MEDICAL PROPERTIES TRUST INC
Form S-11/A
June 03, 2005

REGISTRATION NO. 333-119957

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 3, 2005.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 4

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
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(Name, address, including zip code, and telephone number, including area code, of agent for service)
WITH A COPY TO:

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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 REG
Common Stock, $.001 par value..................	$175,000,000	$2

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

(2) Previously paid.

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

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

SUBJECT TO COMPLETION, DATED JUNE 3, 2005

PROSPECTUS

11,365,000 SHARES OF COMMON STOCK

(MEDICAL PROPERTIES TRUST LOGO)

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

This is our initial public offering of common stock. No public market currently exists for our common stock. We are offering 11,365,000 shares of common stock and shares of common stock are being offered by the selling stockholders described in this prospectus. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

We expect the initial public offering price to be between $10.00 and $12.00 per share. We have applied to list our common stock on the New York Stock Exchange under the symbol "MPW."

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

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

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

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

- Our facilities are currently leased to three tenants, two of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of loan commitment fees and repayment of loans we have made or intend to make to them, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

- Development and construction risks, including delays in construction, exceeding original estimates and failure to obtain financing, could adversely affect our ability to make distributions to our stockholders.

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

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

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

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

- Common stock eligible for future sale, including up to shares that may be resold by our existing stockholders upon effectiveness of our resale registration statement, may result in increased selling which may have an adverse effect on our stock price.

- If you purchase common stock in this offering, you will experience immediate dilution of approximately $ in net tangible book value per share.

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

The underwriters may also purchase up to an additional 1,704,750 shares of common stock from us at the public offering price, less the underwriting discount, within 30 days after the date of this prospectus solely to cover over-allotments, if any.

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

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

FRIEDMAN BILLINGS RAMSEY JPMORGAN

THE DATE OF THIS PROSPECTUS IS , 2005.

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SUMMARY

The following summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus, including "Risk Factors" and our financial statements and pro forma financial information and related notes appearing elsewhere in this prospectus, before making a decision to invest in our common stock. In this prospectus, unless the context suggests otherwise, references to "MPT," "the company," "we," "us" and "our" mean Medical Properties Trust, Inc., including our operating partnership, MPT Operating Partnership, L.P., its general partner and our wholly-owned limited liability company,

Medical Properties Trust, LLC, as well as our other direct and indirect subsidiaries. Unless otherwise indicated, the information included in this prospectus assumes no exercise by the underwriters of their over-allotment option to purchase up to an additional 1,704,750 shares of common stock and that the common stock to be sold in this offering is sold at $11.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus.

OUR COMPANY

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

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

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

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

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

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

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

OUR PORTFOLIO

OUR CURRENT PORTFOLIO OF FACILITIES

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

Operating Facilities

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	2004 ANNUALIZED BASE RENT	2005 CONTRACTU BASE RENT(2)
Bowling Green, Kentucky..............	Rehabilitation hospital	Vibra Healthcare,			

		LLC(4)	60	$ 3,916,695	$ 4,294,9
Marlton, New Jersey(5).............	Rehabilitation(6) hospital	Vibra Healthcare, LLC(4)	76	3,401,791	3,730,3
Victorville, California(7)..........	Community hospital/medical office building	Desert Valley Hospital, Inc.	83	--	2,341,0
New Bedford, Massachusetts..........	Long-term acute care hospital	Vibra Healthcare, LLC(4)	90	2,262,979	2,426,3
Fresno, California......	Rehabilitation hospital	Vibra Healthcare, LLC(4)	62	1,914,829	2,099,7
Thornton, Colorado......	Rehabilitation hospital	Vibra Healthcare, LLC(4)	117	870,377	933,2

Operating Facilities

LOCATION	GROSS PURCHASE PRICE(3)	LEASE EXPIRATION
Bowling Green, Kentucky...............	$ 38,211,658	July 2019
Marlton, New Jersey(5).............	32,267,622	July 2019
Victorville, California(7)..........	28,000,000	February 2020
New Bedford, Massachusetts..........	22,077,847	August 2019
Fresno, California......	18,681,255	July 2019
Thornton, Colorado......	8,491,481	August 2019

Operating Facilities

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

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	2004 ANNUALIZED BASE RENT	2005 CONTRACTU BASE RENT(2)
Kentfield, California...	Long-term acute care hospital	Vibra Healthcare, LLC(4)	60	783,339	858,9
TOTAL..................	--	--	548	$13,150,010	$16,684,6

Operating Facilities

LOCATION	GROSS PURCHASE PRICE(3)	LEASE EXPIRATION
Kentfield, California...	7,642,332	July 2019
TOTAL..................	$155,372,195	--

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(1) Based on the number of licensed beds.

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

(3) Includes acquisition costs.

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

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

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

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

Facilities Under Development

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	2004 ANNUALIZED BASE RENT	2005 CONTRACTU BASE RENT(2)
Houston, Texas..........	Community hospital(4)	Stealth, L.P.	105(5)	$ --	$ 772,1

Location					
Houston, Texas..........	Medical office building(7)	Stealth, L.P.	n/a	--	670,8
TOTAL..................	--	--	105	$ --	$ 1,443,0

LOCATION	PROJECTED DEVELOPMENT COST(3)	LEASE EXPIRATION
Houston, Texas..........	$ 43,099,310	October 2020(6)
Houston, Texas..........	20,855,119	August 2015(8)
TOTAL..................	$ 63,954,429	--

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(1) Based on the number of licensed beds.

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

(3) Includes acquisition costs.

(4) Expected to be completed in October 2005.

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

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

(7) Expected to be completed in August 2005.

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

OUR CURRENT LOANS AND FEES RECEIVABLE

At the time we acquired the Vibra Facilities, we made a secured acquisition

loan to Vibra, the parent entity of our current tenants in those facilities, to enable Vibra to acquire the healthcare operations at these locations. The principal balance of this loan is approximately $41.4 million and is to be repaid over 15 years. Payment of the acquisition loan is secured by pledges of membership interests in Vibra and its subsidiaries. In addition, we have obtained guaranty agreements from Brad E. Hollinger, the principal owner of Vibra, Vibra Management, LLC and The Hollinger Group that obligate them to make loan payments in the event that Vibra fails to do so. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the loan obligations. Mr. Hollinger's guaranty is limited to $5.0 million, and Vibra Management, LLC and The Hollinger Group do not have substantial assets. Vibra pays interest on this loan at an annual rate of 10.25% with interest only for the first three years and the principal balance amortizes over the remaining 12 year period. The acquisition loan may be prepaid at any time without penalty. In connection with the Vibra transactions, Vibra agreed to pay us commitment fees of approximately $1.5 million. We also made secured loans totaling approximately $6.2 million to Vibra and its subsidiaries for working capital purposes. The commitment fees were paid, and the working capital loans were repaid, on February 9, 2005.

In connection with the development of the West Houston Facilities, Stealth has agreed to pay us a commitment fee of approximately $932,125, to be paid over 15 years following completion of the West

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

OUR PENDING ACQUISITIONS AND DEVELOPMENTS

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

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

Operating Facilities -- Acquisitions

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	YEAR ONE CONTRACTUAL BASE RENT	ANNU MINI INCREA REN
Covington, Louisiana*............	Long-term acute care hospital	Gulf States Long Term Acute Care of Covington, L.L.C.	58	$1,170,750(2)	2.5
Denham Springs, Louisiana*........	Long-term acute care hospital	Gulf States Long Term Acute Care of Denham Springs, L.L.C.	59	630,000(2)	2.5
TOTAL............................			117	$1,800,750	

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* Under letter of commitment.
(1) Based on the number of licensed beds.

(2) Year One is the 12 month period commencing on an expected closing date in June 2005.

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

(4) The lease expiration is based upon a 15 year term commencing on an expected closing date in June 2005.

Operating Facility -- Loan with Purchase Option

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	YEAR CONTR INTE
Hammond, Louisiana*(2)...........................	Long-term acute care hospital	Hammond Rehabilitation Hospital, LLC	40	$840

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* Under letter of commitment.

(1) Based on the number of licensed beds.

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

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

Development Facilities

	TYPE	TENANT	NUMBER OF BEDS(1)	ANNUA MINIM INCREAS RENT
Bensalem, Pennsylvania**......................	Women's hospital/ medical office building	Bucks County Oncoplastic Institute, LLC	30	2.5
Bloomington, Indiana*........................	Community hospital	Monroe Hospital, LLC	32	2.5
Houston, Texas*..............................	Community hospital	North Cypress Medical Center Operating Company, Ltd.	64	2.5
TOTAL...	--	--	126	

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* Under letter of commitment.

** Under contract.
(1) Based on the number of licensed beds.
(2) The annual rent increase is the greater of 2.5% and any change in the CPI.

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

OUR ACQUISITION AND DEVELOPMENT PIPELINE

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

OUR DEBT

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

We borrowed $75.0 million from Merrill Lynch Capital under a loan agreement with a term of three years for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (3.15% at June 2, 2005) plus 300 basis points. The loan is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants. There was $74.1 million outstanding under this loan as of March 31, 2005. We have accepted a term sheet from Merrill Lynch Capital for an up to $100.0 million senior secured revolving credit facility with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. If we enter into this facility, during the term of the loan we will have the right to increase the amount available under the facility by an amount up to $75.0 million, subject to no event of default continuing or occurring at the time of our request to increase the amount.

We have also entered into construction loan agreements in an aggregate amount of $43.4 million with Colonial Bank to fund construction costs for the West Houston Facilities being developed in Houston, Texas. Each construction loan has a term of up to 18 months and an option on the part of the borrower to convert the loan to a 30-month term loan upon completion of construction of the West Houston Facility securing that loan. The loans are secured by mortgages on the West Houston Facilities, as well as assignments of rents and leases on those facilities, and require us to comply with certain financial

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covenants. The loans bear interest at one month LIBOR plus 225 basis points during the construction period and one month LIBOR plus 250 basis points thereafter. The Colonial Bank loans are cross-defaulted. As of the date of this

prospectus, we have made no borrowings under the Colonial Bank loans.

COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

strengthening our relationship with the local physician community.

SUMMARY RISK FACTORS

You should carefully consider the matters discussed in the section "Risk Factors" beginning on page 16 prior to deciding whether to invest in our common stock. Some of these risks include:

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

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

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

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

- Failure by our tenants to repay loans currently outstanding or loans we have committed to make or to pay us commitment and other fees that they are obligated to pay, in an aggregate amount of approximately $44.1 million, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

- Our facilities are currently leased to only three tenants, two of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of commitment fees and repayment of loans we have made or intend to make to them, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

- Development and construction risks, including delays in construction, exceeding original estimates and failure to obtain financing, could adversely affect our ability to make distributions to our stockholders.

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

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

- Our use of debt financing will subject us to significant risks, including foreclosure and refinancing risks and the risk that debt service obligations will reduce the amount of cash available for distribution to our stockholders. We have entered into loan agreements pursuant to which we may borrow up to $117.5 million, $74.1 million of which was outstanding as of March 31, 2005. Our charter and other organizational documents do not limit the amount of debt we may incur.

- Provisions of Maryland law, our charter and our bylaws may prevent or deter changes in management and third-party acquisition proposals that you may believe to be in our best interest, depress our stock price or cause dilution.

- We depend on key personnel, the loss of any one of whom could threaten our ability to operate our business successfully.

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

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

- There is currently no public market for our common stock, and an active trading market for our common stock may never develop.

- Common stock eligible for future sale, including up to shares that may be resold by our existing stockholders upon effectiveness of our resale registration statement, may result in increased selling which may have an adverse effect on our stock price.

- Our engagement agreement with Friedman, Billings, Ramsey & Co., Inc. may preclude us from engaging investment banking firms other than Friedman, Billings, Ramsey & Co., Inc, until April 7, 2006 for future financing and other strategic transactions, and Friedman, Billings, Ramsey & Co., Inc. has an interest in this offering other than underwriting discounts and commissions.

- If you purchase common stock in this offering, you will experience immediate dilution of approximately $2.04 in net tangible book value per share.

MARKET OPPORTUNITY

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

To satisfy this growing demand for healthcare services, a significant amount of new construction of healthcare facilities has been undertaken, and we expect significant construction of additional healthcare facilities in the future. In 2003 alone, $24.5 billion was spent on the construction of healthcare

facilities, according to CMS. This represented more than a 9% increase over the $22.4 billion in healthcare construction spending for 2002. We believe that a significant part of this healthcare construction spending was for the types of facilities that we target.

OUR TARGET FACILITIES

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

- Rehabilitation Hospitals: Rehabilitation hospitals provide inpatient and outpatient rehabilitation services for patients recovering from multiple traumatic injuries, organ transplants, amputations, cardiovascular surgery, strokes, and complex neurological, orthopedic, and other conditions. These hospitals are often the best medical alternative to traditional acute care hospitals where under the Medicare prospective payment system there is pressure to discharge patients after relatively short stays.

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

- Regional and Community Hospitals: We define regional and community hospitals as general medical/surgical hospitals whose practicing physicians generally serve a market specific area,

whether urban, suburban or rural. We intend to limit our ownership of these facilities to those with market, ownership, competitive or technological characteristics that provide barriers to entry for potential competitors.

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

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

- Other Single-Discipline Facilities: The decentralization and specialization trends in the healthcare industry are also creating demands and opportunities for physicians to practice in hospital

facilities in which the design, layout and medical equipment are specifically developed, and healthcare professional staff are educated, for medical specialties. These facilities include heart hospitals, ophthalmology centers, orthopedic hospitals and cancer centers.

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

OUR FORMATION TRANSACTIONS

The following is a summary of our formation transactions:

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

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

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

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

approximately $155.4 million to acquire our seven existing facilities, have loaned $47.6 million to Vibra to acquire the operations at the Vibra Facilities and for working capital purposes, $6.2 million of which has been repaid, and have funded approximately $35.1 million of a projected total of approximately $63.1 million of development costs for the West Houston Facilities. There are approximately 316 beneficial holders of our common stock as of the date of this prospectus.

OUR STRUCTURE

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

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

(CHART)

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

REGISTRATION RIGHTS AND LOCK-UP AGREEMENTS

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

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

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

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

SELLING STOCKHOLDERS

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

RESTRICTIONS ON OWNERSHIP OF OUR COMMON STOCK

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

DISTRIBUTION POLICY

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

The table below is a summary of our distributions.

DISTRIBUTION PER SHARE

DECLARATION DATE	RECORD DATE	DATE OF DISTRIBUTION	OF COMMON STOCK
May 19, 2005	June 20, 2005	July 14, 2005	$0.16
March 4, 2005	March 16, 2005	April 15, 2005	$0.11
November 11, 2004	December 16, 2004	January 11, 2005	$0.11
September 2, 2004	September 16, 2004	October 11, 2004	$0.10

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

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THE OFFERING

Shares of common stock offered by us(1)...................... 11,365,000 shares

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

Shares of common stock to be outstanding after this offering(1)(2)................ 37,635,862 shares

Use of Proceeds............... The net proceeds to us from the sale of the shares of common stock offered by this prospectus, after deducting the underwriting discount and the estimated offering expenses payable by us, will be approximately $115.0 million, or approximately $132.3 million if the underwriters exercise their over-allotment option in full. We intend to use the net proceeds as follows:

- approximately $51.0 million to fund the development of a community hospital in Houston, Texas that we have under letter of commitment;

- approximately $38.0 million to fund the development of a women's hospital and

integrated medical office building in Bensalem, Pennsylvania that we have under contract;

- approximately $18.0 million to fund a portion of the development costs of a community hospital in Bloomington, Indiana that we have under letter of commitment; and

- approximately $8.0 million to lend to Hammond Properties pursuant to a mortgage loan we have entered into a letter of commitment to provide.

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

Proposed NYSE symbol.......... MPW

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(1) Excludes up to 1,704,750 shares of common stock that may be issued by us upon exercise of the underwriters' overallotment option.

(2) Based on 26,164,862 shares outstanding as of June 2, 2005. Includes 106,000 shares of restricted common stock to be awarded upon completion of this offering under our Amended and Restated 2004 Equity Incentive Plan, which we refer to in this prospectus as our equity incentive plan. Excludes (i) 100,000 shares of common stock issuable upon the exercise of stock options granted to our independent directors under our equity incentive plan, one-third of which are vested; (ii) 5,000 shares of common stock issuable in October 2007 and 7,500 shares of common stock issuable in March 2008 pursuant to deferred stock units awarded under our equity incentive plan to our independent directors; (iii) 35,000 shares of common stock issuable upon the exercise of a warrant granted to an unaffiliated third-party; and (iv) 490,680 shares of common stock available for future awards under our equity incentive plan.

TAX STATUS

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

SUMMARY FINANCIAL INFORMATION

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

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

The unaudited pro forma consolidated balance sheet data as of March 31, 2005 are presented as if completion of this offering and completion of our probable acquisitions had occurred on March 31, 2005.

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

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
OPERATING INFORMATION:				
Revenues				
Rent income....................	$ 6,669,856	$ 5,268,490	$ 25,101,257	$ 8,611,344
Interest income from loans......	1,212,038	1,212,038	5,037,049	2,282,115

Total revenues.................	7,881,894	6,480,528	30,138,306	10,893,459
Operating expenses				
Depreciation and amortization...	1,130,162	842,407	4,520,645	1,478,470
General and administrative......	1,698,249	1,698,249	5,057,284	5,057,284
Total operating expenses........	2,880,972	2,593,217	10,350,278	7,214,601
Operating income................	5,000,922	3,887,311	19,788,028	3,678,858
Net other income (expense)......	(327,377)	(327,377)	897,491	897,491
Net income........................	4,673,545	3,559,934	20,685,519	4,576,349
Net income per share, basic and diluted........................	0.12	0.14	0.67	0.24
Weighted average shares outstanding -- basic............	37,652,195	26,099,195	30,863,833	19,310,833
Weighted average shares outstanding -- diluted..........	37,656,259	26,103,259	30,865,634	19,312,634

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	AS OF MARCH 31, 2005		A DECEMBE
	PRO FORMA	HISTORICAL	HIST
BALANCE SHEET INFORMATION:			
Gross investment in real estate assets.........	$219,914,624	$192,129,624	$151,
Net investment in real estate.................	217,593,747	189,808,747	150,
Construction in progress......................	36,757,429	36,757,429	24,
Cash and cash equivalents.....................	162,226,562	82,053,255	97,
Loans receivable..............................	42,498,111	42,498,111	50,
Total assets..................................	434,262,386	326,304,079	306,
Total debt....................................	74,141,667	74,141,667	56,
Total liabilities.............................	89,178,201	92,047,316	73,
Total stockholders' equity....................	343,321,685	232,494,263	231,
Total liabilities and stockholders' equity.....	434,262,386	326,304,079	306,

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBE 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORIC
OTHER INFORMATION:				
Funds from operations(2)............	$5,803,707	$ 4,402,341	$25,206,164	$ 6,054
Cash Flows:				
Provided by operating activities.....................		1,643,836		9,918
Used for investing activities.....		(32,729,071)		(195,600
Provided by financing activities.....................		15,594,813		283,125

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

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

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

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR TH DECEMB
	PRO FORMA	HISTORICAL	PRO FORM
FUNDS FROM OPERATIONS:			
Net income	$4,673,545	$3,559,934	$20,685,5
Depreciation and amortization	1,130,162	842,407	4,520,64
Funds from operations	$5,803,707	$4,402,341	$25,206,1

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RISK FACTORS

An investment in our common stock involves a number of risks. Before making an investment decision, you should carefully consider all of the risks described

below and the other information contained in this prospectus. If any of the risks discussed in this prospectus actually occurs, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, the value of our common stock could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND GROWTH STRATEGY

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

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

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

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

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

Our future success depends in large part on our ability to continue to grow our business through the acquisition or development of additional facilities. We cannot assure you that we will acquire or develop any of the Pending Acquisition and Development Facilities on the terms described, or at all, because each of these transactions is subject to a variety of conditions, including, in the case of facilities under contract, our satisfactory completion of due diligence and the satisfaction of customary closing conditions, including the obtaining of any required government approvals and consents and, in the case of facilities under letters of commitment, execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third-party reports, receipt of government and third-party approvals and consents, approval by our board of directors and other customary closing conditions. In addition, our development of one of the Pending Acquisition and Development Facilities is dependent upon our proposed tenant's completion of the acquisition of the property on which the facilities are to be built from the current owner. We have incurred losses of $585,345 in connection with acquisitions that we were unable to complete, consisting primarily of legal fees, costs of third-party reports and travel expenses. If we are unsuccessful in completing the acquisition or development of additional facilities in the

future, we will incur similar costs without achieving corresponding revenues, our future operating results will not meet expectations and our ability to make distributions to our stockholders will be adversely affected.

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

We have entered into letter agreements with DVH to fund a $20.0 million expansion of the Desert Valley Facility and with DSI to fund $50.0 million of acquisitions and development facilities. Our funding of the expansion of the Desert Valley Facility is subject to receipt of a development agreement from DVH which we may not receive until February 28, 2006. DVH is not obligated to present us with a development agreement, and, if it does not, we have no obligation to provide funding to DVH for the expansion. If we enter into a development agreement, we may not begin construction on the expansion for several months after that time and the expansion could take up to approximately one year to complete. Any acquisition or development of facilities pursuant to the DSI commitment is subject to DSI's identification, and our approval, of acquisition or development facilities. DSI is not required to identify facilities for acquisition or development and, if it does not, we have no obligation to provide funding to DSI. We have also entered into arrangements with Vibra and Prime Healthcare to acquire hospital facilities in California for an aggregate amount of $45.8 million, subject to our tenants' acquisition of those facilities. One of those potential tenants only has a non-binding letter of intent to acquire the property we intend to purchase from it and the other has no agreement or letter of intent to acquire the property. Each of these arrangements is subject to a number of additional conditions. Thus we may not engage in any of these transactions in the near future, or at all, and may not in the near future, or ever, generate any revenues from these arrangements.

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

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

WE EXPECT TO CONTINUE TO EXPERIENCE RAPID GROWTH AND MAY NOT BE ABLE TO ADAPT OUR MANAGEMENT AND OPERATIONAL SYSTEMS TO INTEGRATE THE NET-LEASED FACILITIES WE HAVE ACQUIRED AND ARE DEVELOPING OR THOSE THAT WE MAY ACQUIRE OR DEVELOP IN THE

FUTURE WITHOUT UNANTICIPATED DISRUPTION OR EXPENSE.

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

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

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

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

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

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

On March 31, 2005, the leases for the Vibra Facilities were amended to provide (i) that the testing of certain financial covenants will be deferred until the quarter beginning July 1, 2006 and ending September 30, 2006, (ii) that these same financial covenants will be tested on a consolidated basis for all of the Vibra Facilities, (iii) that the reduction, based on loan principal reductions, in the rate of percentage rent will be made on a monthly rather than annual basis and (iv) that Vibra will escrow insurance premiums and taxes at our

request. Prior to execution of this amendment, Vibra was not in compliance with certain of the financial covenants in all of its leases with us.

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

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

In connection with the acquisition of the Vibra Facilities, our taxable REIT subsidiary made a secured loan to Vibra of approximately $41.4 million to acquire the operations at the Vibra Facilities. Payment of this loan is secured by pledges of equity interests in Vibra and its subsidiaries that are tenants of ours. The Vibra leases and loan are cross-defaulted. If Vibra defaulted on this loan, our primary recourse would be to foreclose on the equity interests in Vibra and its affiliates. This recourse may be impractical because of limitations imposed by the REIT tax rules on our ability to own these interests. Failure to adhere to these limitations could cause us to lose our REIT status. We have obtained guaranty agreements from Mr. Hollinger, Vibra Management, LLC and The Hollinger Group that obligate them to make loan payments in the event that Vibra fails to do so. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the loan obligations. Mr. Hollinger's guaranty is limited to $5.0 million and Vibra Management, LLC and The Hollinger Group do not have

substantial assets. Vibra has entered into a $14 million credit facility with Merrill Lynch, and that loan is secured by an interest in Vibra's receivables. There was approximately $11 million outstanding under the facility on March 31, 2005. At March 31, 2005, Vibra was not in compliance with a facility rent coverage covenant under its Merrill Lynch credit facility. The Merrill Lynch credit facility documents were subsequently amended to retroactively change the rent coverage covenant from a by-facility rent coverage to a consolidated rent coverage calculation, so that Vibra was in compliance with the amended covenant at March 31, 2005. Our loan is subordinate to Merrill Lynch with respect to Vibra's receivables.

We have also agreed to make a working capital loan to Stealth of up to $1.62 million, although no amounts have been loaned to date. Stealth also owes us commitment and other fees of approximately $1.1 million. Payment of these fees and loan amounts is unsecured. We have also agreed to make a mortgage loan in the amount of $8.0 million to Hammond Properties. We are dependent upon the ability of these two tenants and Hammond Properties to repay these loans and

fees. Failure by these tenants or Hammond Properties to meet these obligations would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

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

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

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

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

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

Our existing facilities and the facilities we have under development are currently leased to subsidiaries of Vibra, DVH and Stealth. Vibra and Stealth were recently organized, have limited or no operating histories and Vibra was dependent on us for an aggregate amount of $47.6 million in loans to acquire

operations at the facilities and for initial working capital needs. As of December 31, 2004, Vibra had total assets of approximately $59 million (of which approximately $28.8 million were goodwill and other intangible assets), total liabilities of approximately $62.8 million, a deficit in owner's capital of approximately $3.8 million, and for the period from inception through December 31, 2004 had a loss from operations of approximately $5.1 million and a net loss of approximately $3.8 million. Stealth had approximately $5.7 million in equity as of December 31, 2004 and will have substantial pre-opening and start-up costs upon completion of construction of its facilities. We cannot assure you that, should Stealth's equity be insufficient to cover its costs, it could access additional debt or equity financing. Each Vibra lease is guaranteed by Brad E. Hollinger, chief executive officer of The Hollinger Group, Vibra, Vibra Management, LLC and The Hollinger Group. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the total lease obligations. Mr. Hollinger's guaranty is limited to $5.0 million, Vibra Management, LLC and The Hollinger Group do not have substantial assets, and Vibra's assets are substantially comprised of the Vibra Facilities. As of December 31, 2004, DVH had tangible assets of approximately $18.4 million, liabilities of approximately $18.4 million and $0 stockholders' equity, and for the year ended December 31, 2004 had net income of approximately $8.3 million. The lease for the Desert Valley Facility is guaranteed by Desert Valley Health System, Inc., Desert Valley Medical Group, Inc. and Prime A Investments, LLC. If any of our tenants were to experience financial difficulties, the tenant may not be able to pay its rent. Guarantors of our lease with DVH may not have sufficient assets for us to recover amounts due to us under that lease. The failure of our tenants and their guarantors to meet their obligations to us would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

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

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

- private investors;

- healthcare providers, including physicians;

- other REITs;

- real estate partnerships;

- financial institutions; and

- local developers.

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

available to our facilities and additional facilities we may acquire or develop. In addition, competing healthcare facilities located in the areas served by our facilities and additional facilities we may acquire or develop may provide healthcare services that are not available at our facilities and additional facilities we may acquire or develop. From time to time, referral sources, including physicians and managed care organizations, may change the healthcare facilities to which they refer patients, which could adversely affect our rental revenues.

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

Our charter and other organizational documents do not limit the amount of debt we may incur. We have targeted our debt level at up to approximately 60% of our aggregate facility acquisition and development costs. However, we may modify our target debt level at any time without stockholder or board of director approval. We cannot assure you that our use of financial leverage will prove to be beneficial. We borrowed $75 million from Merrill Lynch Capital under a loan agreement. We have also entered into loan agreements with Colonial Bank for construction loans in an aggregate amount of $43.4 million. As of March 31, 2005, we had $74.1 million of long-term debt outstanding. We have received a term sheet from Merrill Lynch Capital for an up to $100.0 million senior secured revolving credit facility with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. We will have the right to increase the amount available under the facility by an amount up to $75.0 million.

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

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

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

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

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

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

All of our arrangements which provide or will provide tenants the option to purchase the facilities we lease to them are subject to regulatory requirements that such purchases be at fair market value. We cannot assure you that the

formulas we have developed for setting the purchase price will yield a fair market value purchase price. Any purchase not at fair market value may present risks of challenge from healthcare regulatory authorities.

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

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

We own, and in the future expect to own, interests in our facilities through wholly or majority owned subsidiaries of our operating partnership. Stealth, L.P., the tenant of our West Houston Hospital, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P., which owns the West Houston Hospital. We have sold limited partnership interests representing approximately 24% of the aggregate equity interests in MPT West Houston MOB, L.P., the entity that owns our West Houston MOB, to physicians and others associated with our tenant or subtenants of the West Houston MOB. We may offer limited liability company and limited partnership interests to tenants, subtenants and physicians in the

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

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

There may be future terrorist threats or attacks against the United States or U.S. businesses. These attacks may directly impact the value of our

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

RISKS RELATING TO REAL ESTATE INVESTMENTS

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

We have acquired and are developing and expect to continue acquiring and developing net-leased healthcare facilities. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our business strategy to invest in net-leased healthcare facilities. A downturn in the real estate industry could materially adversely affect the value of our facilities. A downturn in the healthcare industry could negatively affect our tenants' ability to make lease or loan payments to us and, consequently, our ability to meet debt service obligations or make distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or outside of healthcare facilities.

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

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

condition and results of operations and could hinder our ability to meet debt service obligations or make distributions to our stockholders.

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

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

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

We are developing a community hospital and an adjacent medical office building in Houston, Texas which we expect to complete in 2005. We have entered into letters of commitment and contracts to develop properties in the future.

Our development and related