year 25	40,539
Year 26	42,160
Year 27	43,847
Year 28	45,600
Year 29	47,424
Year 30	49,321
Year 31	51,294

Year 32	53,346
Year 33	55,480
Year 34	57,699
Year 35	60,007
Year 36	62,407
Year 37	64,904
Year 38	67,500
Year 39	70,200

Minimum Rent

Year 40	73,008
Year 41	75,928
Year 42	78,965
Year 43	82,124
Year 44	85,409
Year 45	88,825
Year 46	92,378
Year 47	96,073
Year 48	99,916
Year 49	103,913
Year 50	108,069
Year 51	112,392
Year 52	116,888
Year 53	121,563
Year 54	126,426
Year 55	131,483
Year 56	136,742
Year 57	142,212
Year 58	147,900
Year 59	153,816
Year 60	159,969
Year 61	166,368
Year 62	173,023
Year 63	179,944
Year 64	187,141
Year 65	194,627
Year 66	202,412
Year 67	210,508
Year 68	218,929
Year 69	227,686
Year 70	236,793
Year 71	246,265
Year 72	256,116
Year 73	266,360
Year 74	277,015
Year 75	288,095
Year 76	299,619
Year 77	311,604
Year 78	324,068

Recording Requested By and
When Recorded Return to: Chicago Title

Ervin, Cohen & Jessup LLP
9401 Wilshire Boulevard
Ninth Floor
Beverly Hills, CA 90212
Attn: Kenneth A. Luer, Esq.

RECORDED IN OFFICIAL RECORDS
OF SHASTA COUNTY, CALIFORNIA

46 MIN. PAST 2PM
NOV 17 1997

[ILLEGIBLE]
RECORDING FEES 20.00

Space Above Line for Recorder's Use Only

MEMORANDUM OF LEASE AGREEMENT

This Memorandum of Lease, made and agreed to as of the 12th day of November, 1997, by and between NATIONAL MEDICAL SPECIALTY HOSPITAL OF REDDING, INC., a California corporation ("Lessor"), and GUARDIAN POSTACUTE SERVICES, INC., a California corporation ("Lessee").

WITNESSETH

For and in consideration of the sum of One Dollar (\$1.00), the further consideration of the rents reserved and the covenants and conditions more particularly set forth in that certain Ground Lease Agreement between Lessor and Lessee of even date herewith ("Lease"), and other good and valuable consideration, the receipt of which is hereby acknowledged, Lessor and Lessee do hereby covenant, promise and agree as follows:

1. Lessor demises unto Lessee and Lessee takes from Lessor for the term hereinafter provided the land legally described as set forth in Exhibit A attached hereto and hereby incorporated herein by reference ("Leased Premises").

2. The Lease term shall commence on the date hereof and shall continue thereafter for a period of thirty (30) years from such date.

3. There are restrictions upon Lessee's right to assign all or any part of the Lease, or to sublet any space in the Leased Premises themselves, without Lessor's prior written consent, as provided in Article XII of the Lease.

4. The Lease contains an option to purchase the Leased Premises, as provided in Article XVII of the Lease.

5. This Memorandum of Lease Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

6. The sole purpose of this document is to give notice of the Lease and all of its terms, covenants and conditions to the same extent as if the Lease were fully set forth herein. The conditions, covenants and agreements contained in this document shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. All covenants and agreements of this instrument and the Lease shall run with the land.

7. This Memorandum of Lease Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, collectively, shall constitute one and the same document.

[This space intentionally left blank]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum of Lease Agreement as of November 12, 1997.

LANDLORD:

NATIONAL MEDICAL SPECIALTY
HOSPITAL OF REDDING, INC.,
a California corporation

By: /s/ Donald W. Thayer

Name: Donald W. Thayer
Its: Authorized Signatory

TENANT:

GUARDIAN POSTACUTE SERVICES, INC.,
a California corporation

By /s/ Hugh J. Van Ness

Name: HUGH J. VAN NESS
Its: CFO

The following land situated in the State of California, County of Shasta:

PARCELS A AND B AS SET FORTH AND SHOWN ON THAT CERTAIN MAP ENTITLED, "PARCEL MAP NO. LS 104-78 FOR DAVID LEE MCGEORGE AND SHIRLEY JEAN MCGEORGE, AS CO-TRUSTEES OF DAVES MAC., INC. PROFIT SHARING TRUST, BEING A PORTION OF TRACT E, DIVISION 2 OF THE P.B. READING GRANT, IN THE CITY OF REDDING, SHASTA COUNTY, CALIFORNIA" FILED IN THE OFFICE OF THE COUNTY RECORDER, FEBRUARY 7, 1979 IN BOOK 17 OF PARCEL MAPS AT PAGE 87, SHASTA COUNTY RECORDS EXCEPTING THEREFROM ALL BUILDINGS AND IMPROVEMENTS, WHICH ARE AND SHALL REMAIN REAL PROPERTY.

EXCEPTING FROM SAID PARCEL B ALL THAT PORTION CONVEYED TO THE CITY OF REDDING BY DEED RECORDED NOVEMBER 12, 1985 IN BOOK 2190 PAGE 500, SHASTA COUNTY RECORDS.

ASSESSOR'S PARCEL NUMBER 103-240-51.

FORM OF INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement"), dated as of _____, 20__, by and between Medical Properties Trust, Inc. a Maryland corporation (the "Company"), and _____ (the "Indemnitee").

RECITALS

WHEREAS, the Indemnitee is or has agreed to become a director or officer of the Company;

WHEREAS, the Company is aware that competent and experienced persons are increasingly reluctant to serve as directors or officers of corporations unless they are protected by comprehensive liability insurance and indemnification, due to the increased exposure to litigation costs resulting from such service and due to the fact that this exposure frequently bears no reasonable relationship to the compensation for such service;

WHEREAS, the Maryland General Corporation Law (the "Law") empowers the Company to indemnify by agreement its directors and officers;

WHEREAS, the Company believes that Indemnitee's service as a director or officer of the Company is or will be beneficial to the Company and desires that the Indemnitee continue to serve as or become a director or officer of the Company; and

WHEREAS, the Indemnitee is willing to continue to serve as or become a director or officer on the condition that the Indemnitee be indemnified and afforded rights to the advancement of expenses as provided in this Agreement and that the Company use reasonable good faith efforts to maintain liability insurance coverage.

NOW, THEREFORE, in order to induce the Indemnitee to continue to serve as or become a director or officer of the Company and in consideration for his service and of the covenants contained in this Agreement, the parties agree as follows:

1. Definitions. The following terms, as used herein, shall have the following respective meanings:

"Change of Control" means a change of control of the Company occurring after the date hereof of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change of Control shall be deemed to have occurred if after the date hereof (i) any "person" (as such term is used in Section 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing more than thirty percent (30%) of the combined voting power of the Company's then outstanding securities without the prior approval of at least a majority of the members of the Board of Directors in office immediately prior to such person attaining such percentage interest; (ii) there occurs a proxy contest, or the Company is a party to a merger,

consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least a majority of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) during any period of two (2) consecutive years, other than as a result of an event described in clause (ii) above, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

"Claim or Claims" includes without limitation any threatened, pending, or completed action, suit, or proceeding, whether civil, derivative, criminal, administrative, investigative, or otherwise, and includes any Claims by or in the right of the Company.

"D&O Insurance" means any directors and officers liability insurance issued to the Company.

"Expenses" means any reasonable expenses incurred by the Indemnatee as a result of a Claim or Claims made against him or for any act or omission, including, without limitation, any breach of duty, error, misstatement, misleading statement or otherwise, by the Indemnatee in his capacity as, or any Claim against the Indemnatee by reason of the fact that the Indemnatee is or was, a director or officer of the Company or, while serving as a director or officer of the Company, is or was serving at the request of the Company as a director, officer, partner, trustee, employee or agent of a corporation, partnership, joint venture, trust, other enterprise or employee benefit plan ("Enterprise"), including, without limitation, counsel fees and costs of investigative, judicial, or administrative proceedings and any appeals and reimbursement to the Indemnatee, at the rate of Two Thousand Dollars (\$2,000) per full day, for the time spent by the Indemnatee in defending any Claim at such times as the Indemnatee is not employed by the Company.

"Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five (5) years has been, retained to represent: (i) the Company or the Indemnatee in any matter material to either such party, or (ii) any other party to or witness in the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnatee in an action to determine the Indemnatee's rights under this Agreement. If a Change of Control has not occurred, Independent Counsel shall be selected by the Board of Directors by a majority vote of a quorum consisting of directors not, at the time, parties to the proceeding or, if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors duly so authorized consisting of two (2) or more and who were duly designated to act in the matter by majority vote of the full Board of Directors in which all directors may participate. If a Change of Control has occurred, Independent Counsel shall be selected by the Indemnatee, with the approval of the Board of Directors, which approval shall not be unreasonably withheld.

2

"Loss" means any amount which the Indemnatee is legally obligated to pay as a result of any Claim or Claims made against him for any act or omission, including, without limitation, any breach of duty, neglect, error, misstatement, misleading statement or otherwise, by the Indemnatee in his capacity as, or any Claim against the Indemnatee by reason of the fact that the Indemnatee is or was, a director or officer of the Company or, while serving as a director or officer of the Company, is or was serving at the request of the Company as a director, officer, partner, trustee, employee or agent of any Enterprise, including, without limitation, fines, damages, judgments, and sums paid in settlement of any Claim or Claims.

2. Indemnification. The Company shall, to the fullest extent permitted by Law and subject to the terms of this Agreement, indemnify and defend the Indemnatee and hold the Indemnatee harmless from and against any and all Losses and Expenses.

3. Advances of Expenses. In the event the Indemnatee is made party to, or threatened to be made party to, any Claim made against him for any act or omission or alleged act or omission (including, without limitation, any breach of duty, neglect, error, misstatement, misleading statement or otherwise) by the Indemnatee in his capacity as, or any Claim against the Indemnatee by reason of the fact that the Indemnatee is or was, a director or officer of the Company or, while serving as a director or officer of the Company, is or was serving at the request of the Company or a director, officer, partner, trustee, employee or agent of any Enterprise, the Company shall pay the Expenses incurred by the Indemnatee in connection with such Claim in advance of the final disposition of such Claim to the extent payments for such Expenses are not promptly received by the Indemnatee from D&O Insurance or other source of indemnity; provided that (i) the Indemnatee provides the Company with written affirmation that he has met the standard of conduct required for indemnification hereunder; and (ii) the

Indemnatee provides the Company with a written undertaking to repay the amount paid or reimbursed by the Company if it is ultimately determined that the Indemnatee has not met the standard of conduct required for indemnification hereunder. Such payments shall be made within twenty (20) days of the Indemnatee's written requests therefor.

4. Counsel and Defense. The Indemnatee shall promptly notify the Company of the commencement or threat of commencement of any Claim; provided, however, that the failure to give any such notice shall not disqualify the Indemnatee from the right, or otherwise affect in any manner any right of the Indemnatee, to indemnification or the advance of Expenses under this Agreement unless such failure is materially and adversely prejudicial to the Company, and then only to the extent the Company is thereby actually so prejudiced. The Indemnatee shall be entitled to defend the Claim with counsel selected by the Indemnatee, and the reasonable fees and expenses of such counsel shall be deemed Expenses hereunder, subject to indemnification and advance by the Company in accordance herewith, and, to the extent reasonably practicable, such counsel shall also represent the other directors and officers of the Company in such Claim who are parties thereto and similarly situated to the Indemnatee and with whom there is no conflict of interest. If requested by the Indemnatee, the Company shall assume the defense of the Claim with counsel reasonably satisfactory to the Indemnatee. The Company shall not be liable to the Indemnatee for any attorneys' fees incurred by the Indemnatee in connection with the defense of a Claim after the Indemnatee's receipt of notice of the Company's assumption of the defense thereof unless the Company fails in a timely manner to engage counsel to defend such Claim, in which case the reasonable fees and expenses of counsel selected by the Indemnatee shall be

3

deemed Expenses hereunder, subject to indemnification and advance by the Company in accordance herewith.

5. Settlement. The Company shall not be liable under this Agreement for amounts paid in any settlement of any Claim without its prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned. If the Company shall have assumed the defense of a Claim in accordance with Section 4 hereof, the Company shall be entitled to settle (and the Indemnatee shall reasonably cooperate with the Company with respect to such settlement) such Claim unless the Indemnatee reasonably objects to such settlement. For these purposes, without limiting the possible objections that may be asserted by the Indemnatee, an objection to any settlement that includes any express or implied admission of culpability by the Indemnatee or that fails to include the complete and unqualified general release of the Indemnatee for liability for any Claim made, or which could be made, by any adverse party to such Claim shall be deemed reasonable. The Company shall give the Indemnatee not less than twenty (20) days prior written notice of any proposed settlement, together with true and correct copies of any proposed agreements relating thereto.

6. Indemnification Procedure. All Losses and Expenses incurred by the Indemnatee in connection with a Claim which are subject to indemnification by the Company pursuant to the provisions of this Agreement shall be appropriately substantiated by the Indemnatee in accordance with the reasonable policies of the Company in effect from time to time. All payments on account of the Company's indemnification obligations under this Agreement, other than advances pursuant to Section 3, shall be made within sixty (60) days of the Indemnatee's written request therefor unless, prior to the expiration of such sixty (60) day period, a determination that the Indemnatee is not permitted to be indemnified under applicable law is made (i) if a Change of Control shall have occurred, by Independent Counsel in a written opinion to the Company, a copy of which shall be delivered to the Indemnatee; or (ii) if a Change of Control shall not have occurred (A) by the Board of Directors by a majority vote of a quorum consisting of directors not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a committee of the Board consisting solely of two (2) or more directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full Board of Directors in which all directors may participate; (B) by an Independent Counsel; (C) by the stockholders; or (D) by a final order by a court of competent jurisdiction from which there is no further right of appeal. Notwithstanding the foregoing provisions of this Section 6, a determination pursuant to clause (ii)(A), (ii)(B) or (ii)(C) above that the Indemnatee is not entitled to indemnification under applicable law shall not be binding on the Indemnatee and shall not create any presumption that the Indemnatee has not met the applicable standard of conduct required by applicable law if, within ninety

(90) days of the Indemnatee's receipt of written notice of such determination, the Indemnatee commences legal proceedings in a court of competent jurisdiction seeking a determination that the Indemnatee would be entitled to indemnification by the Company under applicable law. In such event, the Company shall have the burden of proving that indemnification of the Indemnatee is not required under this Agreement, and the final disposition of such proceeding (whether by settlement or judicial determination as to which all rights of appeal therefrom have been taken or lapsed) shall be binding on the parties. During the pendency of any such proceeding (and any appeal therefrom) and until its final disposition, the Company shall pay the Indemnatee all of the expenses of such proceeding. In the event that any action is instituted in which the Indemnatee

4

seeks indemnification under this Agreement, or to enforce or interpret any of the terms of this Agreement, the Indemnatee shall be entitled to be paid all costs and expenses, including reasonable attorneys' fees and costs, incurred by the Indemnatee with respect to such action, unless the court determines that such action was not brought in good faith or was frivolous. The Indemnatee hereby undertakes to repay the Company for all advances in connection with such proceeding if it shall ultimately be determined in such proceeding and all appeals therefrom that the Indemnatee is not entitled to indemnification hereunder.

7. Indemnification of Successful Party. Notwithstanding the other provisions of this Agreement, to the extent that the Indemnatee has been successful on the merits or otherwise (including without limitation, the dismissal of any action without prejudice) in defense of any Claim, he shall be indemnified by the Company against all Expenses actually incurred by him or on his behalf in connection therewith.

8. Partial Indemnification. If the Indemnatee is entitled to indemnification hereunder by the Company for a portion of the Losses and Expenses incurred by him in connection with a Claim, but not for the total amount thereof, the Company shall nevertheless indemnify the Indemnatee for the portion of such Losses and Expenses for which the Indemnatee is entitled to indemnification hereunder.

9. Payment of Expenses as a Witness. The Company shall pay or reimburse Indemnatee for all expenses incurred by him in connection with his appearance, or preparation to appear, as a witness in any proceeding by reason of the fact that Indemnatee is or was a director or officer of the Company or, while serving as a director or officer of the Company, is or was serving at the request of the Company as a director, officer, partner, trustee, employee or agent of any Enterprise and in which he is not a named defendant or respondent.

10. D&O Insurance.

(a) While the Indemnatee is serving as a director or officer of the Company and thereafter so long as the Indemnatee may be subject to any Claim by reason of the fact that he was a director or officer of the Company, the Company shall, subject to Section 10(b) below, provide and maintain D&O Insurance, with the Indemnatee named as an insured with the same rights and benefits as are accorded to the most favorably insured of the Company's directors or officers, with coverage amounts not less than, and upon terms no less favorable than, as provided in the D&O Insurance policy presently in effect and covering the Indemnatee and with an insurance carrier no less reputable than the insurance carrier currently issuing such present D&O Insurance policy. The Company shall give prompt notice to the D&O Insurance carrier of the commencement of any Claim in accordance with the procedures set forth in the policy. The Company shall thereafter take all necessary or desirable action to cause such insurer to pay, on behalf of the Indemnatee, all amounts payable as a result of the Claim in accordance with the terms of such policy. The Indemnatee shall cooperate in good faith with the requirements of any D&O Insurance policy maintained by the Company and insuring the Indemnatee in connection with any Claim. Notice of termination or failure to renew of the D&O Insurance shall be provided to the Indemnatee promptly upon the Company's becoming aware of such termination or failure to renew.

5

(b) Notwithstanding the provisions of Section 10(a), the Company shall have no obligation to obtain or maintain D&O Insurance if the Company, acting

through its Board of Directors, determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or the Indemnatee is covered by similar insurance maintained by an Enterprise. In the event the Company (i) makes any such determination or (ii) is notified by the D & O Insurance carrier that such carrier is terminating or not renewing the D & O Insurance coverage, the Company shall promptly give notice of such determination or such notification, as the case may be, to the Indemnatee.

(c) Notwithstanding any other provision hereof, the Company shall not be obligated to make any separate payments to the Indemnatee for Expenses or Losses to the extent that D&O Insurance covers such Expenses or Losses and the carrier of the D&O Insurance makes payment for such Expenses or Losses directly to the Indemnatee. To the extent that any payment payable by the carrier of the D&O Insurance in respect of such Expenses or Losses has previously been paid or advanced to the Indemnatee by the Company, the parties agree that the Company shall be subrogated to the rights of the Indemnatee to receive such payments from the D&O Insurance carrier and that the Indemnatee will take all actions reasonably necessary to turn over or otherwise cause the Company to receive such payment from the D&O Insurance carrier.

11. Repayment of Losses and Expenses. Except as otherwise provided in Section 10(c), the Indemnatee hereby agrees to repay the Company for all Losses and Expenses paid by the Company only if, and to the extent that, it shall be ultimately determined, in accordance with the provisions of Section 6 hereof, that the Indemnatee is not entitled to indemnification under this Agreement.

12. Nonexclusivity; Exceptions.

(a) The indemnification and advancement of Losses and Expenses provided by or granted pursuant to this Agreement shall not be deemed exclusive of any other rights to which the Indemnatee may be entitled under the Charter of the Company or any bylaw, agreement, contract, vote of stockholders or disinterested directors, or pursuant to Maryland law or the direction of any court of competent jurisdiction.

(b) The Company shall not be obligated to indemnify the Indemnatee against Losses or Expenses or advance Expenses to the Indemnatee (i) with respect to any proceeding or claim initiated or brought voluntarily by the Indemnatee and not by way of defense, except as otherwise provided in Section 6 above, (ii) if a determination is made or provided in Section 6 that the Indemnatee is not entitled to indemnification under applicable law; or (iii) in which a judgment is rendered against the Indemnatee for an accounting of profits from the purchase or sale by the Indemnatee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto.

13. Changes in Law. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the right of a Maryland corporation to indemnify a member of its board of directors or an officer, such change shall be deemed to be

within the purview of the Indemnatee's rights and the Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Maryland corporation to indemnify a member of its board of directors or an officer, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' respective rights and obligations hereunder.

14. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall any such waiver constitute a continuing waiver.

15. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever, then: (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any sections of this Agreement containing any such provision held to be invalid, illegal, or

unenforceable that are not themselves invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any sections of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

16. Subrogation. In the event of any payment by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the Indemnatee's rights of recovery, and the Indemnatee shall execute all documents required and shall do all acts that may be necessary or desirable to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

17. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and both of which together shall be deemed to constitute one and the same agreement.

18. Successors and Assigns. This Agreement shall be binding upon the Company, its successors and assigns (including, without limitation, any transferee of all or substantially all of its assets and any successor by merger or operation of law) and shall inure to the benefit of the Indemnatee, his or her heirs, personal representatives and assigns.

19. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given: (a) if delivered by hand and signed for by the party addressee; (b) if mailed by certified mail, with postage prepaid and addressed to the Company at its principal address or to the Indemnatee at the address shown on the signature page hereof (or at such other address as provided to the Company by notice pursuant to this Section 19), on the third business day after the mailing date; (c) if sent via express overnight courier to the address provided for in clause (b) above, on the first business day after deposit with such express overnight courier.

7

20. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Maryland, as applied to contracts between Maryland residents entered into and to be performed entirely within Maryland.

IN WITNESS WHEREOF, the parties have entered into this Agreement effective as of the date first written above.

MEDICAL PROPERTIES TRUST, INC.

By: _____
Its: _____

INDEMNITEE

Address: _____

8

Medical Properties Trust, Inc.

List of Subsidiaries

Medical Properties Trust, LLC

MPT Operating Partnership, L.P.

MPT Development Services, Inc.

MPT of West Houston MOB, LLC

MPT of West Houston, MOB, L.P.

MPT of West Houston Hospital, LLC

MPT of West Houston Hospital, L.P.

MPT of Bucks County, LLC

MPT of Bucks County, L.P.

MPT of Bucks County MOB, LLC

MPT of Bucks County MOB, L.P.

MPT of Bucks County Hospital, LLC

MPT of Bucks County Hospital, L.P.

MPT of North Cypress, LLC

MPT of North Cypress, L.P.

MPT Finance Company, LLC

4499 Acushnet Avenue, LLC

1300 Campbell Lane, LLC

8451 Pearl Street, LLC

92 Brick Road, LLC

Kentfield THCI Holding Company, LLC

MPT of California, LLC

7173 North Sharon Avenue, LLC

San Joaquin Health Care Associates, Limited Partnership

MPT of Victorville, LLC

MPT of Bloomington, LLC

MPT of Redding, LLC

MPT of Covington, LLC

MPT of Denham Springs, LLC