

MEDICAL PROPERTIES TRUST INC

Form 10-K

February 29, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 001-32559

Medical Properties Trust, Inc.

MPT Operating Partnership, L.P.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

20-0191742

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-0242069
(IRS Employer

Identification No.)

1000 Urban Center Drive, Suite 501

Birmingham, AL
(Address of Principal Executive Offices)

(205) 969-3755

35242
(Zip Code)

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share of	New York Stock Exchange

Medical Properties Trust, Inc.

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

(Medical Properties Trust Inc. only)

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

(MPT Operating Partnership, L.P. only)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2011, the aggregate market value of the 111,712,079 shares of common stock, par value \$0.001 per share ("Common Stock"), held by non-affiliates of the registrant was \$1,284,688,909 based upon the last reported sale price of \$11.50 on the New York Stock Exchange. For purposes of the foregoing calculation

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only, all directors and executive officers of the registrant have been deemed affiliates.

As of February 22, 2012, 135,275,389 shares of Medical Properties Trust, Inc. Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 17, 2012 are incorporated by reference into Items 10 through 14 of Part III, of this Annual Report on Form 10-K.

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EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the year ended December 31, 2011 of Medical Properties Trust, Inc., a Maryland corporation, and MPT Operating Partnership, L.P., a Delaware limited partnership, through which Medical Properties Trust, Inc. conducts substantially all of its operations. Unless otherwise indicated or unless the context requires otherwise, all references in this report to we, us, our, our company, Medical Properties, MPT, or the Company refer to Medical Properties Trust, Inc. together with its consolidated subsidiaries, including MPT Operating Partnership, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to our operating partnership or the operating partnership refer to MPT Operating Partnership, L.P. together with its consolidated subsidiaries.

A WARNING ABOUT FORWARD LOOKING STATEMENTS

We make forward-looking statements in this Annual Report on Form 10-K that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects, among others, are forward-looking by their nature:

our business strategy;

our projected operating results;

our ability to complete the Ernest Acquisition (as described herein) on the time schedule or terms described herein or at all;

our ability to acquire or develop net-leased facilities;

availability of suitable facilities to acquire or develop;

our ability to enter into, and the terms of, our prospective leases and loans;

our ability to raise additional funds through offerings of our debt and equity securities;

our ability to obtain future financing arrangements;

estimates relating to, and our ability to pay, future distributions;

our ability to compete in the marketplace;

lease rates and interest rates;

market trends;

projected capital expenditures; and

the impact of technology on our facilities, operations and business.

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

the risk that a condition to closing under the agreement governing the Ernest Acquisition may not be satisfied;

the possibility that the anticipated benefits from the Ernest Acquisition will take longer to realize than expected or will not be realized at all;

the factors referenced in this Annual Report on Form 10-K, including those set forth under the sections captioned Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Business;

national and local economic, business, real estate, and other market conditions;

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the competitive environment in which we operate;

the execution of our business plan;

financing risks;

acquisition and development risks;

potential environmental contingencies, and other liabilities;

other factors affecting the real estate industry generally or the healthcare real estate industry in particular;

our ability to maintain our status as a real estate investment trust, or REIT for federal and state income tax purposes;

our ability to attract and retain qualified personnel;

federal and state healthcare and other regulatory requirements; and

the continuing impact of the recent economic recession, which may have a negative effect on the following, among other things:

the financial condition of our tenants, our lenders and institutions that hold our cash balances, which may expose us to increased risks of default by these parties;

our ability to obtain equity or debt financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities and refinance existing debt and our future interest expense; and

the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.

When we use the words believe, expect, may, potential, anticipate, estimate, plan, will, could, intend or similar expressions, we are making forward-looking statements. You should not place undue reliance on these forward-looking statements. Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained in this Annual Report on Form 10-K to reflect future events or developments.

PART I

ITEM 1. Business

Overview

We are a self-advised real estate investment trust (REIT) focused on investing in and owning net-leased healthcare facilities across the United States. We have operated as a REIT since April 6, 2004, and accordingly, elected REIT status upon the filing of our calendar year 2004 federal income tax return. Medical Properties Trust, Inc. was incorporated under Maryland law on August 27, 2004, and MPT Operating Partnership, L.P. was formed under Delaware law on September 10, 2003. We conduct substantially all of our business through MPT Operating Partnership, L.P. We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases, which require the tenant to bear most of the costs associated with the property. We also make mortgage loans to healthcare operators collateralized by their real estate assets. In addition, we selectively make loans to certain of our operators through our taxable REIT subsidiaries, the proceeds of which are used for acquisitions and working capital. Finally, from time to time, we acquire a profits or other equity interest in our tenants that gives us a right to share in such tenants profits and losses.

Our investment in healthcare real estate, including mortgage loans and other loans to certain of our tenants, as well as any equity investments in our tenants is considered a single reportable segment as further discussed in Note 1 of Item 8 in Part II of this Annual Report on Form 10-K. At December 31, 2011, we had \$1.5 billion invested in healthcare real estate and related assets.

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All of our investments are currently located in the United States. The following is our revenue by property type for the year ended December 31 (dollars in thousands):

Revenue by property type:

	2011		2010		2009	
General Acute Care Hospitals	\$ 87,922	61.4%	\$ 75,181	64.2%	\$ 77,671	68.1%
Long-Term Acute Care Hospitals	35,616	24.9%	26,605	22.7%	25,031	21.9%
Rehabilitation Hospitals	16,389	11.4%	12,390	10.6%	8,227	7.2%
Wellness Centers	1,661	1.1%	1,315	1.1%	1,449	1.3%
Medical Office Buildings	1,731	1.2%	1,706	1.4%	1,660	1.5%
Total revenue	\$ 143,319	100.0%	\$ 117,197	100.0%	\$ 114,038	100.0%

See Overview in Item 7 of this Form 10-K for details of transaction activity for 2011, 2010 and 2009.

Portfolio of Properties

As of February 22, 2012, our portfolio consists of 62 properties: 55 facilities (of the 60 facilities that we own) are leased to 20 tenants, one is presently not under lease, four are under development, and the remainder are in the form of mortgage loans to one operator. Our owned facilities consist of 25 general acute care hospitals, 19 long-term acute care hospitals, eight inpatient rehabilitation hospitals, two medical office buildings, and six wellness centers. The non-owned facilities on which we have made mortgage loans consist of general acute care facilities.

At December 31, 2011, no one property accounted for more than 5.6% of our total assets.

Impact of Ernest Acquisition

On January 31, 2012, we entered into definitive agreements to make loans to and acquire assets from Ernest Health, Inc. (Ernest) and to make an equity contribution to the parent of Ernest for a combined purchase price and investment of \$396.5 million, consisting of \$200 million to purchase real estate assets, a first mortgage loan of \$100 million, an acquisition loan for \$93.2 million and a capital contribution of \$3.3 million. On February 29, 2012, we closed and funded this acquisition and related investments.

Pursuant to a definitive real property asset purchase agreement (the Purchase Agreement), we acquired from Ernest and certain of its subsidiaries (i) a portfolio of five rehabilitation facilities (including a ground lease interest relating to a community-based acute rehabilitation facility in Wyoming), (ii) seven long-term acute care facilities located in seven states and (iii) undeveloped land in Provo, Utah (collectively, the Acquired Facilities) for an aggregate purchase price of \$200 million, subject to certain adjustments. The Acquired Facilities will be leased to subsidiaries of Ernest pursuant to a master lease agreement. The master lease agreement has a 20-year term with three five-year extension options and provides for an initial rental rate of 9%, with consumer price-indexed increases, limited to a 2% floor and 5% ceiling annually thereafter. Pursuant to the Purchase Agreement, we also made Ernest a \$100 million loan secured by a first mortgage interest in four subsidiaries of Ernest, which has terms similar to the leasing terms described above. We refer to these transactions collectively as the Ernest Acquisition.

After giving effect to the Ernest Acquisition, as of December 31, 2011, our portfolio would have consisted of 78 properties: 67 facilities (of the 72 facilities that we own, of which two are subject to long-term ground leases) were leased to 21 tenants, one was not under lease as it was under re-development, four were under development, and the remaining assets were in the form of first mortgage loans to two operators.

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Outlook and Strategy

Our strategy is to lease the facilities that we acquire or develop to experienced healthcare operators pursuant to long-term net leases. Alternatively, we have structured certain of our investments as long-term, interest-only mortgage loans to healthcare operators, and we may make similar investments in the future. In addition, we have obtained and will continue to obtain profits or other interests in certain of our tenants' operations in order to enhance our overall return. The market for healthcare real estate is extensive and includes real estate owned by a variety of healthcare operators. We focus on acquiring and developing those net-leased facilities that are specifically designed to reflect the latest trends in healthcare delivery methods. These facilities include but are not limited to: physical rehabilitation hospitals, long-term acute care hospitals, general acute care hospitals, ambulatory surgery centers, and other single-discipline healthcare facilities, such as heart hospitals and orthopedic hospitals.

Healthcare is the single largest industry in the United States (U.S.) based on Gross Domestic Product (GDP). According to the National Health Expenditures report dated January 2011 by the Centers for Medicare and Medicaid Services: (i) national health expenditures are projected to grow 4.3% in 2012; (ii) the average compound annual growth rate for national health expenditures, over the projection period of 2010 through 2020, is anticipated to be 5.8%; and (iii) the healthcare industry is projected to represent 17.6% of U.S. GDP in 2012.

The delivery of healthcare services requires real estate and, as a consequence, healthcare providers depend on real estate to maintain and grow their businesses. We believe that the healthcare real estate market provides investment opportunities due to the:

compelling demographics driving the demand for healthcare services;

specialized nature of healthcare real estate investing; and

consolidation of the fragmented healthcare real estate sector.

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

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

admission levels and surgery/procedure/diagnosis volumes by type;

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

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

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

the effect of evolving healthcare legislation and other regulations on our tenants' and borrowers' profitability and liquidity; and

the competition and demographics of the local and surrounding areas in which the tenants and borrowers operate.

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Our Leases and Loans

The leases for our facilities are net leases with terms generally requiring the tenant to pay all ongoing operating and maintenance expenses of the facility, including property, casualty, general liability and other insurance coverages, utilities and other charges incurred in the operation of the facilities, as well as real estate and certain other taxes, ground lease rent (if any) and the costs of capital expenditures, repairs and maintenance (including any repairs mandated by regulatory requirements). Similarly, borrowers under our mortgage loan arrangements retain the responsibilities of ownership, including physical maintenance and improvements and all costs and expenses. Our leases and loans also provide that our tenants will indemnify us for environmental liabilities. Our current leases and loans have a weighted-average remaining initial lease term of 10.7 years (see Item 2 for more information on remaining lease terms). Based on current monthly revenue, approximately 26% of our leases and loans provide for annual rent or interest escalations based on increases in the U.S. Consumer Price Index, while 61% of our leases and loans provide for minimum annual rent or interest escalations ranging from 1% to 5%. In certain other cases we have arrangements that provide for additional rents based on the level of our tenants' revenue. Finally, in some instances, we have profit or equity interests in our tenants to enhance our overall return.

Significant Tenants

At December 31, 2011, we had leases with 20 hospital operating companies covering 55 facilities and we had two mortgage loans with one hospital operating company.

Affiliates of Prime Healthcare Services, Inc. (Prime) leased 10 of these facilities. Each of our leases with Prime contains annual escalation provisions that are generally tied to the U.S. Consumer Price Index, limited in certain instances to minimum and maximum increases. At December 31, 2011, these facilities had an average remaining initial lease term of approximately eight years, which can be extended for three additional periods of five years each, at the tenant's option. These leases contain options for the tenant to purchase the facilities at the end of the lease term, if no default has occurred, at prices generally at least equal to our purchase price of the facility. In addition to leases, we hold a mortgage loan on two facilities owned by affiliates of Prime that will mature in 2022. The terms and provisions of this loan are generally equivalent to the terms and provisions of our Prime lease arrangements. Prime represented 25.3% of our total assets at December 31, 2011, down from 26.7% at December 31, 2010.

At December 31, 2011, Vibra Healthcare, LLC (Vibra) leased six of our facilities. Four of these leases contain annual escalation provisions that are generally tied to the U.S. Consumer Price Index with minimum annual escalations of between 2.5% and 2.65%. Two facility leases provide for 2.65% annual escalations. These facilities have an average remaining initial term of approximately 12 years, but under certain conditions may be extended for three additional periods of five years each, at the tenant's option. All but one of these leases contain options for the tenant to purchase the facilities at the end of the lease term, if no default has occurred, at prices generally equal to the greater of fair value or our purchase price increased by a certain annual rate of return from lease commencement date. Vibra represented 7.9% of our total assets at December 31, 2011, down from 9.96% at December 31, 2010.

No other tenant accounted for more than 8% of our total assets at December 31, 2011.

After giving effect to the Ernest Acquisition and related financings (as more fully described in Note 13 of Item 8 of this Form 10-K), Prime and Ernest represent our two largest tenants. At December 31, 2011, and after giving effect to the Ernest Acquisition, our investment in Prime and Ernest would have represented 19.4% and 18.8% of our total assets, respectively; while Vibra would have represented 6.0%.

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Environmental Matters

Under various federal, state and local environmental laws and regulations, a current or previous owner, operator or tenant of real estate may be required to investigate and remediate hazardous or toxic substances or petroleum product releases or threats of releases. Such laws also impose certain obligations and liabilities on property owners with respect to asbestos containing materials. These laws may impose remediation responsibility and liability without regard to fault, or whether or not the owner, operator or tenant knew of or caused the presence of the contamination. Investigation, remediation and monitoring costs may be substantial and can exceed the value of the property. The presence of contamination or the failure to properly remediate contamination on a property may adversely affect our ability to sell or rent that property or to borrow funds using such property as collateral and may adversely impact our investment in that property.

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

California Seismic Standards

California's Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1973 (the Alquist Act) required that the California Building Standards Commission adopt earthquake performance categories, seismic evaluation procedures, standards and timeframes for upgrading certain facilities, and seismic retrofit building standards. These regulations required hospitals to meet certain seismic performance standards to ensure that they are capable of providing medical services to the public after an earthquake or other disaster. The Building Standards Commission completed its adoption of evaluation criteria and retrofit standards in 1998. The Alquist Act required the Building Standards Commission adopt certain evaluation criteria and retrofit standards:

- 1) Hospitals in California must conduct seismic evaluations and submit these evaluations to the Office of Statewide Health Planning and Development (OSHPD), Facilities Development Division for its review and approval;
- 2) Hospitals in California must identify the most critical nonstructural systems that represent the greatest risk of failure during an earthquake and submit timetables for upgrading these systems to the OSHPD, Facilities Development Division for its review and approval; and
- 3) Hospitals in California must prepare a plan and compliance schedule for each regulated building demonstrating the steps a hospital will take to bring the hospital buildings into substantial compliance with the regulations and standards.

Within the past several years, engineering studies were conducted at our hospitals to determine whether and to what extent modifications to the hospital facilities will be required. These studies were commissioned by our tenants, and it was determined that, for some of our facilities, capital expenditures may be required in the future to comply with the seismic standards.

Since the original Alquist Act, several amendments have been adopted that have modified the requirements of seismic safety standards and deadlines for compliance. OSHPD is currently implementing a voluntary program to re-evaluate the seismic risk of hospital buildings classified as Structural Performance Category (SPC-1). Buildings classified as SPC-1 are considered hazardous and at risk of collapse in the event of an earthquake and must be retrofitted, replaced or removed from providing acute care services by January 1, 2013. However, Senate Bill 499 was signed into law in October 2009 that provides for a number of seismic relief

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measures, including reclassifying HAZUS, a state-of-the-art loss estimation methodology, thresholds, which will enable more SPC-1 buildings to be reclassified as SPC-2, a lower seismic risk category. The SPC-2 buildings would have until January 1, 2030 to comply with the structural seismic safety standards. Any buildings that are denied reclassification will remain in the SPC-1 category, and these buildings must meet seismic compliance standards by January 1, 2013, unless further extensions are granted. Furthermore, the AB 306 legislation permits OSHPD to grant an extension to acute care hospitals that lack the financial capacity to meet the January 1, 2013 retrofit deadline, and instead, requires them to replace those buildings by January 1, 2020.

Exclusive of some minor modifications totaling less than \$1.0 million to be made at three facilities, all of our California tenants (and building structures) are seismically compliant through 2030 as determined by OSHPD. Under our current leases, our tenants are fully responsible for any capital expenditures in connection with seismic laws. Thus, we do not expect the California seismic standards to have a significant negative impact on our financial condition or cash flows.

Competition

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

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

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

our competitors or other entities may pursue a strategy similar to ours; and

some of our competitors may have existing relationships with our potential customers.

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

Insurance

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

Healthcare Regulatory Matters

The following discussion describes certain material federal healthcare laws and regulations that may affect our operations and those of our tenants. However, the discussion does not address state healthcare laws and regulations, except as otherwise indicated. These state laws and regulations, like the federal healthcare laws and regulations, could affect the operations of our tenants and, accordingly, our operations. In addition, in some instances we own a minority interest in our tenants' operations and, in addition to the effect on these tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted by such laws and regulations. Moreover, the discussion relating to reimbursement for healthcare services addresses matters that are subject to frequent review and revision by

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Congress and the agencies responsible for administering federal payment programs. Consequently, predicting future reimbursement trends or changes is inherently difficult.

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Ownership and operation of hospitals and other healthcare facilities are subject, directly and indirectly, to substantial federal, state and local government healthcare laws and regulations. Our tenants' failure to comply with these laws and regulations could adversely affect their ability to meet their lease obligations. Physician investment in us or in our facilities also will be subject to such laws and regulations. Although we are not a healthcare provider or in a position to influence the referral of patients or ordering of services reimbursable by the federal government, to the extent that a healthcare provider engages in transactions without tenants, such as sublease or other financial arrangements, the Anti-Kickback Statute and the Stark Law (both discussed below) could be implicated. Our leases require the lessees to comply with all applicable laws, including healthcare laws. We intend for all of our business activities and operations to conform in all material respects with all applicable laws and regulations, including healthcare laws and regulations.

Applicable Laws

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

The Office of Inspector General of the Department of Health and Human Services (OIG) has issued Safe Harbor Regulations that describe practices that will not be considered violations of the Anti-Kickback Statute. Nevertheless, the fact that a particular arrangement does not meet safe harbor requirements does not mean that the arrangement violates the Anti-Kickback Statute. Rather, the safe harbor regulations simply provide a guaranty that qualifying arrangements will not be prosecuted under the Anti-Kickback Statute. We intend to use commercially reasonable efforts to structure lease arrangements involving facilities in which local physicians are investors and tenants, and other arrangements with physicians, so as to satisfy, or meet as closely as possible, safe harbor conditions. We cannot assure you, however, that we will meet all the conditions for the safe harbor.

Physician Self-Referral Statute (Stark Law). Any physicians investing in our Company or its subsidiary entities could also be subject to the Ethics in Patient Referrals Act of 1989, or the Stark Law (codified at 42 U.S.C. § 1395nn). Unless subject to an exception, the Stark Law prohibits a physician from making a referral to an entity furnishing designated health services, including inpatient and outpatient hospital services, clinical laboratory services and radiology services, paid by Medicare or Medicaid if the physician or a member of his immediate family has a financial relationship with that entity. A reciprocal prohibition bars the entity from billing Medicare or Medicaid for any services furnished pursuant to a prohibited referral. Sanctions for violating the Stark Law include denial of payment, refunding amounts received for services provided pursuant to prohibited referrals, civil monetary penalties of up to \$15,000 per prohibited service provided, and exclusion from the Medicare and Medicaid programs. The statute also provides for a penalty of up to \$100,000 for a circumvention scheme.

There are exceptions to the self-referral prohibition for many of the customary financial arrangements between physicians and providers, including employment contracts, leases and recruitment agreements. Unlike safe harbors under the Anti-Kickback Statute, an arrangement must comply with every requirement of a Stark Law exception or the arrangement is in violation of the Stark Law.

CMS has issued multiple phases of final regulations implementing the Stark Law and continues to make changes to these regulations. While these regulations help clarify the exceptions to the Stark Law, it is unclear how the government will interpret many of these exceptions for enforcement purposes. Although our lease agreements require lessees to comply with the Stark Law, and we intend for facilities to comply with the Stark Law where we

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own an interest in our tenants' operations, we cannot offer assurance that the arrangements entered into by us and our facilities will be found to be in compliance with the Stark Law, as it ultimately may be implemented or interpreted.

False Claims Act. The federal False Claims Act prohibits the making or presenting of any false claim for payment to the federal government; it is the civil equivalent to federal criminal provisions prohibiting the submission of false claims to federally funded programs. Additionally, *qui tam*, or whistleblower, provisions of the federal False Claims Act allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the federal government. Whistleblowers may collect a portion of the government's recovery as an incentive which increases the frequency of such actions. A successful False Claims Act case may result in a penalty of three times actual damages, plus additional civil penalties payable to the government, plus reimbursement of the fees of counsel for the whistleblower. Many states have enacted similar statutes preventing the presentation of a false claim to a state government, and we expect more to do so because the Social Security Act provides a financial incentive for states to enact statutes establishing state level liability.

The Civil Monetary Penalties Law. The Civil Monetary Penalties law prohibits the knowing presentation of a claim for certain healthcare services that is false or fraudulent. The penalties include a monetary civil penalty of up to \$10,000 for each item or service, \$15,000 for each individual with respect to whom false or misleading information was given, as well as treble damages for the total amount of remuneration claimed.

Licensure. The tenant operators of the healthcare facilities in our portfolio are subject to extensive federal, state and local licensure, certification and inspection laws and regulations. Further, various licenses and permits are required to dispense narcotics, operate pharmacies, handle radioactive materials and operate equipment. Failure to comply with any of these laws could result in loss of licensure, certification or accreditation, denial of reimbursement, imposition of fines, suspension or decertification from federal and state healthcare programs.

EMTALA. All of our healthcare facilities that provide emergency care are subject to the Emergency Medical Treatment and Active Labor Act (EMTALA). This federal law requires such facilities to conduct an appropriate medical screening examination of every individual who presents to the hospital's emergency room for treatment and, if the individual is suffering from an emergency medical condition, to either stabilize the condition or make an appropriate transfer of the individual to a facility able to handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of an individual's ability to pay for treatment. There are severe penalties under EMTALA if a hospital fails to screen or appropriately stabilize or transfer an individual or if the hospital delays appropriate treatment in order to first inquire about the individual's ability to pay. Liability for violations of EMTALA includes, among other things, civil monetary penalties and exclusion from participation in the Medicare program. Our lease agreements require lessees to comply with EMTALA, and we believe our tenants conduct business in substantial compliance with EMTALA.

Regulatory and Legislative Developments. Healthcare continues to attract intense legislative and public interest. Many states have enacted, or are considering enacting, measures designed to reduce their Medicaid expenditures and change private healthcare insurance, and states continue to face significant challenges in maintaining appropriate levels of Medicaid funding due to state budget shortfalls. Healthcare facility operating margins may continue to be under significant pressure due to the deterioration in pricing flexibility and payor mix, as well as increases in operating expenses that exceed increases in payments under the Medicare program. More importantly, restrictions on admissions to inpatient rehabilitation facilities and long-term acute care hospitals may continue. We cannot predict whether any such initiatives will impact the business of our tenants, or whether our business will be adversely impacted. In instances where we own a minority interest in our tenant operators, in addition to the effect on these tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

Health Reform Measures. On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act. Seven days later, on March 30, 2010, President Obama approved the Health Care and Education Affordability Reconciliation Act (hereinafter these acts are referred to collectively as the Reform Law). A detailed discussion of the Reform Law is not provided herein. However, generally, this legislation

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seeks to provide universal health insurance coverage through tax subsidies, expanded federal health insurance programs, individual and employer mandates for health insurance coverage, and health insurance exchanges. The Reform Law also includes cuts to federal health care program funding, as well as heightened regulations on insurers and pharmaceutical companies. Various cost containment initiatives were adopted, including quality control and payment system refinements for federal programs, such as expansion of pay-for-performance criteria and value-based purchasing programs, bundled provider payments, accountable care organizations, geographic payment variations, comparative effectiveness research, and lower payments for hospital readmissions. Finally, heightened health information technology standards will be required for healthcare providers.

With respect to long term acute care hospitals (LTACHs), and inpatient rehabilitation facilities (IRFs), which account for a significant percentage of our tenants, the Reform Law also requires that LTACHs and IRFs report quality data to be set forth by the Secretary of Health and Human Services or face payment reductions beginning in rate year/fiscal year 2014.

However, the United States Supreme Court will hear arguments on the Reform Law over a three-day span in late March 2012. It is anticipated that the court will issue a ruling in June 2012. The court will hear arguments on four issues: 1) whether it can reach a decision on the Reform Law before 2014 (a separate federal law may prevent the court from ruling until the individual mandate has taken effect); 2) whether the mandate is unconstitutional; 3) how much, if any, of the Reform Law's other provisions can be upheld if the mandate is unconstitutional; and 4) whether the Reform Law's Medicaid expansion is constitutional. Thus, there is a possibility that part or all of the Reform Law will not go into effect.

Nevertheless, if upheld, the Reform Law will ultimately lead to significant changes in the healthcare system. We cannot predict the possible impact on our business of this legislation, as some aspects could benefit the operations of our tenants, while other aspects could present challenges.

Employees

We have 29 employees as of February 22, 2012. We believe that any adjustments to the number of our employees will have only immaterial effects on our operations and general and administrative expenses. We believe that our relations with our employees are good. None of our employees are members of any union.

Available Information

Our website address is www.medicalpropertiestrust.com and provides access in the Investor Relations section, free of charge, to our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits, and all amendments to these reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. Also available on our website, free of charge, are our Corporate Governance Guidelines, the charters of our Ethics, Nominating and Corporate Governance, Audit and Compensation Committees and our Code of Ethics and Business Conduct. If you are not able to access our website, the information is available in print free of charge to any stockholder who should request the information directly from us at (205) 969-3755.

ITEM 1A. Risk Factors

The risks and uncertainties described herein are not the only ones facing us and there may be additional risks that we do not presently know of or that we currently consider not likely to have a significant impact on us. All of these risks could adversely affect our business, results of operations and financial condition.

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RISKS RELATED TO OUR BUSINESS AND GROWTH STRATEGY

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to stockholders.

The global economy has recently experienced unprecedented levels of volatility, dislocation in the credit markets, and recessionary pressures. These conditions, or similar conditions that may exist in the future, may adversely affect our results of operations, financial condition, share price and ability to pay distributions to our stockholders. Among other potential consequences, such a financial crisis may materially adversely affect:

our ability to borrow on terms and conditions that we find acceptable, or at all, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense;

the financial condition of our borrowers, tenants and investees, which may result in defaults under loans or leases due to bankruptcy, lack of liquidity, operational failures or for other reasons;

interest rates for those tenants in which we have an equity interest, a portion of which may be passed onto us in the form of lower returns on our investment;

the values of our properties and our ability to dispose of assets at attractive prices or to obtain debt financing collateralized by our properties; and

the value and liquidity of our short-term investments and cash deposits, including as a result of a deterioration of the financial condition of the institutions that hold our cash deposits or the institutions or assets in which we have made short-term investments, the dislocation of the markets for our short-term investments, increased volatility in market rates for such investment or other factors.

Limited access to capital may restrict our growth.

Our business plan contemplates growth through acquisitions and development of facilities. As a REIT, we are required to make cash distributions, which reduce our ability to fund acquisitions and developments with retained earnings. We are dependent on acquisition financing and access to the capital markets for cash to make investments in new facilities. Due to market or other conditions, we may have limited access to capital from the equity and debt markets. 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 or to meet our obligations, which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

Our indebtedness could adversely affect our financial condition and may otherwise adversely impact our business operations and our ability to make distributions to stockholders.

As of December 31, 2011, we had \$689.8 million of debt outstanding. As of February 22, 2012 (and after giving effect to the Ernest Acquisition and related financings completed to-date), we had liquidity available to us of approximately \$780 million, total outstanding indebtedness of approximately \$840.0 million, and \$457.8 million in unfunded commitments.

Our indebtedness could have significant effects on our business. For example, it could:

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require us to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce the available cash flow to fund working capital, development projects and other general corporate purposes and reduce cash for distributions;

require payments of principal and interest that may be greater than our cash flow from operations;

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force us to dispose of one or more of our properties, possibly on disadvantageous terms, to make payments on our debt;

increase our vulnerability to general adverse economic and industry conditions; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

restrict us from making strategic acquisitions or exploiting other business opportunities;

make it more difficult for us to satisfy our obligations; and

place us at a competitive disadvantage compared to our competitors that have less debt.

Our future borrowings under our loan facilities may bear interest at variable rates in addition to the \$89.6 million in variable interest rate debt (excluding any debt we have fixed with interest rate swaps) that we had outstanding as of December 31, 2011. If interest rates increase significantly, our ability to borrow additional funds may be reduced and the risk related to our indebtedness would intensify.

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.

Most of our current debt is, and we anticipate that much of our future 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.

Covenants in our debt instruments limit our operational flexibility, and a breach of these covenants could materially affect our financial condition and results of operations.

The terms of our unsecured credit facility, the indentures governing our outstanding exchangeable senior notes and unsecured senior notes and other debt instruments that we may enter into in the future are subject to customary financial and operational covenants. For example, our unsecured credit facility imposes certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate; and change our business. In addition, the credit agreement governing our revolving credit facility limits the amount of dividends we can pay to 120% of normalized adjusted funds from operations, as defined in the agreements, on a rolling four quarter basis starting for the fiscal quarter ending March 31, 2012. Thereafter, a similar dividend restriction exists but the percentage drops each quarter until reaching 95% at March 31, 2013. The indenture governing our 2011 senior unsecured notes also limits the amount of dividends we can pay based on the sum of 95% of funds from operations, proceeds of equity issuances and certain other net cash proceeds. Finally, our 2011 senior unsecured notes (along with the senior unsecured notes entered into in 2012 in connection with the Ernest acquisition) require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness. Our continued ability to incur debt and operate our business is subject to compliance with the covenants in our debt instruments, which limit operational flexibility. Breaches of these covenants could result in defaults under applicable debt instruments, even if payment obligations are satisfied. Financial and other covenants that limit our operational flexibility, as well as defaults resulting from a breach of any of these covenants in our debt instruments, could have a material adverse effect on our financial condition and results of operations.

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Failure to hedge effectively against interest rate changes may adversely affect our results of operations and our ability to make distributions to our stockholders.

Excluding our 2006 senior unsecured notes, as of December 31, 2011, we had \$89.6 million in variable interest rate debt and \$39.6 million at February 22, 2012, which constitutes 6.2% of our overall indebtedness and subjects us to interest rate volatility. We may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as the \$125.0 million of interest rate swaps entered into in 2010 to fix the interest rate on our 2006 senior unsecured notes. However, even these hedging arrangements 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 our results of operations and our ability to make distributions to our stockholders.

Dependence on our tenants for payments of rent and interest may adversely impact our ability to make distributions to our stockholders.

We expect to continue to qualify as a REIT and, accordingly, as a REIT operating in the healthcare industry, we are severely limited by current tax law with respect to our ability to operate or manage the businesses conducted in our facilities.

Accordingly, we rely almost exclusively on rent payments from our tenants under leases or interest payments from operators under mortgage or other loans 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 our facilities (as was the case with the previous tenant of our River Oaks facility), or the financial condition of our tenants, operators or guarantors, could have a material adverse effect on our ability to collect rent and interest 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 and other laws could have a material impact on our tenants' operating and financial condition and, in turn, their ability to pay rent and interest to us.

It may be costly to replace defaulting tenants and we may not be able to replace defaulting tenants with suitable replacements on suitable terms.

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 and loans with that tenant and enforce the payment obligations under the lease. The process of terminating a lease with a defaulting tenant and repossessing the applicable facility may be costly and require a disproportionate amount of management's attention. In addition, defaulting tenants or their affiliates may initiate litigation in connection with a lease termination or repossession against us or our subsidiaries. If a tenant-operator defaults and we choose to terminate our lease, we then are required to find another tenant-operator. The transfer of most types of healthcare facilities is highly regulated, which may result in delays and increased costs in locating a suitable replacement tenant. The sale or lease of these properties to entities other than healthcare operators may be difficult due to the added cost and time of refitting the properties. If we are unable to re-let the properties to healthcare operators, we may be forced to sell the properties at a loss due to the repositioning expenses likely to be incurred by non-healthcare purchasers. Alternatively, we may be required to spend substantial amounts to adapt the facility to other uses. There can be no assurance that we would be able to find another tenant in a timely fashion, or at all, or that, if another tenant were found, we would be able to enter into a new lease on favorable terms. Defaults by our tenants (such as with the former tenant of our River Oaks facility and the costs we have incurred to maintain and re-develop the facility) under our leases may adversely affect our results of operations, financial condition, and our ability to make distributions to our stockholders.

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It may be costly to find new tenants when lease terms end and we may not be able to replace such tenants with suitable replacements on suitable terms.

Failure on the part of a tenant to renew or extend the lease at the end of its fixed term on one of our facilities could result in us having to search for, negotiate with and execute new lease agreements. The process of finding and negotiating with a new tenant along with costs (such as maintenance, property taxes, utilities, etc.) that we will incur while the facility is untenanted may be costly and require a disproportionate amount of management's attention. 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. 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. Thus, the non-renewal or extension of leases may adversely affect our results of operations, financial condition, and our ability to make distributions to our stockholders.

Our revenues are dependent upon our relationship with, and success of, Prime and Ernest.

As of December 31, 2011, our real estate portfolio included 62 healthcare properties in 21 states of which 55 facilities are leased to 20 hospital operating companies and two of the investments are in the form of mortgage loans. Affiliates of Prime leased or mortgaged 12 facilities, representing 25.3% of our total assets as of December 31, 2011. Total revenue from Prime was \$43.1 million, or 30.1% of our total revenue from continuing operations in the year ended December 31, 2011.

Our relationship with Prime, and its financial performance and resulting ability to satisfy its lease and loan obligations to us are material to our financial results and our ability to service our debt and make distributions to our stockholders. We are dependent upon the ability of Prime to make rent and loan payments to us, and their failure or delay to meet these obligations could have a material adverse effect on our financial condition and results of operations. *For additional discussion of risks relating to our tenants' operations and obligations to comply with applicable industry laws, rules and regulations, see Risks Relating to the Healthcare Industry below.*

After giving effect to the Ernest Acquisition, as of December 31, 2011, our portfolio would have consisted of 78 properties in 24 states of which 67 facilities were leased to 21 tenants, one was not under lease as it was under re-development, four were under development, and the remaining assets were in the form of first mortgage loans to two operators. Post the Ernest Acquisition, Prime and Ernest will represent are two largest tenants. At December 31, 2011, and after giving effect to the Ernest Acquisition, our investment in Prime and Ernest would have represented 19.4% and 18.8% of our total assets, respectively.

The bankruptcy or insolvency of our tenants or investees could harm our operating results and financial condition.

Some of our tenants/investees are, and some of our prospective tenants/investees 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/investees 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 can be expected to 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 (such as our equity interests in our tenants) 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.

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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 developers;

financial institutions; and

other lenders.

Many of these competitors may 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 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 tenants and thus our rental revenues, interest income, and/or our earnings from equity investments.

Most of our current tenants have, and prospective tenants may have, an option to purchase the facilities we lease to them which could disrupt our operations.

Most of our current tenants have, and some prospective tenants will have, the option to purchase the facilities we lease to them. There is no assurance that the formulas we have developed for setting the purchase price will yield a fair market value purchase price.

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. 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.

We have 49 leased properties that are subject to purchase options as of December 31, 2011. For 34 of these properties, the purchase option generally allows the lessee to purchase the real estate at the end of the lease term, as long as no default has occurred, at a price equivalent to the greater of (i) fair market value or (ii) our purchase price (increased, in some cases, by a certain annual rate of return from lease commencement date). The lease agreements provide for an appraisal process to determine fair market value. For 10 of these properties, the purchase option generally allows the lessee to purchase the real estate at the end of the lease term, as long as no default has occurred, at our purchase price (increased, in some cases, by a certain annual rate of return from lease commencement date). For the remaining five leases, the purchase options

approximate fair value. At December 31, 2011, none of our leases contained any bargain purchase options.

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In certain circumstances, a prospective purchaser of our hospital real estate may be deemed to be subject to Anti-Kickback and Stark statutes, which are described on pages 8 and 9 of this 2011 Form 10-K. In such event, it may not be practicable for us to sell property to such prospective purchasers at prices other than fair market value.

We may not be able to adapt our management and operational systems to manage 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.

There is no assurance that we will be able to adapt our management, administrative, accounting and operational systems, or hire and retain sufficient operational staff, to manage the facilities we have acquired and those that we may acquire or develop. Our failure to successfully 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 depend on key personnel, the loss of any one of whom may threaten our ability to operate our business successfully.

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

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above your purchase price.

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

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

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

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

changes in market valuations of similar companies;

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

additions or departures of key management personnel;

actions by institutional stockholders;

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

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speculation in the press or investment community; and

general market and economic conditions.

Future sales of common stock may have adverse effects on our stock price.

We cannot predict the effect, if any, of future sales of common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock, or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock. We may issue from time to time additional common stock or units of our operating partnership in connection with the acquisition of facilities and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of common stock or the perception that these sales could occur may adversely affect the prevailing market price for our common stock. In addition, the sale of these shares could impair our ability to raise capital through a sale of additional equity securities.

An increase in market interest rates may have an adverse effect on the market price of our securities.

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

RISKS RELATING TO REAL ESTATE INVESTMENTS

Our real estate and mortgage investments are and are expected to continue to be concentrated in a single industry segment, making us more vulnerable economically than if our investments were more diversified.

We have acquired and have developed and have made mortgage investments in and expect to continue acquiring and developing and making mortgage investments in 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 solely in 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 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 expect to 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.

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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. Additionally, the real estate market is affected by many factors beyond our control, including adverse changes in global, national, and local economic and market conditions and the availability, costs and terms of financing. 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 have developed and constructed facilities in the past and are currently developing and re-developing five facilities. We will develop additional facilities in the future as opportunities present themselves. Our development and related construction activities may subject us to the following risks:

we may have to compete for suitable development sites;

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

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

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

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

we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities. We expect to fund our development projects over time. The time frame required for development and construction of these facilities means that we may have to wait years for a significant cash return. In addition, our tenants may not be able to obtain managed care provider contracts in a timely manner or at all. Finally, there is no assurance that future development projects will occur without delays and cost overruns. Risks associated with our development projects may reduce anticipated rental revenue which could affect the timing of, and our ability to make, distributions to our stockholders.

We may be subject to risks arising from future acquisitions of healthcare properties.

We may be subject to risks in connection with our acquisition of healthcare properties, including without limitation the following:

we may have no previous business experience with the tenants at the facilities acquired, and we may face difficulties in managing them;

underperformance of the acquired facilities due to various factors, including unfavorable terms and conditions of the existing lease agreements relating to the facilities, disruptions caused by the management of our tenants or changes in economic conditions;

diversion of our management's attention away from other business concerns;

exposure to any undisclosed or unknown potential liabilities relating to the acquired facilities; and

potential underinsured losses on the acquired facilities.

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We cannot assure you that we will be able to manage the new properties without encountering difficulties or that any such difficulties will not have a material adverse effect on us.

Our facilities may not achieve expected results or we may be limited in our ability to finance future acquisitions, which may harm our financial condition and operating results and our ability to make the distributions to our stockholders required to maintain our REIT status.

Acquisitions and developments entail risks that investments will fail to perform in accordance with expectations and that estimates of the costs of improvements necessary to acquire and develop facilities will prove inaccurate, as well as general investment risks associated with any new real estate investment. Newly-developed or newly-renovated facilities may not have operating histories that are helpful in making objective pricing decisions. The purchase prices of these facilities will be based in part upon projections by management as to the expected operating results of the facilities, subjecting us to risks that these facilities may not achieve anticipated operating results or may not achieve these results within anticipated time frames.

We anticipate that future acquisitions and developments will largely be financed through externally generated funds such as borrowings under credit facilities and other secured and unsecured debt financing and from issuances of equity securities. Because we must distribute at least 90% of our REIT taxable income, excluding net capital gain, each year to maintain our qualification as a REIT, our ability to rely upon income from operations or cash flow from operations to finance our growth and acquisition activities will be limited.

If our facilities do not achieve expected results and generate ample cash flows from operations or if we are unable to obtain funds from borrowings or the capital markets to finance our acquisition and development activities, amounts available for distribution to stockholders could be adversely affected and we could be required to reduce distributions, thereby jeopardizing our ability to maintain our status as a REIT.

If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose investment capital and anticipated profits.

Our leases generally require our tenants to carry property, general liability, professional liability, loss of earnings, all risk and extended coverage insurance in amounts sufficient to permit the replacement of the facility in the event of a total loss, subject to applicable deductibles. For those properties not currently under lease, we carry such insurance. In addition, we carry loss of earnings coverage on all of our properties as a contingent measure in case our tenants coverage is not sufficient or other reasons. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes and acts of terrorism, which may be uninsurable or not insurable at a price we or our tenants can afford. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impracticable to use insurance proceeds to replace a facility after it has been damaged or destroyed. Under such circumstances, the insurance proceeds we receive might not be adequate to restore our economic position with respect to the affected facility. If any of these or similar events occur, it may reduce our return from the facility and the value of our investment.

Our capital expenditures for facility renovation may be greater than anticipated and may adversely impact rent payments by our tenants and our ability to make distributions to stockholders.

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

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All of our healthcare facilities are subject to property taxes that may increase in the future and adversely affect our business.

Our facilities are subject to real and personal property taxes that may increase as property tax rates change and as the facilities are assessed or reassessed by taxing authorities. Our leases generally provide that the property taxes are charged to our tenants as an expense related to the facilities that they occupy. As the owner of the facilities, however, we are ultimately responsible for payment of the taxes to the government. If property taxes increase, our tenants may be unable to make the required tax payments, ultimately requiring us to pay the taxes. If we incur these tax liabilities, our ability to make expected distributions to our stockholders could be adversely affected. In addition, if such taxes increase on properties in which we have an equity interest in the tenant, our return on investment maybe negatively effected.

As the owner and lessor of real estate, we are subject to risks under environmental laws, the cost of compliance with which and any violation of which could materially adversely affect us.

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

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

Our interests in facilities through ground leases expose us to the loss of the facility upon breach or termination of the ground lease and may limit our use of the facility.

We have acquired interests in three of our facilities, at least in part, by acquiring leasehold interests in the land on which the facility is located rather than an ownership interest in the property, and we may acquire additional facilities in the future through ground leases. As lessee under ground leases, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease. Ground leases may also restrict our use of facilities. Our current ground lease for the facility in San Antonio limits use of the property to operation of a comprehensive rehabilitation hospital, medical research and education and other medical uses and uses reasonably incidental thereto. These restrictions and any similar future restrictions in ground leases will limit our flexibility in renting the facility and may impede our ability to sell the property.

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Our acquisitions may not prove to be successful.

We are exposed to the risk that some of our acquisitions may not prove to be successful. We could encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent liabilities, and acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. In addition, we might be exposed to undisclosed and unknown liabilities related to any acquired properties. If we agree to provide construction funding to an operator/tenant and the project is not completed, we may need to take steps to ensure completion of the project. Moreover, if we issue equity securities or incur additional debt, or both, to finance future acquisitions, it may reduce our per share financial results. These costs may negatively affect our results of operations.

RISKS RELATING TO THE HEALTHCARE INDUSTRY

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

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

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

Over the past several years, CMS has increased its attention on reimbursement for LTACHs and IRFs, with CMS imposing regulatory restrictions on LTACH and IRF reimbursement. A significant number of our tenants operate LTACHs and IRFs. We expect that CMS will continue to explore implementing other restrictions on LTACH and IRF reimbursement, and possibly develop more restrictive facility and patient level criteria for these types of facilities. These changes could have a material adverse effect on the financial condition of some of our tenants, which could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders. In instances where we own a minority interest in our tenants' operations, in addition to the effect on these tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

The healthcare industry is heavily regulated and loss of licensure or certification or failure to obtain licensure or certification could result in the inability of our tenants to make lease payments to us.

The healthcare industry is highly regulated by federal, state and local laws (as discussed on pages 7-10), and is directly affected by federal conditions of participation, state licensing requirements, facility inspections,

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state and federal reimbursement policies, regulations concerning capital and other expenditures, certification requirements and other such laws, regulations and rules.

Licensed health care facilities must comply with minimum health and safety standards and are subject to survey and inspection by state and federal agencies and their agents or affiliates, including the Centers for Medicare and Medicaid Services (CMS), the Joint Commission, and state departments of health. CMS develops Conditions of Participation and Conditions for Coverage that health care organizations must meet in order to begin and continue participating in the Medicare and Medicaid programs. These minimum health and safety standards are aimed at improving quality and protecting the health and safety of beneficiaries. There are several common criteria that exist across health entities. Examples of common conditions include: a governing body responsible for effectively governing affairs of the organization, a quality assurance program to evaluate entity-wide patient care, medical record service responsible for medical records, a utilization review of the services furnished by the organization and its staff, and a facility constructed, arranged and maintained according to a life safety code that ensures patient safety and the deliverance of services appropriate to the needs of the community.

As an example, the Medicare program contains specific requirements with respect to the maintenance of medical records. Medical records must be maintained for every individual who is evaluated or treated at a hospital. Medical records must be accurately written, promptly completed, properly filed and retained, and accessible. Medicare surveyors may conduct on site visits for a variety of reasons, including to investigate a patient complaint or to survey the hospital for compliance with Medicare requirements. In such instances, Medicare surveyors generally review a large sampling of patient charts. If a pattern of incomplete medical records is identified, the hospital's Medicare certification could be jeopardized if a plan of correction is not completed. In order for a health care organization to continue receiving payment from the Medicare and Medicaid programs, it must comply with conditions of participation, or standards, as set forth in federal regulations. Further, many hospitals and other institutional providers are accredited by accrediting agencies such as the Joint Commission, a national health care accrediting organization. The Joint Commission was created to accredit healthcare organizations that meet its minimum health and safety standards. A national accrediting organization, such as the Joint Commission, enforces standards that meet or exceed such requirements.

Surveyors for the Joint Commission, prior to the opening of a facility and approximately every three years thereafter, conduct on site surveys of facilities for compliance with a multitude of patient safety, treatment, and administrative requirements. Facilities may lose accreditation for failure to meet such requirements, which in turn may result in the loss of license or certification. For example, a facility may lose accreditation for failing to maintain proper medication in the operating room to treat potentially fatal reactions to anesthesia, or for failure to maintain safe and sanitary medical equipment.

Finally, health care facility reimbursement practices and quality of care issues may result in loss of license or certification. For instance, the practice of upcoding, whereby services are billed for higher procedure codes than were actually performed, may lead to the revocation of a hospital's license. An event involving poor quality of care, such as that which leads to the serious injury or death of a patient, may also result in loss of license or certification. The Services Employees International Union (SEIU) has alleged that our tenant, Prime may have upcoded for certain procedures and may be providing poor quality of care, in addition to allegations of delaying the transfer of out-of-network patients to their preferred medical provider once they have stabilized. Prime has addressed these allegations publicly and has provided clinical and other data to us refuting these allegations. Prime has also informed us that the SEIU is attempting to organize certain Prime employees.

The failure of any tenant to comply with such laws, requirements, and regulations resulting in a loss of its license would affect its ability to continue its operation of the facility and would adversely affect the tenant's ability to make lease and principal and interest payments to us. This, in turn, could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our shareholders. In instances where we own a minority interest in our tenants' operations, in addition to the effects on these tenants' ability to meet their financial obligations to us, our ownership and investment interests would also be negatively impacted.

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In addition, establishment of healthcare facilities and transfers of operations of healthcare facilities are subject to regulatory approvals not required for establishment, or transfers, of other types of commercial operations and real estate. Restrictions and delays in transferring the operations of healthcare facilities, in obtaining new third-party payor contracts, including Medicare and Medicaid provider agreements, and in receiving licensure and certification approval from appropriate state and federal agencies by new tenants, may affect our ability to terminate lease agreements, remove tenants that violate lease terms, and replace existing tenants with new tenants. Furthermore, these matters may affect a new tenant's ability to obtain reimbursement for services rendered, which could adversely affect their ability to pay rent to us and to pay principal and interest on their loans from us. In instances where we own a minority interest in our tenants' operations, in addition to the effect on these tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

Our tenants are subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant's ability to make lease and loan payments to us.

As noted earlier, the federal government and numerous state governments have passed laws and regulations that attempt to eliminate healthcare fraud and abuse by prohibiting business arrangements that induce patient referrals or the ordering of specific ancillary services. In addition, federal and state governments have significantly increased investigation and enforcement activity to detect and eliminate fraud and abuse in the Medicare and Medicaid programs. It is anticipated that the trend toward increased investigation and enforcement activity in the areas of fraud and abuse and patient self-referrals, will continue in future years. Violations of these laws may result in the imposition of criminal and civil penalties, including possible exclusion from federal and state healthcare programs. Imposition of any of these penalties upon any of our tenants could jeopardize any tenant's ability to operate a facility or to make lease and loan payments, thereby potentially adversely affecting us. In instances where we own a minority interest in our tenants' operations, in addition to the effect on these tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

Some of our tenants have accepted, and prospective tenants may accept, an assignment of the previous operator's Medicare provider agreement. Such operators and other new-operator tenants that take assignment of Medicare provider agreements might be subject to federal or state regulatory, civil and criminal investigations of the previous owner's operations and claims submissions. While we conduct due diligence in connection with the acquisition of such facilities, these types of issues may not be discovered prior to purchase. Adverse decisions, fines or recoupments might negatively impact our tenants' financial condition, and in turn their ability to make lease and loan payments to us. In instances where we own a minority interest in our tenants' operations, in addition to the effect on these tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

Certain of our lease arrangements may be subject to fraud and abuse or physician self-referral laws.

Although no such investment exists today, local physician investment in our operating partnership or our subsidiaries that own our facilities could subject our lease arrangements to scrutiny under fraud and abuse and physician self-referral laws. Under the Stark Law, and its implementing regulations, if our lease arrangements do not satisfy the requirements of an applicable exception, the ability of our tenants to bill for services provided to Medicare beneficiaries pursuant to referrals from physician investors could be adversely impacted and subject us and our tenants to fines, which could impact our tenants' ability to make lease and loan payments to us. In instances where we own a minority interest in our tenants' operations, in addition to the effect on these tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

We intend to use our good faith efforts to structure our lease arrangements to comply with these laws; however, if we are unable to do so, this failure may restrict our ability to permit physician investment or, where such physicians do participate, may restrict the types of lease arrangements into which we may enter, including our ability to enter into percentage rent arrangements.

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State certificate of need laws may adversely affect our development of facilities and the operations of our tenants.

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

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

RISKS RELATING TO OUR ORGANIZATION AND STRUCTURE

Maryland law and Medical Properties' charter and bylaws contain provisions which may prevent or deter changes in management and third-party acquisition proposals that you may believe to be in your best interest, depress the price of Medical Properties common stock or cause dilution.

Medical Properties' charter contains ownership limitations that may restrict business combination opportunities, inhibit change of control transactions and reduce the value of Medical Properties' common stock. To qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, no more than 50% in value of Medical Properties' outstanding stock, after taking into account options to acquire stock, may be owned, directly or indirectly, by five or fewer persons during the last half of each taxable year. Medical Properties' charter generally prohibits direct or indirect ownership by any person of more than 9.8% in value or in number, whichever is more restrictive, of outstanding shares of any class or series of our securities, including Medical Properties' common stock. Generally, Medical Properties' common stock owned by affiliated owners will be aggregated for purposes of the ownership limitation. The ownership limitation could have the effect of delaying, deterring or preventing a change in control or other transaction in which holders of common stock might receive a premium for their common stock over the then-current market price or which such holders otherwise might believe to be in their best interests. The ownership limitation provisions also may make Medical Properties' common stock an unsuitable investment vehicle for any person seeking to obtain, either alone or with others as a group, ownership of more than 9.8% of either the value or number of the outstanding shares of Medical Properties' common stock.

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

Our UPREIT structure may result in conflicts of interest between Medical Properties' stockholders and the holders of our operating partnership units.

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

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partnership agreement of our operating partnership, as well as on certain other matters. Persons holding these voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Circumstances may arise in the future, such as the sale or refinancing of one of our facilities, when the interests of limited partners in our operating partnership conflict with the interests of our stockholders. As the sole member of the general partner of the operating partnership, Medical Properties has fiduciary duties to the limited partners of the operating partnership that may conflict with fiduciary duties that Medical Properties' officers and directors owe to its stockholders. These conflicts may result in decisions that are not in the best interest of our stockholders.

We have made minority investments in the operators of certain of our healthcare facilities and the Ernest Acquisition Transactions contemplate that we will make a similar minority investment in the operator of the Ernest facilities; the cash flows from this investment are subject to more volatility than our cash flow from properties with traditional triple-net leasing structure.

We make minority investments in the operators of certain of our healthcare facilities and the Ernest Acquisition Transactions contemplate that we will make a similar investment in the operator of the Ernest facilities utilizing the Housing and Economic Recovery Act of 2008 and taxable REIT subsidiary structure. The Ernest Acquisition Transactions, if consummated, will result in us having a minority investment in the operator of the Ernest facilities. Accordingly, the cash flows on this investment will be dependent upon the operator of the Ernest facilities and will vary from time to time depending on the success of the operator. As a result, the cash flow from this investment may be more volatile than cash flow from rent pursuant to the triple-net lease agreements with our tenants and interest income from loans to our tenants. Our business, results of operations and financial condition may be adversely affected if the operator of the Ernest facilities fails to successfully operate the facilities efficiently, effectively and in a manner that is in our best interest.

TAX RISKS ASSOCIATED WITH OUR STATUS AS A REIT

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

We believe that we qualify as a REIT for federal income tax purposes and have elected to be taxed as a REIT under the federal income tax laws commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004. The REIT qualification requirements are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, there is no assurance that we will be successful in operating so as to qualify as a REIT. At any time, new laws, regulations, interpretations or court decisions may change the federal tax laws relating to, or the federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our board of directors to revoke the REIT election, which it may do without stockholder approval.

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

we would not be allowed a deduction for distributions to stockholders in computing our taxable income; therefore we would be subject to federal income tax at regular corporate rates and we might need to borrow money or sell assets in order to pay any such tax;

we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

unless we are entitled to relief under statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify.

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

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Failure to make required distributions would subject us to tax.

In order to qualify as a REIT, each year we must distribute to our stockholders at least 90% of our REIT taxable income, excluding net capital gain. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (1) 85% of our ordinary income for that year; (2) 95% of our capital gain net income for that year; and (3) 100% of our undistributed taxable income from prior years.

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

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

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

Loans to our tenants could be recharacterized as equity, in which case our interest income from that tenant might not be qualifying income under the REIT rules and we could lose our REIT status.

In connection with the acquisition in 2004 of certain Vibra facilities, one of our taxable REIT subsidiaries made a loan to Vibra in an aggregate amount of \$41.4 million to acquire the operations at those Vibra Facilities. As of February 22, 2012, that loan had been reduced to \$17.6 million. The acquisition loan bears interest at an annual rate of 10.25%. Our operating partnership loaned the funds to one of our taxable REIT subsidiaries to make these loans. The loan from our operating partnership to our taxable REIT subsidiaries bears interest at an annual rate of 9.25%.

Our taxable REIT subsidiaries have made and will make loans to tenants to acquire operations or for other purposes. The Internal Revenue Service, or IRS, may take the position that certain loans to tenants should be treated as equity interests rather than debt, and that our interest income from such tenant should not be treated as qualifying income for purposes of the REIT gross income tests. If the IRS were to successfully treat a loan to a particular tenant as equity interests, the tenant would be a related party tenant with respect to our company and the interest that we receive from the tenant would not be qualifying income for purposes of the REIT gross income tests. As a result, we could lose our REIT status. In addition, if the IRS were to successfully treat a particular loan as interests held by our operating partnership rather than by our taxable REIT subsidiaries, we could fail the 5% asset test, and if the IRS further successfully treated the loan as other than straight debt, we

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could fail the 10% asset test with respect to such interest. As a result of the failure of either test, could lose our REIT status, which would subject us to corporate level income tax and adversely affect our ability to make distributions to our stockholders.

Transactions with taxable REIT subsidiaries may be subject to excise tax.

We have historically entered into lease and other transactions with our taxable REIT subsidiaries and their subsidiaries and expect to continue to do so in the future, including in connection with the Ernest Acquisition. Under applicable rules, transactions such as leases between our taxable REIT subsidiaries and their parent REIT that are not conducted on an arm's length basis may be subject to a 100% excise tax. While we believe that all of our transactions with our taxable REIT subsidiaries are at arm's length, imposition of a 100% excise tax could have a material adverse effect on our financial condition and results of operations and could adversely effect the trading price of our common stock.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

At December 31, 2011, our portfolio consisted of 62 properties: 55 facilities (of the 60 facilities that we own) are leased to 20 operators with the remainder in the form of mortgage loans. Our owned facilities consisted of 25 general acute care hospitals, 19 long-term acute care hospitals, eight inpatient rehabilitation hospitals, two medical office buildings, and six wellness centers. The two non-owned facilities on which we have made mortgage loans consist of general acute care facilities to one operator.

State	Total 2011 Revenue	Percentage of Total Revenue (Dollars in thousands)	Total Investment
Arizona	\$ 2,587	1.80%	\$ 24,157
Arkansas	2,224	1.55%	19,523
California	46,760	32.63%	435,192
Colorado	1,692	1.18%	10,728
Connecticut	854	0.60%	7,838
Florida	2,250	1.57%	25,810
Idaho	5,787	4.04%	46,468
Indiana	4,196	2.93%	50,983
Kansas	1,832	1.28%	19,720
Louisiana	2,797	1.95%	39,527
Massachusetts	6,195	4.32%	46,359
Michigan	1,433	1.00%	10,743
Missouri	5,970	4.17%	60,921
New Jersey	7,415	5.16%	128,049
Oregon	3,323	2.32%	25,531
Pennsylvania	1,871	1.31%	45,376
Rhode Island	374	0.26%	3,737
South Carolina	3,941	2.75%	37,956
Texas	34,146	23.82%	368,448(A)
Utah	6,600	4.61%	66,355
Virginia	1,072	0.75%	10,914
	\$ 143,319	100.0%	\$ 1,484,335(B)

- (A) Includes our River Oaks facility that is currently under re-development and not being operated. Our total gross investment in the facility is \$31.7 million.

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- (B) Excludes construction in progress and other costs of \$30.9 million that primarily relate to our Florence, Arizona development project that is expected to be completed in 2012 and our three Emerus development properties that are expected to be completed in the fourth quarter 2012.

Type of Property	Number of Properties	Number of Square Feet (2)	Number of Licensed Beds (2)
General Acute Care Hospitals	27	3,803,638	3,415
Long-Term Acute Care Hospitals	19	1,282,863	1,395
Medical Office Buildings	2	93,287	NA
Rehabilitation Hospitals	8	596,094	541
Wellness Centers	6	251,213	NA
	62	6,027,095	5,351

The following table shows tenant lease expirations for the next 10 years and thereafter at our leased properties (excludes loans and properties under development), assuming that none of the tenants exercise any of their renewal options (dollars in thousands):

Total Portfolio(2)	Total Leases	Base Rent(1)	% of Total Base Rent	Total Square Footage	Total Licensed Beds
2012 (3)	3	\$ 2,810	2.3%	181,110	168
2013					
2014	2	4,771	4.0%	241,490	225
2015	2	3,941	3.3%	137,977	161
2016	1	2,250	1.9%	95,445	126
2017	1	1,862	1.5%	91,700	65
2018	6	12,901	10.7%	722,546	608
2019	8	9,692	8.1%	625,135	255
2020	1	1,019	0.8%	48,600	40
2021	9	25,611	21.3%	1,233,081	1,134
Thereafter	22	55,420	46.1%	2,414,871	2,259
Total	55	\$ 120,277	100.0%	5,791,955	5,041

- (1) The most recent monthly base rent annualized. Base rent does not include tenant recoveries, additional rents and other lease-related adjustments to revenue (i.e., straight-line rents and deferred revenues).
- (2) Excludes our River Oaks facility, as it is currently under re-development and not subject to lease and our Florence and Emerus facilities that are under development.
- (3) These expiring leases contain annual escalators that adjust the lease rate each year to be in line with current market rates.

Impact of Ernest Acquisition on our Properties

After giving effect to the Ernest Acquisition, as of December 31, 2011, our portfolio would have consisted of 78 properties: 67 facilities (of the 72 facilities that we own, of which two are subject to long-term ground leases) were leased to 21 tenants, one was not under lease as it was under re-development, four were under development, and the remaining assets were in the form of first mortgage loans to two operators. In addition, our 78 facilities would have consisted of 27 general acute care hospitals, 27 long-term acute care hospitals, 16 inpatient rehabilitation hospitals, two medical office buildings, and six wellness centers. The non-owned facilities on which we have made mortgage loans consist of general acute care facilities. Finally, the number of licensed beds would have been 5,957 and the total square footage would have been 6.7 million.

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ITEM 3. *Legal Proceedings*

From time to time, there are various legal proceedings pending to which we are a party or to which some of our properties are subject arising in the normal course of business. We do not believe that the ultimate resolution of these proceedings will have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. *Not applicable.*

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(a) Medical Properties' common stock is traded on the New York Stock Exchange under the symbol MPW. The following table sets forth the high and low sales prices for the common stock for the periods indicated, as reported by the New York Stock Exchange Composite Tape, and the dividends declared by us with respect to each such period.

	High	Low	Dividends
Year ended December 31, 2011			
First Quarter	\$ 11.74	\$ 10.60	\$ 0.20
Second Quarter	12.45	11.15	0.20
Third Quarter	12.65	8.76	0.20
Fourth Quarter	10.50	8.17	0.20
Year ended December 31, 2010			
First Quarter	\$ 11.42	\$ 9.15	\$ 0.20
Second Quarter	11.10	7.98	0.20
Third Quarter	10.47	8.99	0.20
Fourth Quarter	11.65	10.00	0.20

On February 22, 2012, the closing price for our common stock, as reported on the New York Stock Exchange, was \$9.72. As of February 22, 2012, there were 69 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

If dividends are declared in a quarter, those dividends will be paid during the subsequent quarter. We expect to continue the policy of distributing our taxable income through regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements, and our financial condition. In addition, our unsecured credit facility limits the amounts of dividends we can pay – see Note 4 of Item 8 of this Annual Report on Form 10-K for more information.

(b) None.

(c) None.

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The following graph provides comparison of cumulative total stockholder return for the period from December 31, 2006 through December 31, 2011, among Medical Properties Trust, Inc., the Russell 2000 Index, NAREIT Equity REIT Index, and SNL US REIT Healthcare Index. The stock performance graph assumes an investment of \$100 in each of Medical Properties Trust, Inc. and the three indices, and the reinvestment of dividends. The historical information below is not indicative of future performance.

Medical Properties Trust, Inc.**Total Return Performance**

Index	Period Ending					
	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Medical Properties Trust, Inc.	100.00	72.28	49.44	88.68	103.74	102.00
Russell 2000	100.00	98.43	65.18	82.89	105.14	100.75
NAREIT All Equity REIT Index	100.00	84.31	52.50	67.20	85.98	93.10
SNL US REIT Healthcare	100.00	101.44	90.32	115.37	137.64	157.58

ITEM 6. Selected Financial Data

The following tables set forth our selected consolidated financial and operating data for Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. and their respective subsidiaries. You should read the following selected financial data in conjunction with the consolidated historical financial statements and notes thereto of each of Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. and their respective subsidiaries included in Item 8, in this Form 10-K, along with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7, in this Form 10-K.

During the periods presented below, for those properties that have been sold, we reclassified the properties as held for sale and have reported revenue and expenses from these properties as discontinued operations for each period presented in our Annual Report on Form 10-K. This reclassification had no effect on our reported net income.

Table of Contents**Index to Financial Statements****Medical Properties Trust, Inc.**

The consolidated balance sheet and operating data have been derived from Medical Properties' audited consolidated financial statements. As of December 31, 2011, Medical Properties had a 99.8% equity ownership interest in the Operating Partnership. Medical Properties has no significant operations other than as the sole member of its wholly owned subsidiary, Medical Properties Trust, LLC, which is the sole general partner of the Operating Partnership, and no material assets, other than its direct and indirect investment in the Operating Partnership.

	2011(1)	2010(1)	2009(1)	2008(1)	2007(1)
OPERATING DATA					
Total revenue	\$ 143,319	\$ 117,197	\$ 114,038	\$ 102,995	\$ 74,981
Depreciation and amortization	(32,901)	(22,830)	(21,588)	(21,606)	(8,898)
Property-related and general and administrative expenses	(32,493)	(32,933)	(24,897)	(23,754)	(15,668)
Impairment charge	(564)	(12,000)			
Interest and other income	96	1,518	43	86	363
Debt refinancing costs	(14,214)	(6,716)			
Interest expense	(43,812)	(33,988)	(37,651)	(42,405)	(29,503)
Income from continuing operations	19,431	10,248	29,945	15,316	21,275
Income from discontinued operations	7,283	12,764	6,422	17,417	18,975
Net income	26,714	23,012	36,367	32,733	40,250
Net income attributable to non-controlling interests	(178)	(99)	(37)	(33)	(304)
Net income attributable to MPT common stockholders	\$ 26,536	\$ 22,913	\$ 36,330	\$ 32,700	\$ 39,946
Income from continuing operations attributable to MPT common stockholders per diluted share	\$ 0.16	\$ 0.09	\$ 0.37	\$ 0.22	\$ 0.41
Income from discontinued operations attributable to MPT common stockholders per diluted share	0.07	0.13	0.08	0.28	0.39
Net income, attributable to MPT common stockholders per diluted share	\$ 0.23	\$ 0.22	\$ 0.45	\$ 0.50	\$ 0.80
Weighted average number of common shares diluted	110,629	100,708	78,117	62,035	47,805
OTHER DATA					
Dividends declared per common share	\$ 0.80	\$ 0.80	\$ 0.80	\$ 1.01	\$ 1.08

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	2011(1)	2010(1)	December 31, 2009(1)	2008(1)	2007(1)
BALANCE SHEET DATA					
Real estate assets at cost	\$ 1,275,399	\$ 1,028,062	\$ 973,620	\$ 990,937	\$ 647,891
Other loans and investments	239,839	215,985	311,006	293,523	265,758
Cash and equivalents	102,726	98,408	15,307	11,748	94,215
Total assets	1,621,874	1,348,814	1,309,898	1,311,373	1,051,652
Debt, net	689,849	369,970	576,678	630,557	474,388
Other liabilities	103,210	79,268	61,645	54,473	57,937
Total Medical Properties Trust, Inc. Stockholders Equity	828,815	899,462	671,445	626,100	519,250
Non-controlling interests		114	130	243	77
Total equity	828,815	899,576	671,575	626,343	519,327
Total liabilities and equity	1,621,874	1,348,814	1,309,898	1,311,373	1,051,652

- (1) We invested \$298.7 million, \$158.4 million, \$15.6 million, \$469.5 million, and \$342.0 million in real estate in 2011, 2010, 2009, 2008, and 2007, respectively. The results of operations resulting from these investments are reflected in our consolidated financial statements from the dates invested. See Note 3 in Item 8 of this Annual Report on Form 10-K for further information on acquisitions of real estate, new loans, and other investments. We funded these investments generally from issuing common stock, utilizing additional amounts of our revolving facility, incurring additional debt, or from the sale of facilities. See Notes 4, 9, and 11, in Item 8 on this Annual Report on Form 10-K for further information regarding our debt, common stock and discontinued operations, respectively.

Table of Contents**Index to Financial Statements****MPT Operating Partnership, L.P.**

The consolidated balance sheet and operating data presented below have been derived from the operating partnership's audited consolidated financial statements.

	2011(1)	2010(1)	2009(1)	2008(1)	2007(1)
OPERATING DATA					
Total revenue	\$ 143,319	\$ 117,197	\$ 114,038	\$ 102,995	\$ 74,981
Depreciation and amortization	(32,901)	(22,830)	(21,588)	(21,606)	(8,898)
Property-related and general and administrative expenses	(32,476)	(32,858)	(24,834)	(23,754)	(15,669)
Impairment charge	(564)	(12,000)			
Interest and other income	96	1,518	43	86	364
Debt refinancing costs	(14,214)	(6,716)			
Interest expense	(43,812)	(33,988)	(37,651)	(42,405)	(29,503)
Income from continuing operations	19,448	10,323	30,008	15,316	21,275
Income from discontinued operations	7,283	12,764	6,422	17,417	18,975
Net income	26,731	23,087	36,430	32,733	40,250
Net income attributable to non-controlling interests	(178)	(99)	(37)	(33)	(304)
Net income attributable to MPT Operating Partnership, L.P. partners	\$ 26,553	\$ 22,988	\$ 36,393	\$ 32,700	\$ 39,946
Income from continuing operations attributable to MPT Operating Partnership, L.P. partners per diluted unit	\$ 0.16	\$ 0.09	\$ 0.37	\$ 0.22	\$ 0.41
Income from discontinued operations attributable to MPT Operating Partnership, L.P. partners per diluted unit	0.07	0.13	0.08	0.28	0.39
Net income, attributable to MPT Operating Partnership, L.P. partners per diluted unit	\$ 0.23	\$ 0.22	\$ 0.45	\$ 0.50	\$ 0.80
Weighted average number of units diluted	110,629	100,708	78,117	62,035	47,805
OTHER DATA					
Dividends declared per unit	\$ 0.80	\$ 0.80	\$ 0.80	\$ 1.01	\$ 1.08

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	2011(1)	2010(1)	December 31, 2009(1)	2008(1)	2007(1)
BALANCE SHEET DATA					
Real estate assets at cost	\$ 1,275,399	\$ 1,028,062	\$ 973,620	\$ 990,938	\$ 647,891
Other loans and investments	239,839	215,985	311,006	293,523	265,758
Cash and equivalents	102,726	98,408	15,307	11,743	94,189
Total assets	1,621,874	1,348,814	1,309,898	1,310,991	1,051,627
Debt, net	689,849	369,970	576,678	630,557	474,388
Other liabilities	102,820	78,895	61,348	53,856	57,677
Total partners capital	829,205	899,835	671,742	626,335	519,485
Non-controlling interests		114	130	243	77
Total capital	829,205	899,949	671,872	626,578	519,327
Total liabilities and capital	1,621,874	1,348,814	1,309,898	1,310,991	1,051,627

- (1) We invested \$298.7 million, \$158.4 million, \$15.6 million, \$469.5 million, and \$342.0 million in real estate in 2011, 2010, 2009, 2008, and 2007, respectively. The results of operations resulting from these investments are reflected in our consolidated financial statements from the dates invested. See Note 3 in Item 8 of this Annual Report on Form 10-K for further information on acquisitions of real estate, new loans, and other investments. We funded these investments generally from issuing common stock, utilizing additional amounts of our revolving facility, incurring additional debt, or from the sale of facilities. See Notes 4, 9, and 11, in Item 8 on this Annual Report on Form 10-K for further information regarding our debt, common stock and discontinued operations, respectively.

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ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operation*

Unless otherwise indicated, references to our, we and us in this management's discussion and analysis of financial condition and results of operations refer to Medical Properties Trust, Inc. and its consolidated subsidiaries, including MPT Operating Partnership, L.P.

Overview

We were incorporated in Maryland on August 27, 2003 primarily for the purpose of investing in and owning net-leased healthcare facilities across the United States. We also make real estate mortgage loans and other loans to our tenants. We conduct our business operations in one segment. We have operated as a REIT since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of our calendar year 2004 Federal income tax return. Our existing tenants are, and our prospective tenants will generally be, healthcare operating companies and other healthcare providers that use substantial real estate assets in their operations. We offer financing for these operators' real estate through 100% lease and mortgage financing and generally seek lease and loan terms on a long-term basis ranging from 10 to 15 years with a series of shorter renewal terms at the option of our tenants and borrowers. We also have included and intend to include in our lease and loan agreements annual contractual minimum rate increases. Our existing portfolio minimum escalators range from 1% to 4%, while a limited number of our properties do not have an escalator. Most of our leases and loans also include rate increases based on the general rate of inflation if greater than the minimum contractual increases. In addition to the base rent, our leases require our tenants to pay all operating costs and expenses associated with the facility. Some leases also require our tenants to pay percentage rents, which are based on the level of those tenants' revenues from their operations. Finally, from time to time we acquire a profits or other equity interest in our tenants that gives us a right to share in the tenant's income or loss.

We selectively make loans to certain of our operators through our taxable REIT subsidiaries, which they use for acquisitions and working capital. We consider our lending business an important element of our overall business strategy for two primary reasons: (1) it provides opportunities to make income-earning investments that yield attractive risk-adjusted returns in an industry in which our management has expertise, and (2) by making debt capital available to certain qualified operators, we believe we create for our company a competitive advantage over other buyers of, and financing sources for, healthcare facilities.

At December 31, 2011, our portfolio consisted of 62 properties: 55 healthcare facilities (of the 60 facilities that we own) are leased to 20 tenants, one is presently not under lease, four are under development, and the remainder are in the form of mortgage loans collateralized by interests in health care real estate to one operator.

Ernest Acquisition

On January 31, 2012, we entered into definitive agreements to make loans to and acquire assets from Ernest Health, Inc. (Ernest) and to make an equity contribution to the parent of Ernest for a combined purchase price and investment of \$396.5 million, consisting of \$200 million to purchase real estate assets, a first mortgage loan of \$100 million, an acquisition loan for \$93.2 million and a capital contribution of \$3.3 million. On February 29, 2012, we closed and funded this acquisition and related investments.

Pursuant to a definitive real property asset purchase agreement (the Purchase Agreement), we acquired from Ernest and certain of its subsidiaries (i) a portfolio of five rehabilitation facilities (including a ground lease interest relating to a community-based acute rehabilitation facility in Wyoming), (ii) seven long-term acute care facilities located in seven states and (iii) undeveloped land in Provo, Utah (collectively, the Acquired Facilities) for an aggregate purchase price of \$200 million, subject to certain adjustments. The Acquired Facilities will be leased to subsidiaries of Ernest pursuant to a master lease agreement. The master lease agreement has a 20-year term with three five-year extension options and provides for an initial rental rate of 9%, with consumer price-indexed increases, limited to a 2% floor and 5% ceiling annually thereafter. Pursuant to the Purchase Agreement, we also made Ernest a \$100 million loan secured by a first mortgage interest in four subsidiaries of Ernest, which has terms similar to the leasing terms described above.

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To finance these transactions, on February 7, 2012, we completed an offering of 23,575,000 shares of our common stock (including 3,075,000 shares sold pursuant to the exercise in full of the underwriters' over-allotment option), resulting in net proceeds (after underwriting discount) of \$220.7 million. On February 17, 2012, we completed a \$200 million offering of senior unsecured notes, resulting in net proceeds, after underwriting discount, of \$196.5 million. In addition, we plan to close on a \$80 million term loan and exercise the \$70 million accordion feature on our revolving credit facility during the first quarter of 2012.

The following is a discussion of our highlights for the years ended December 31, 2011, 2010 and 2009, which should be read in conjunction with the financial statements appearing in Item 8 of this Annual Report on Form 10-K. Unless otherwise indicated, this discussion is for both Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. as Medical Properties Trust, Inc. has no significant operations other than those of MPT Operating Partnership, L.P.

2011 Highlights

In 2011, our primary business goals were to continue our growth pattern, improve diversification of our portfolio, recapitalize our balance sheet with longer-term unsecured debt, and increase our access to liquidity. We took the following actions to achieve these goals, among others:

Acquired real estate assets, entered into leases, made new loan investments and obtained equity interests in several tenants (under the RIDEA guidelines) totaling approximately \$330 million as noted below:

Gilbert Hospital real estate a 19-bed, 4-year old general acute care facility located in a suburb of Phoenix, Arizona for \$17.1 million. We acquired this asset subject to an existing lease that expires in May 2022.

Atrium Medical Center at Corinth real estate a 60-bed long-term acute care facility in the Dallas area for \$23.5 million. Facility is subject to a lease that expires in June 2024. In addition, through one of our affiliates, we invested \$1.3 million to acquire a 10% interest in the operations of the facility. We also made a \$5.2 million working capital loan.

Bayonne Medical Center real estate a 6-story, 278-bed acute care hospital in the New Jersey area of metropolitan New York for \$58 million. Facility will be leased to the operator under a 15-year lease.

Alvarado Hospital real estate a 306-bed general acute care facility in San Diego, California for \$70 million. This facility will be leased to the operator under a 10-year lease.

Northland LTACH Hospital real estate a 35-bed long-term acute care facility located in Kansas City for \$19.5 million. We acquired this asset subject to an existing lease that expires in 2028.

Vibra Specialty Hospital of DeSoto real estate a 40-bed long-term acute care facility in DeSoto, Texas for \$13.0 million. This facility will be leased for a fixed term of 15 years. In addition, we have made a \$2.5 million equity investment in the operator of this facility for a 25% equity ownership.

New Braunfels real estate a 40-bed long-term acute care facility in New Braunfels, Texas for \$10.0 million. This facility will be leased for a fixed term of 15 years. In addition, we have made a \$1.4 million equity investment for a 25% equity ownership in the operator of this facility and funded a \$2.0 million working capital loan.

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Emerus development project entered into agreements with a joint venture of Emerus Holding, Inc. and Baptist Health System, to acquire, provide for development funding and lease three acute care hospitals for \$30.0 million in the suburban markets of San Antonio, Texas. With the execution of these agreements, we funded \$7.4 million during the fourth quarter of 2011, of which \$6.2 million was used to acquire land for these three facilities. The three facilities upon

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completion will be leased under a master lease structure with an initial term of 15 years and three five-year extension options. We currently expect construction of these three facilities to be completed in the fourth quarter of 2012.

Hoboken University Medical Center real estate a 350-bed acute care facility located in Hoboken, New Jersey. The total investment for this transaction was \$75.0 million, comprising \$50.0 million for the acquisition of an 100% ownership of the real estate, a secured working capital loan of up to \$20.0 million (\$15.1 million outstanding at December 31, 2011), and the purchase of a \$5.0 million convertible note which provides us with the option to acquire up to 25% of the hospital operator. The lease with the tenant has an initial term of 15 years.

With these new investments, all of our diversification metrics have improved as noted below:

Tenant diversification From an investment concentration perspective, Prime represented 25.3% of our total assets at December 31, 2011, down from 26.7% in the prior year.

Individual property diversification On an individual property basis, we had no investment of any single property greater than 5.6% of our total assets as of December 31, 2011, down from 6.7% in the prior year.

Geographic diversification Investments located in California represented 26.8% of our total assets at December 31, 2011, down from 28.6% in the prior year.

Substantially modified our credit profile by refinancing most of our secured debt with unsecured debt by issuing \$450 million of senior unsecured notes with a fixed rate of 6.875% due in 2021. In connection with these notes, we amended our existing credit agreement to go unsecured on our revolving credit facility, extend the maturity to October 2015 and lowered our interest rate spread.

Sold our Morgantown and Sherman Oaks facilities for \$41 million, resulting in gains of \$5.4 million.

With the financing activities and property sales noted above, we funded our 2011 acquisition activity as well as paid off certain loans (including the remaining portion of our 2006 Exchangeable notes) and extended our debt maturities. At December 31, 2011 (and excluding any subsequent events), we have approximately \$50 million of principal payments due through October 2015.

2010 Highlights

In 2010, our primary business goals were to recapitalize our balance sheet with longer-term debt and lower leverage, increase our access to liquidity and accelerate our acquisitions of healthcare real estate. We took the following actions to achieve these goals among others:

Replaced old \$220 million credit facility with a new \$480 million credit facility and completed a \$279 million stock offering, establishing a low leverage platform with more than \$500 million of available capital for acquisition growth;

Purchased \$128.8 million of our 6.125% Senior Notes, leaving only \$9.2 million of the 2006 Exchangeable Notes remaining to be paid by November 2011; paid \$30 million term loan maturing in 2010; completely paid down \$40 million revolver;

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Committed to more than \$200 million in healthcare real estate investments:

Acquired three inpatient rehabilitation hospitals in Texas with a new tenant for \$74 million;

Commenced redevelopment of the River Oaks hospital in Houston;

Entered into \$30 million agreement to develop Phoenix-area general acute care hospital;

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Acquired two free standing long term acute care hospitals and a third property in the first quarter 2011, all leased to and operated by Kindred Healthcare Inc. (formerly RehabCare), the nation's third largest operator of LTACHs, for \$83.4 million.

Sold our Inglewood property for \$75 million in cash realizing a \$6.2 million gain, received \$40 million in early payment of loans, and received \$12 million in early receipt of rent related to transactions with Prime, lowering Prime concentration to 26.7% of our total assets;

Sold our Montclair Hospital for \$20 million in cash realizing a gain of \$2.2 million;

Sold our Sharpstown facility in Houston, Texas for \$3 million in cash realizing a \$0.7 million gain;

Received pre-payment of our Marina mortgage loan of \$43 million;

Entered into interest rate swaps to fix \$60 million of our senior notes starting October 30, 2011 (date on which the interest rate was scheduled to turn variable) through the maturity date at a rate of 5.675% and to fix \$65 million of our senior notes, starting July 30, 2011 (date on which the interest rate was scheduled to turn variable) through maturity date, at a rate of 5.507%, which was expected to result in a \$2.5 million annual savings on interest expense based on the then current fixed rate; and

Recorded a \$12 million charge to recognize the estimated impairment of our Monroe working capital loan.

2009 Highlights

In 2009, our primary business goal was to preserve capital during the recent economic and credit crisis. Below are actions taken to achieve that goal along with other highlights for the year:

Issued 13.3 million shares of common stock resulting in net proceeds of \$67.8 million;

Sold an acute care facility to Prime for \$15.0 million, realizing a gain of \$0.3 million;

Executed a \$20 million mortgage loan, of which we advanced \$15.0 million by end of year. Loan is collateralized by Prime's Desert Valley facility. The purpose of the mortgage loan is to help fund a \$35 million expansion and renovation project;

Re-leased our Bucks County facility within six months of terminating the previous lease on the facility due to tenant defaults;

Terminated leases on two of our Louisiana (Covington and Denham Springs) facilities but subsequently re-leased the Denham Springs facility with a new operator at similar terms within 2 months of the prior lease termination;

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Entered into an at-the-market offering, which allows us to sell up to \$50 million in stock the proceeds from which will be used for general corporate purposes, which may from time to time include reduction of our debt balances and investments in healthcare real estate and other assets; and

Settled the Stealth litigation.

Critical Accounting Policies

In order to prepare financial statements in conformity with accounting principles generally accepted in the United States, we must make estimates about certain types of transactions and account balances. We believe that our estimates of the amount and timing of our revenues, credit losses, fair values (either as part of a purchase price allocation or impairment analysis) and periodic depreciation of our real estate assets, and stock compensation expense, along with our assessment as to whether an entity that we do business with should be consolidated with our results, have significant effects on our financial statements. Each of these items involves estimates that require us to make subjective judgments. We rely on our experience, collect historical and current market data, and develop relevant assumptions to arrive at what we believe to be reasonable estimates. Under different conditions or assumptions, materially different amounts could be reported related to the accounting

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policies described below. In addition, application of these accounting policies involves the exercise of judgment on the use of assumptions as to future uncertainties and, as a result, actual results could materially differ from these estimates. Our accounting estimates include the following:

Revenue Recognition: We receive income from operating leases based on the fixed, minimum required rents (base rents) per the lease agreements. Rent revenue from base rents is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for acquired properties. The straight-line method records the periodic average amount of base rent earned over the term of a lease, taking into account contractual rent increases over the lease term. The straight-line method typically has the effect of recording more rent revenue from a lease than a tenant is required to pay early in the term of the lease. During the later parts of a lease term, this effect reverses with less rent revenue recorded than a tenant is required to pay. Rent revenue as recorded on the straight-line method in the consolidated statements of income is presented as two amounts: billed rent revenue and straight-line revenue. Billed rent revenue is the amount of base rent actually billed to the customer each period as required by the lease. Straight-line rent revenue is the difference between rent revenue earned based on the straight-line method and the amount recorded as billed rent revenue. We record the difference between base rent revenues earned and amounts due per the respective lease agreements, as applicable, as an increase or decrease to straight-line rent receivable.

Certain leases provide for additional rents contingent upon a percentage of the tenant revenue in excess of specified base amounts/thresholds (percentage rents). Percentage rents are recognized in the period in which revenue thresholds are met. Rental payments received prior to their recognition as income are classified as deferred revenue. We may also receive additional rent (contingent rent) under some leases when the U.S. Department of Labor consumer price index exceeds the annual minimum percentage increase in the lease. Contingent rents are recorded as billed rent revenue in the period earned.

In instances where we have a profits interest in our tenant's operations, we record revenue equal to our percentage interest of the tenant's profits, as defined in the lease or tenant's operating agreements, once annual thresholds, if any, are met.

We begin recording base rent income from our development projects when the lessee takes physical possession of the facility, which may be different from the stated start date of the lease. Also, during construction of our development projects, we are generally entitled to accrue rent based on the cost paid during the construction period (construction period rent). We accrue construction period rent as a receivable and deferred revenue during the construction period. When the lessee takes physical possession of the facility, we begin recognizing the accrued construction period rent on the straight-line method over the remaining term of the lease.

We receive interest income from our tenants/borrowers on mortgage loans, working capital loans, and other long-term loans. Interest income from these loans is recognized as earned based upon the principal outstanding and terms of the loans.

Commitment fees received from development and leasing services for lessees are initially recorded as deferred revenue and recognized as income over the initial term of an operating lease to produce a constant effective yield on the lease (interest method). Commitment and origination fees from lending services are recorded as deferred revenue and recognized as income over the life of the loan using the interest method.

Investments in Real Estate. We record investments in real estate at cost, and we capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. While our tenants are generally responsible for all operating costs at a facility, to the extent that we incur costs of repairs and maintenance, we expense those costs as incurred. We compute depreciation using the straight-line method over the weighted-average useful life of 37.4 years for buildings and improvements.

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When circumstances indicate a possible impairment of the value of our real estate investments (which was the case with our Denham Springs facility during 2011), we review the recoverability of the facility's carrying value. The review of the recoverability is generally based on our estimate of the future undiscounted cash flows, excluding interest charges, from the facility's use and eventual disposition. Our forecast of these cash flows considers factors such as expected future operating income, market and other applicable trends, and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists due to inability to recover the carrying value of a facility, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the facility. We do not believe that the value of any of our facilities was impaired at December 31, 2011 or 2010; however, given the highly specialized aspects of our properties no assurance can be given that future impairment charges will not be taken.

Acquired Real Estate Purchase Price Allocation. We allocate the purchase price of acquired properties to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate, we utilize a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

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

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

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

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We amortize the value of in-place leases to expense over the initial term of the respective leases, which have a weighted average useful life of 14.1 years at December 31, 2011. The value of customer relationship intangibles, if any, is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event will the amortization period for intangible assets exceed the remaining depreciable life of the building. If a lease is terminated, the unamortized portion of the in-place lease value and customer relationship intangibles is charged to expense. At December 31, 2011, we have assigned no value to customer relationship intangibles.

Loans: Loans consist of mortgage loans, working capital loans and other long-term loans. Mortgage loans are collateralized by interests in real property. Working capital and other long-term loans are generally collateralized by interests in receivables and corporate and individual guarantees. We record loans at cost. We evaluate the collectability of both interest and principal for each of our loans to determine whether they are impaired. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the allowance is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows using the loans effective interest rate or to the fair value of the collateral if the loan is collateral dependent.

Losses from Rent Receivables: A provision for losses on rent receivables (including straight-line rent receivables) is recorded when it becomes probable that the receivable will not be collected in full. The provision is an amount which reduces the receivable to its estimated net realizable value based on a determination of the eventual amounts to be collected either from the debtor or from the collateral, if any.

Stock-Based Compensation. During the years ended December 31, 2011, 2010, and 2009 we recorded \$7.0 million, \$6.6 million, and \$5.5 million, respectively, of expense for share-based compensation related to grants of restricted common stock, deferred stock units and other stock-based awards. In 2011, 2010, 2007 and 2006, we granted performance-based restricted share awards that vest based on the achievement of certain market conditions as defined by the accounting rules. Market conditions are vesting conditions which are based on our stock price levels or our total shareholder return (stock price and dividends) compared to an index of other REIT stocks. Because these awards vest based on the achievement of these market conditions, we must initially evaluate and estimate the probability of achieving those market conditions in order to determine the fair value of the award and over what period we should recognize stock compensation expense. For example, in 2007, the Compensation Committee made awards which are earned only if we achieve certain stock price levels, total shareholder return or other market conditions. The 2007 awards were made pursuant to our 2007 Multi-Year Incentive Plan (MIP) adopted by the Compensation Committee and consisted of three components: service-based awards, core performance awards (CPRE), and superior performance awards (SPRE). The service-based awards vest annually and ratably over a seven-year period. We recognize expense over the vesting period on the straight-line method for service based awards. The CPRE and SPRE awards vest based on the achievement of certain market conditions. Only one-third of the SPRE awards were earned as of December 31, 2010 (with the remainder being forfeited); however, these awards require additional service after being earned in order to vest. For the CPRE awards, the period over which the awards are earned is not fixed because the awards provide for cumulative measures over multiple years. The accounting rules require that we estimate the period over which the awards will likely be earned, regardless of the period over which the award allows as the maximum period over which it can be earned. Also, because some awards have multiple periods over which they can be earned, we must segregate individual awards into tranches, based on their vesting or estimated earning periods. These complexities required us to use an independent consultant to assist us in modeling both the value of the award and the various periods over which each tranche of an award will be earned. We used what is termed a Monte Carlo simulation model which determines a value and earnings periods based on multiple outcomes and their probabilities. Beginning in 2007, we recorded expense over the expected or derived vesting periods using the calculated value of the awards. We recorded expense over these vesting periods even though the awards have not yet been earned and, in fact, may never be earned.

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Principles of Consolidation: Property holding entities and other subsidiaries of which we own 100% of the equity or have a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which we own less than 100% of the equity interest, we consolidate the property if we have the direct or indirect ability to control the entities' activities based upon the terms of the respective entities' ownership agreements. For these entities, we record a non-controlling interest representing equity held by non-controlling interests.

We continually evaluate all of our transactions and investments to determine if they represent variable interests in a variable interest entity. If we determine that we have a variable interest in a variable interest entity, we then evaluate if we are the primary beneficiary of the variable interest entity. The evaluation is a qualitative assessment as to whether we have the ability to direct the activities of a variable interest entity that most significantly impact the entity's economic performance. We consolidate each variable interest entity in which we, by virtue of or transactions with our investments in the entity, are considered to be the primary beneficiary. At December 31, 2011 and 2010, we determined that we were not the primary beneficiary of any of our variable interest entities because we do not control the activities that most significantly impact the economic performance of these entities.

Disclosure of Contractual Obligations

The following table summarizes known material contractual obligations as of December 31, 2011, excluding the impact of subsequent events (amounts in thousands):

Contractual Obligations	Less Than				Total
	1 Year	1-3 Years	3-5 Years	After 5 Years	
2006 senior unsecured notes(1)	\$ 6,984	\$ 13,969	\$ 138,048	\$	\$ 159,001
Exchangeable senior notes	1,018	11,508			12,526
2011 senior unsecured notes	30,937	61,875	61,875	589,219	743,906
Revolving credit facilities(2)	42,891	5,900	52,458		101,249
Term loans	1,135	2,269	2,269	13,984	19,657
Operating lease commitments(3)	2,408	4,062	3,570	41,780	51,820
Purchase obligations(4)	64,140				64,140
Totals	\$ 149,513	\$ 99,583	\$ 258,220	\$ 644,983	\$ 1,152,299

- (1) The interest rates on these notes are currently variable rates, but we entered into interest rate swaps to fix these interest rates until maturity. For \$65 million of our \$125 million Senior Notes, the rate is 5.507% and for \$60 million of our \$125 million Senior Notes the rate is 5.675%. See Note 4 of Item 8 to this Form 10-K for more information.
- (2) This assumes balance and rate in effect at December 31, 2011 (\$89,600 as of December 31, 2011) remains in effect through maturity. This also reflects unused credit facility fees assuming balance remains in effect through maturity.
- (3) Most of our contractual obligations to make operating lease payments are related to ground leases for which we are reimbursed by our tenants along with corporate office and equipment leases.
- (4) Includes approximately \$56 million of future development expenditures related to Florence, our three Emerus properties, River Oaks re-development and other capital project expenditures. In addition, this includes an additional \$5 million funding on a working capital loan with the operator of our Hoboken facility.

Liquidity and Capital Resources*2011 Cash Flow Activity*

We generated cash of \$79.3 million from operating activities during 2011 (including approximately \$4.6 million from discontinued operations), which along with proceeds from our 2011 senior unsecured notes of \$450 million, borrowings on our revolving credit facilities of \$89.6 million, proceeds from the sale of our Morgantown

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and Sherman Oaks properties of \$41.1 million and other receipts, were used to fund our dividends of \$89.6 million, make principal payments on our debt of \$246.3 million (including the buyback of 86.6% of our 9.25% exchangeable senior notes due 2013 (2008 exchangeable notes)), and fund new investments in the year of approximately \$330 million.

In April 2011, our Operating Partnership and a wholly owned subsidiary of our Operating Partnership closed on a private offering of \$450 million unsecured senior notes. These notes mature in 2021 and the interest rate is fixed at 6.875% per year. Contemporaneously with the closing of the notes, we repaid and terminated our \$150 million term loan facility and our \$9 million collateralized term loan facility. In connection with the notes offering, we amended our existing credit agreement, which now provides for a \$330 million unsecured revolving credit facility that matures in October 2015. We paid down in full this revolving credit facility's outstanding balance with the proceeds from the notes offering. In the 2011 third quarter, we used proceeds from our 2011 senior unsecured notes offering to repurchase 86.6% of the outstanding 2008 exchangeable notes at a weighted average price of 118.4% of the principal amount (or \$84.1 million) plus accrued and unpaid interest pursuant to a cash tender offer.

As more fully described in Note 13 to Item 8 of this Form 10-K, we, subsequent to December 31, 2011, closed and funded the acquisition of and investments in Ernest Health, Inc. (Ernest) including an equity contribution to the parent of Ernest for a combined purchase price and investment of \$396.5 million. To fund this acquisition, we completed or have initiated the following transactions subsequent to December 31, 2011:

- 1) **Common stock offering** On February 7, 2012, we completed an offering of 23,575,000 shares of our common stock (including 3,075,000 shares sold pursuant to the exercise in full of the underwriters' over-allotment option) at a price of \$9.75 per share, resulting in net proceeds (after underwriting discount) of \$220.7 million.
- 2) **Senior unsecured notes offering** On February 17, 2012, we completed a \$200 million offering of senior unsecured notes. These senior notes will accrue interest at a fixed rate of 6.375% per year and will mature on February 15, 2022. Net proceeds, after underwriting discount, from this senior notes offering was \$196.5 million.
- 3) **Credit facilities** On January 25, 2012, we received a commitment letter and term sheet for a \$80 million senior unsecured term loan facility that provides for customary financial and operating covenants, substantially consistent with our revolving credit facility. We expect to close on our new term loan facility shortly after the closing of the Ernest transactions described above. In addition to the new term loan facility, our existing revolving credit facility includes an accordion feature pursuant to which borrowings thereunder can be increased up to \$400 million from \$330 million. We have requested a \$70 million increase in our revolving credit facility contemporaneously with the closing of our new term loan facility.

2010 Cash Flow Activity

We generated cash of \$60.6 million from operating activities during 2010, which primarily consists of rent and interest from mortgage and working capital loans, which, along with cash on-hand, proceeds from the sale of stock and our Inglewood and Montclair properties and early loan prepayments by Prime and Marina, were principally used to fund our dividends of \$77.1 million, real estate acquisitions of \$138 million and our debt refinancing activities.

In April 2010, we completed a public offering (the Offering) of 26 million shares of common stock at \$9.75 per share. Including the underwriters' purchase of 3.9 million additional shares to cover over-allotments, net proceeds from this offering, after underwriters' discounts and commissions, were \$288.1 million. We have

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used the net proceeds from the Offering to pay off a \$30 million term loan and to fund our purchase of 93% of the then outstanding 2006 exchangeable senior notes at a price of 103% of the principal amount plus accrued and unpaid interest (or \$136.3 million).

In May 2010, we entered into a \$450 million secured credit facility with a syndicate of banks and others, the proceeds of which, along with the Offering proceeds, were used to repay in full all outstanding obligations under an old \$220 million credit facility. This new facility included a \$300 million three-year term revolving facility (which was increased to \$330 million in September 2010) and a \$150 million six-year term loan. During the second quarter 2010, we entered into an interest rate swap to fix \$65 million of our \$125 million Senior Notes, which started July 31, 2011 (date on which the interest rate turned variable) through maturity date (or July 2016), at a rate of 5.507%. We also entered into an interest rate swap to fix \$60 million of our senior notes which started October 31, 2011 (date on which the related interest rate turned variable) through the maturity date at a rate of 5.675%. In 2010, we sold the real estate of our Inglewood Hospital and Montclair Hospital to Prime for \$75 million and \$20 million, respectively, and received prepayment of our Marina mortgage loan of \$43 million. Separately, Prime also repaid \$40 million in outstanding loans plus accrued interest in April 2010. In addition, Prime paid us \$12 million in additional rent related to our Shasta property.

2009 Cash Flow Activity

We generated cash of \$62.8 million from operating activities during 2009, which, along with borrowings from our revolving credit facility, were used to fund our dividends of \$61.6 million and investing activities of \$12.1 million. In January 2009, we completed a public offering of 12.0 million shares of our common stock at \$5.40 per share. Including the underwriters' purchase of 1.3 million additional shares to cover over-allotments, net proceeds from this offering, after underwriting discount and commission and fees, were approximately \$68 million. The net proceeds of this offering were generally used to repay borrowings outstanding under our revolving credit facilities.

Debt Restrictions and Covenants

Our debt facilities impose certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate or other assets; and change our business. In addition, the credit agreement governing our revolving credit facility limits the amount of dividends we can pay to 120% of normalized adjusted funds from operations, as defined in the agreements, on a rolling four quarter basis starting for the fiscal quarter ending March 31, 2012. Thereafter, a similar dividend restriction exists but the percentage drops each quarter until reaching 95% at March 31, 2013. The indenture governing our 2011 senior unsecured notes also limits the amount of dividends we can pay based on the sum of 95% of funds from operations, proceeds of equity issuances and certain other net cash proceeds. Finally, our 2011 senior unsecured notes (along with the senior unsecured notes entered into in 2012 in connection with the Ernest acquisition) require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, our debt facilities contain customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, mortgage secured leverage ratio, recourse mortgage secured leverage ratio, consolidated adjusted net worth, facility leverage ratio, and borrowing base interest coverage ratio. This facility also contains customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations and failure to comply with our covenants. If an event of default occurs and is continuing under the facility, the entire outstanding balance may become immediately due and payable. At December 31, 2011, we were in compliance with all such financial and operating covenants.

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In order for us to continue to qualify as a REIT we are required to distribute annual dividends equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. See section titled "Distribution Policy" within this Item 7 of this Annual Report on Form 10-K for further information on our dividend policy along with the historical dividends paid on a per share basis.

Short-term Liquidity Requirements: At February 22, 2012 (and including the 2012 stock and senior unsecured notes offerings discussed above), our availability under our amended revolving credit facility plus cash on-hand approximated \$780 million. Besides the expected payoff of our secured revolving credit facility for \$39.6 million (which is secured by one property that has a net book value of \$55.1 million at December 31, 2011), we have only nominal principal payments due in 2012 – see five-year debt maturity schedule below. We believe that the liquidity available to us, the new term loan to be entered into in 2012 (as discussed above) and our current monthly cash receipts from rent and loan interest, is sufficient to fund our operations, debt and interest obligations, our firm commitments (including capital expenditures, if any, and expected funding requirements on our Florence and Emerus development projects along with our River Oaks re-development project), and dividends in order to comply with REIT requirements along with our current investment strategies for the next twelve months (including the Ernest real estate acquisition and related investments discussed above). In addition, we have an at-the-market offering in place under which we may sell up to \$50 million in shares (of which \$10 million has been sold to-date), which may be used for general corporate purposes as needed.

Long-term Liquidity Requirements: As of December 31, 2011, we only have approximately \$50 million in debt principal payments due between now and October 2015. With our liquidity at February 22, 2012 (including the proceeds from our 2012 stock and senior unsecured notes offerings) of \$780 million along with our current monthly cash receipts from rent and loan interest availability under our at-the-market offering, and proceeds from the new term loan to be entered into in 2011, we believe we have the liquidity available to us to fund our operations, debt and interest obligations, dividends in order to comply with REIT requirements, firm commitments (including capital expenditures, if any) and investment strategies for the foreseeable future. As of February 22, 2012 (and after giving effect to the 2012 senior unsecured notes offering), principal payments due on our debt (which exclude the effects of any discounts recorded) are as follows (in thousands):

2012	\$ 39,797
2013	11,249
2014	265
2015	283
2016	125,299
Thereafter	663,101
Total	\$ 839,994

Results of Operations

We began operations during the second quarter of 2004. Since then, we have substantially increased our income earning investments each year (see "Overview" section in this item for more details), and we expect to continue to add to our investment portfolio, subject to the capital markets and other conditions described in this Annual Report on Form 10-K. Accordingly, we expect that future results of operations will vary from our historical results.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

Net income for the year ended December 31, 2011 was \$26.5 million compared to net income of \$22.9 million for the year ended December 31, 2010. As described below, the significant contributors to the difference between 2011 and 2010 net income is the incremental rent from acquired properties and higher

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impairment charges in 2010 related to our Monroe loan, partially offset by higher interest expense and debt refinancing costs as more fully described in Note 4 of Item 8 of this Form 10-K. FFO, after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$78.0 million, or \$0.71 per diluted share for the year ended December 31, 2011 as compared to \$66.6 million, or \$0.66 per diluted share for 2010.

A comparison of revenues for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010 (Dollar amounts in thousands)		Change	
Base rents	\$ 113,862	79.5%	\$ 86,306	73.6%	\$ 27,556
Straight-line rents	5,794	4.0%	1,933	1.6%	3,861
Percentage rents	2,173	1.5%	2,181	1.9%	(8)
Interest from loans	21,220	14.8%	26,196	22.4%	(4,976)
Fee income	270	0.2%	581	0.5%	(311)
Total revenue	\$ 143,319	100.0%	\$ 117,197	100.0%	\$ 26,122

Revenue for the year ended December 31, 2011, was comprised of rents (85.0%) and interest and fee income from loans (15.0%). The increase in base rents and percentage rent is primarily due to incremental revenue from acquisitions made in 2011 and 2010 and additional rent generated from annual escalation provisions in our leases.

Straight line rents significantly increased from the prior year primarily due to approximately \$1.7 million of unbilled rent that was reclassified to billed rent in the second quarter of 2010 with the additional rent payment received on our Shasta property and the write-off/reserve of \$2.5 million and \$0.2 million in straight-line rent receivables associated with our Monroe and Cleveland facilities, respectively.

Interest income decreased from the prior year due to the prepayment of \$40 million in loans in the second quarter of 2010.

Real estate depreciation and amortization during 2011 was \$32.9 million, compared to \$22.8 million in 2010, a 44.1% increase, due to the incremental depreciation from the properties acquired during 2010 and 2011.

Property-related expenses during 2011 decreased from \$4.4 million in 2010 to \$1.1 million in 2011 due to the write-off of \$2.4 million in receivables related to a former tenant in the fourth quarter of 2010 and \$1.3 million of utility costs, repair and maintenance expense, legal, and property taxes associated with vacant facilities in 2010. No similar costs were incurred in 2011 as all of our facilities are currently fully operating with the exception of those facilities that are under development.

In the 2011 second quarter, we recognized a \$0.6 million real estate impairment charge related to our Denham Springs facility, while, in the 2010 first quarter, we recognized a \$12 million loan impairment charge related to our Monroe facility.

General and administrative expenses in 2011 and 2010 totaled \$27.2 million and \$26.5 million, respectively. We incurred higher travel costs and office expenses in 2011, which was offset by a \$2.8 million charge recognized during the second quarter of 2010 as a result of the resignation of an executive officer.

Acquisition expenses increased from \$2.0 million in 2010 to \$4.2 million in 2011 due to increased acquisition activity and consummated deals.

Interest and other income is lower than prior year due to the \$1.5 million gain from the exchange of our Cleveland property in 2010.

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Interest expense (including debt refinancing costs) for 2011 and 2010 totaled \$58.0 million and \$40.7 million, respectively. In 2011, we recorded a charge of \$14.2 million related to our debt refinancing activities, while in 2010, we recorded a charge of \$6.7 million for other refinancing activities. See Note 4 to our consolidated financial statements in Item 8 to this Form 10-K for further information on our debt refinancing activities. Excluding the debt refinancing charges, interest increased 28.9% for 2011 due to an increase in debt from the \$450 million senior unsecured notes that we entered into in April 2011.

In addition to the items noted above, net income for the year was impacted by discontinued operations. See Note 11 to our consolidated financial statements in Item 8 to this Form 10-K for further information.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Net income for the year ended December 31, 2010 was \$22.9 million compared to net income of \$36.3 million for the year ended December 31, 2009. As described below, the significant contributors to the difference between 2010 and 2009 net income is the impairment charge on the Monroe loan in 2010 and higher acquisition expenses in 2010 partially offset by incremental rent from acquired and re-leased properties in 2010. FFO, after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$66.6 million, or \$0.66 per diluted share for the year ended December 31, 2010 as compared to \$61.5 million, or \$0.79 per diluted share for 2009.

A comparison of revenues for the years ended December 31, 2010 and 2009 is as follows:

	2010		2009		Change
			(Dollar amounts in thousands)		
Base rents	\$ 86,306	73.6%	\$ 76,012	66.7%	\$ 10,294
Straight-line rents	1,933	1.6%	8,038	7.0%	(6,105)
Percentage rents	2,181	1.9%	1,859	1.6%	322
Interest from loans	26,196	22.4%	27,704	24.3%	(1,508)
Fee income	581	0.5%	425	0.4%	156
Total revenue	\$ 117,197	100.0%	\$ 114,038	100.0%	\$ 3,159

Revenue for the year ended December 31, 2010, was comprised of rents (77.1%) and interest and fee income from loans (22.9%). The increase in base rents is primarily due to incremental revenue from acquisitions made in 2010 and other new investments along with the re-leasing of our Bucks and Covington properties.

Straight-line rents were significantly less compared to the prior year due to the \$2.5 million write-off of straight-line rent receivables in third quarter 2010 associated with our Monroe facility; \$0.2 million related to the Cleveland property exchange transaction in the third quarter 2010; and \$1.7 million of straight-line rent that was reclassified as base rent in the 2010 second quarter upon the payment of \$12 million by Prime pursuant to the additional rent provisions of the Shasta lease; partially offset by reserve/write-off of \$1.1 million for our Covington and Denham Springs properties in the 2009 second quarter. In addition, 2009 straight-line rents included a \$1.4 million adjustment for additional rent on our Shasta facility.

Interest income decreased from the prior year by 5.4% due to the prepayment of \$40 million in loans in the second quarter of 2010.

Real estate depreciation and amortization during the year ended December 31, 2010 was \$22.8 million, compared to \$21.6 million in 2009, a 5.8% increase. Depreciation increased due to the incremental depreciation from the acquisitions in 2010.

Property-related expenses during the years ended December 31, 2010 and 2009, totaled \$4.4 million and \$3.8 million, respectively, which represents an increase of 15.7%. This increase is primarily related to the

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write-off of \$2.4 million in receivables related to a former tenant of our Bucks facility in the fourth quarter 2010. Of the property-related expenses in 2010 and 2009, \$1.3 million and \$3.3 million, respectively, represented utility costs, repair and maintenance expense, legal, and property taxes associated with vacant or previously vacant properties.

In the 2010 first quarter, we recognized a \$12 million loan impairment charge related to our Monroe facility. No such charge was recorded in 2009.

Acquisition expenses in 2010 were \$2.0 million from legal and other costs related to acquisition due diligence and closing costs. No such expenses were incurred in 2009 as we had suspended our acquisition activity during the recession.

General and administrative expenses during the years ended December 31, 2010 and 2009, totaled \$26.5 million and \$21.1 million, respectively, which represents an increase of 25.7%. The majority of this increase relates to executive severance of \$2.8 million recorded during the second quarter of 2010 as a result of the resignation of an executive officer; however, the remaining difference is due to higher legal, compensation and travel expenses in 2010.

Interest and other income is higher than prior year due to the \$1.5 million gain from the exchange of our Cleveland property in 2010.

Interest expense for the years ended December 31, 2010 and 2009 totaled \$34.0 million and \$37.7 million, respectively. This decrease is primarily due to lower debt balances in 2010 as a result of the debt refinancing during the second quarter. In regards to the debt refinancing, we recorded a charge of \$6.7 million related to the write-off of previously deferred financing costs and the premiums we paid associated with the repurchase of a portion of our 2006 exchangeable notes.

In addition to the items noted above, net income for the year was impacted by discontinued operations. See Note 11 to our consolidated financial statements in Item 8 to this Form 10-K for further information.

Reconciliation of Non-GAAP Financial Measures

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. While we believe net income available to common stockholders, as defined by generally accepted accounting principles (GAAP), is the most appropriate measure, our management considers FFO an appropriate supplemental measure given its wide use by and relevance to investors and analysts. FFO, reflecting the assumption that real estate asset values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation and amortization of real estate assets, which assumes that the value of real estate diminishes predictably over time. As defined by the National Association of Real Estate Investment Trusts, or NAREIT, FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (losses) on sales of real estate and impairment charges on real estate assets, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We compute FFO in accordance with the NAREIT definition. FFO should not be viewed as a substitute measure of our operating performance since it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which are significant economic costs that could materially impact our results of operations. FFO 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.

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The following table presents a reconciliation of net income attributable to MPT common stockholders to FFO for the years ended December 31, 2011, 2010, and 2009 (\$ amounts in thousands except per share data):

	December 31, 2011	For the Year Ended December 31, 2010	December 31, 2009
FFO information:			
Net income attributable to MPT common stockholders	\$ 26,536	\$ 22,913	\$ 36,330
Participating securities share in earnings	(1,090)	(1,254)	(1,506)
Net income, less participating securities share in earnings	\$ 25,446	\$ 21,659	\$ 34,824
Depreciation and amortization			
Continuing operations	32,901	22,830	21,588
Discontinued operations	1,808	3,008	4,307
Gain on sale of real estate	(5,431)	(10,566)	(278)
Real estate impairment charge	564		
Funds from operations	\$ 55,288	\$ 36,931	\$ 60,441
Write-off of straight line rent	2,471	3,694	1,078
Acquisition costs	4,184	2,026	
Debt refinancing costs	14,214	6,716	
Executive severance		2,830	
Loan impairment charge		12,000	
Write-off of other receivables	1,846	2,400	
Normalized funds from operations	\$ 78,003	\$ 66,597	\$ 61,519
Per diluted share data:			
Net income, less participating securities share in earnings	\$ 0.23	\$ 0.22	\$ 0.45
Depreciation and amortization			
Continuing operations	0.30	0.22	0.28
Discontinued operations	0.02	0.03	0.04
Gain on sale of real estate	(0.05)	(0.10)	
Real estate impairment charge			
Funds from operations	\$ 0.50	\$ 0.37	\$ 0.77
Write-off of straight line rent	0.02	0.03	0.02
Acquisition costs	0.04	0.02	
Debt refinancing costs	0.13	0.07	
Executive severance		0.03	
Loan impairment charge		0.12	
Write-off of other receivables	0.02	0.02	
Normalized funds from operations	\$ 0.71	\$ 0.66	\$ 0.79

Table of Contents**Index to Financial Statements****Distribution Policy**

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

The table below is a summary of our distributions declared for the three year period ended December 31, 2011:

Declaration Date	Record Date	Date of Distribution	Distribution per Share
November 10, 2011	December 8, 2011	January 5, 2012	\$ 0.20
August 18, 2011	September 15, 2011	October 13, 2011	\$ 0.20
May 19, 2011	June 16, 2011	July 14, 2011	\$ 0.20
February 17, 2011	March 17, 2011	April 14, 2011	\$ 0.20
November 11, 2010	December 9, 2010	January 6, 2011	\$ 0.20
August 19, 2010	September 14, 2010	October 14, 2010	\$ 0.20
May 20, 2010	June 17, 2010	July 15, 2010	\$ 0.20
February 18, 2010	March 18, 2010	April 14, 2010	\$ 0.20
November 19, 2009	December 17, 2009	January 14, 2010	\$ 0.20
August 20, 2009	September 17, 2009	October 15, 2009	\$ 0.20
May 21, 2009	June 11, 2009	July 14, 2009	\$ 0.20
February 24, 2009	March 19, 2009	April 9, 2009	\$ 0.20

We intend to pay to our stockholders, within the time periods prescribed by the Internal Revenue Code (Code), all or substantially all of our annual taxable income, including taxable gains from the sale of real estate and recognized gains on the sale of securities. It is our policy to make sufficient cash distributions to stockholders in order for us to maintain our status as a REIT under the Code and to avoid corporate income and excise taxes on undistributed income. However, our unsecured credit facility limits the amounts of dividends we can pay see Note 4 to our consolidated financial statements in Item 8 to this Form 10-K for further information.

ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In addition, the value of our facilities will be subject to fluctuations based on changes in local and regional economic conditions and changes in the ability of our tenants to generate profits, all of which may affect our ability to refinance our debt if necessary. The changes in the value of our facilities would be impacted also by changes in cap rates, which is measured by the current base rent divided by the current market value of a facility.

Our primary exposure to market risks relates to fluctuations in interest rates and equity prices. The following analyses present the sensitivity of the market value, earnings and cash flows of our significant financial instruments to hypothetical changes in interest rates and equity prices as if these changes had occurred. The hypothetical changes chosen for these analyses reflect our view of changes that are reasonably possible over a one-year period. These forward looking disclosures are selective in nature and only address the potential impact from financial instruments. They do not include other potential effects which could impact our business as a result of changes in market conditions. In addition, they do not include measures we may take to minimize our exposure such as entering into future interest rate swaps to hedge against interest rate increases on our variable rate debt.

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Interest Rate Sensitivity

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common stockholders or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact net income to common stockholders and cash flows, assuming other factors are held constant. At December 31, 2011, our outstanding debt totaled \$689.8 million, which consisted of fixed-rate debt of \$600.2 million (including \$125.0 million of floating debt swapped to fixed) and variable rate debt of \$89.6 million. If market interest rates increase by one-percentage point, the fair value of our fixed rate debt at December 31, 2011 would decrease by \$36.6 million. Changes in the fair value of our fixed rate debt will not have any impact on us unless we decided to repurchase the debt in the open markets.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by \$0.9 million per year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by \$0.9 million per year. This assumes that the average amount outstanding under our variable rate debt for a year is \$89.6 million, the balance of our revolver at December 31, 2011.

Share Price Sensitivity

In the 2011 third quarter, we funded a cash tender offer for 86.6% of the outstanding 2008 exchangeable notes at a weighted average price of 118.4% of the principal amount (or \$84.1 million) plus accrued and unpaid interest leaving only \$11.0 million of these notes outstanding as of December 31, 2011. Our 2008 exchangeable notes have a conversion adjustment feature, which could affect their stated exchange ratio of 80.8898 common shares per \$1,000 principal amount of notes, equating to an exchange price of \$12.36 per common share. Our dividends declared since we sold the 2008 exchangeable notes have not adjusted our conversion price as of December 31, 2011. Future changes to the conversion price will depend on our level of dividends which cannot be predicted at this time. Any adjustments for dividend increases until the 2008 exchangeable notes are settled in 2013 will affect the price of the notes and the number of shares for which they may eventually be settled. Using the outstanding notes and, assuming a price of \$20 per share, we would be required to issue an additional 0.3 million shares. At \$25 per share, we would be required to issue an additional 0.4 million shares.

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ITEM 8. *Financial Statements and Supplementary Data*
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

of Medical Properties Trust, Inc:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a) present fairly, in all material respects, the financial position of Medical Properties Trust, Inc. and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Birmingham, Alabama

February 29, 2012

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Report of Independent Registered Public Accounting Firm

To the Partners

of MPT Operating Partnership, L.P.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a) present fairly, in all material respects, the financial position of MPT Operating Partnership, L.P. and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Birmingham, Alabama

February 29, 2012

Table of ContentsIndex to Financial Statements**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

	December 31, 2011 2010 (Amounts in thousands, except for per share data)	
ASSETS		
Real estate assets		
Land	\$ 111,309	\$ 91,604
Buildings and improvements	1,079,787	858,571
Construction in progress and other	30,903	6,730
Intangible lease assets	53,400	33,643
Mortgage loans	165,000	165,000
Real estate held for sale		37,514
Gross investment in real estate assets	1,440,399	1,193,062
Accumulated depreciation	(93,430)	(64,946)
Accumulated amortization	(10,307)	(6,841)
Net investment in real estate assets	1,336,662	1,121,275
Cash and cash equivalents	102,726	98,408
Interest and rent receivables	29,862	26,176
Straight-line rent receivables	33,993	28,912
Other loans	74,839	50,985
Other assets	43,792	23,058
Total Assets	\$ 1,621,874	\$ 1,348,814
LIABILITIES AND EQUITY		
Liabilities		
Debt, net	\$ 689,849	\$ 369,970
Accounts payable and accrued expenses	51,125	35,974
Deferred revenue	23,307	23,137
Lease deposits and other obligations to tenants	28,778	20,157
Total liabilities	793,059	449,238
Commitments and Contingencies		
Equity		
Preferred stock, \$0.001 par value. Authorized 10,000 shares; no shares outstanding		
Common stock, \$0.001 par value. Authorized 150,000 shares; issued and outstanding 110,786 shares at December 31, 2011 and 110,225 shares at December 31, 2010	111	110
Additional paid-in capital	1,055,256	1,051,785
Distributions in excess of net income	(214,059)	(148,530)
Accumulated other comprehensive loss	(12,231)	(3,641)
Treasury shares, at cost	(262)	(262)
Total Medical Properties Trust, Inc. stockholders' equity	828,815	899,462
Non-controlling interests		114
Total Equity	828,815	899,576

Total Liabilities and Equity	\$ 1,621,874	\$ 1,348,814
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See accompanying notes to consolidated financial statements.

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MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Income

	For the Years Ended December 31,		
	2011	2010	2009
	(Amounts in thousands,		
	except for per share data)		
Revenues			
Rent billed	\$ 116,035	\$ 88,487	\$ 77,871
Straight-line rent	5,794	1,933	8,038
Interest and fee income	21,490	26,777	28,129
Total revenues	143,319	117,197	114,038
Expenses			
Real estate depreciation and amortization	32,901	22,830	21,588
Impairment charge	564	12,000	
Property-related	1,090	4,398	3,801
Acquisition expenses	4,184	2,026	
General and administrative	27,219	26,509	21,096
Total operating expense	65,958	67,763	46,485
Operating income	77,361	49,434	67,553
Other income (expense)			
Interest and other income	96	1,518	43
Debt refinancing costs	(14,214)	(6,716)	
Interest expense	(43,812)	(33,988)	(37,651)
Net other expenses	(57,930)	(39,186)	(37,608)
Income from continuing operations	19,431	10,248	29,945
Income from discontinued operations	7,283	12,764	6,422
Net income	26,714	23,012	36,367
Net income attributable to non-controlling interests	(178)	(99)	(37)
Net income attributable to MPT common stockholders	\$ 26,536	\$ 22,913	\$ 36,330
Earnings per share basic			
Income from continuing operations attributable to MPT common stockholders	\$ 0.16	\$ 0.09	\$ 0.37
Income from discontinued operations attributable to MPT common stockholders	0.07	0.13	0.08
Net income attributable to MPT common stockholders	\$ 0.23	\$ 0.22	\$ 0.45
Weighted average shares outstanding basic	110,623	100,706	78,117
Earnings per share diluted			
Income from continuing operations attributable to MPT common stockholders	\$ 0.16	\$ 0.09	\$ 0.37

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Income from discontinued operations attributable to MPT common stockholders	0.07	0.13	0.08
Net income attributable to MPT common stockholders	\$ 0.23	\$ 0.22	\$ 0.45
Weighted average shares outstanding diluted	110,629	100,708	78,117

See accompanying notes to consolidated financial statements.

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MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Equity

For the Years Ended December 31, 2011, 2010 and 2009

(Amounts in thousands, except per share data)

	Preferred		Common			Distributions	Accumulated	Treasury	Non-Controlling	Total
	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	in Excess of Net Income	Other Comprehensive Loss	Stock	Interests	Equity
Balance at December 31, 2008	\$		65,056	\$ 65	\$ 686,238	\$ (59,941)	\$	\$ (262)	\$ 243	\$ 626,343
Comprehensive income:										
Net income						36,330			37	36,367
Comprehensive income						36,330			37	36,367
Deferred stock units issued to directors			52	1	5	(4)				2
Stock vesting and amortization of stock-based compensation			246		5,488					5,488
Distributions to non-controlling interests									(150)	(150)
Proceeds from offering (net of offering costs)			13,371	13	67,990					68,003
Dividends declared (\$0.80 per common share)						(64,478)				(64,478)
Balance at December 31, 2009	\$		78,725	\$ 79	\$ 759,721	\$ (88,093)	\$	\$ (262)	\$ 130	\$ 671,575
Comprehensive income:										
Net income						22,913			99	23,012
Unrealized loss on interest rate swaps							(3,641)			(3,641)
Comprehensive income						22,913	(3,641)		99	19,371
Stock vesting and amortization of stock-based compensation			700		6,616					6,616
Proceeds from offering (net of offering costs)			30,800	31	288,035					288,066
Extinguishment of convertible debt					(2,587)					(2,587)
Distributions to non-controlling interests									(115)	(115)
Dividends declared (\$0.80 per common share)						(83,350)				(83,350)
Balance at December 31, 2010	\$		110,225	\$ 110	\$ 1,051,785	\$ (148,530)	\$ (3,641)	\$ (262)	\$ 114	\$ 899,576
Comprehensive income:										
Net income						26,536			178	26,714
Unrealized loss on interest rate swaps							(8,590)			(8,590)

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Comprehensive income				26,536	(8,590)		178	18,124
Stock vesting and amortization of stock-based compensation	561	1	6,982					6,983
Extinguishment of convertible debt			(3,070)	(2,431)				(5,501)
Purchase of non-controlling interest			(441)				(83)	(524)
Distributions to non-controlling interests							(209)	(209)
Dividends declared (\$0.80 per common share)				(89,634)				(89,634)
Balance at December 31, 2011	\$	110,786	\$ 111	\$ 1,055,256	\$ (214,059)	\$ (12,231)	\$ (262)	\$ 828,815

See accompanying notes to consolidated financial statements.

Table of Contents**Index to Financial Statements****MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

	For the Years Ended December 31,		
	2011	2010	2009
	(Amounts in thousands)		
Operating activities			
Net income	\$ 26,714	\$ 23,012	\$ 36,367
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,477	26,312	26,309
Amortization and write-off of deferred financing costs and debt discount	9,289	6,110	5,824
Premium on extinguishment of debt	13,091	3,833	
Straight-line rent revenue	(7,142)	(4,932)	(9,536)
Share-based compensation expense	6,983	6,616	5,488
(Gain) loss from sale of real estate	(5,431)	(10,566)	(278)
Provision for uncollectible receivables and loans	1,499	14,400	
Straight-line rent write-off	2,470	3,694	1,111
Payment of discount on extinguishment of debt	(4,850)	(7,324)	
Other adjustments	1,622	(30)	(1,167)
Decrease (increase) in:			
Interest and rent receivable	(6,118)	(5,490)	(2,433)
Other assets	142	(566)	126
Accounts payable and accrued expenses	5,354	(3,177)	1,700
Deferred revenue	170	8,745	(760)
Net cash provided by operating activities	79,270	60,637	62,751
Investing activities			
Real estate acquired	(246,511)	(137,808)	(421)
Proceeds from sale of real estate	41,130	97,669	15,000
Principal received on loans receivable	4,289	90,486	4,305
Investment in loans receivable	(28,144)	(11,637)	(23,243)
Construction in progress	(22,999)	(6,638)	
Other investments, net	(13,386)	(9,291)	(7,777)
Net cash (used for) provided by investing activities	(265,621)	22,781	(12,136)
Financing activities			
Proceeds from term debt, net of discount	450,000	148,500	
Payments of term debt	(246,262)	(216,765)	(1,232)
Payment of deferred financing costs	(15,454)	(6,796)	232
Revolving credit facilities, net	89,600	(137,200)	(55,800)
Distributions paid	(89,601)	(77,087)	(61,649)
Lease deposits and other obligations to tenants	8,621	3,667	3,390
Proceeds from sale of common shares, net of offering costs		288,066	68,003
Other	(6,235)	(2,702)	
Net cash provided by (used in) financing activities	190,669	(317)	(47,056)
Increase in cash and cash equivalents for the year	4,318	83,101	3,559
Cash and cash equivalents at beginning of year	98,408	15,307	11,748
Cash and cash equivalents at end of year	\$ 102,726	\$ 98,408	\$ 15,307

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Interest paid, including capitalized interest of \$896 in 2011, \$63 in 2010, and \$ in 2009	\$ 38,463	\$ 29,679	\$ 33,272
Supplemental schedule of non-cash investing activities:			
Real estate acquired via assumption of mortgage loan	\$ (14,592)	\$	\$
Supplemental schedule of non-cash financing activities:			
Assumption of mortgage loan (as part of real estate acquired)	\$ 14,592	\$	\$
Dividends declared, not paid	22,407	22,374	16,110

See accompanying notes to consolidated financial statements.

Table of Contents**Index to Financial Statements****MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES****Consolidated Balance Sheets**

	December 31,	
	2011	2010
	(Amounts in thousands, except for per share data)	
ASSETS		
Real estate assets		
Land	\$ 111,309	\$ 91,604
Buildings and improvements	1,079,787	858,571
Construction in progress and other	30,903	6,730
Intangible lease assets	53,400	33,643
Mortgage loans	165,000	165,000
Real estate held for sale		37,514
Gross investment in real estate assets	1,440,399	1,193,062
Accumulated depreciation	(93,430)	(64,946)
Accumulated amortization	(10,307)	(6,841)
Net investment in real estate assets	1,336,662	1,121,275
Cash and cash equivalents	102,726	98,408
Interest and rent receivables	29,862	26,176
Straight-line rent receivables	33,993	28,912
Other loans	74,839	50,985
Other assets	43,792	23,058
Total Assets	\$ 1,621,874	\$ 1,348,814
LIABILITIES AND CAPITAL		
Liabilities		
Debt, net	\$ 689,849	\$ 369,970
Accounts payable and accrued expenses	28,780	13,658
Deferred revenue	23,307	23,137
Lease deposits and other obligations to tenants	28,778	20,157
Payable due to Medical Properties Trust, Inc.	21,955	21,943
Total liabilities	792,669	448,865
Commitments and Contingencies		
Capital		
General partner issued and outstanding 1,107 units at December 31, 2011 and 1,102 units at December 31, 2010	8,418	9,035
Limited Partners:		
Common units issued and outstanding 109,679 units at December 31, 2011 and 109,123 units at December 31, 2010	833,018	894,441
LTIP units issued and outstanding 150 units at December 31, 2011 and 94 units at December 31, 2010		
Accumulated other comprehensive loss	(12,231)	(3,641)
Total MPT Operating Partnership Capital	829,205	899,835
Non-controlling interests		114

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Total capital	829,205	899,949
Total Liabilities and Capital	\$ 1,621,874	\$ 1,348,814

See accompanying notes to consolidated financial statements.

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MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Consolidated Statements of Income

	For the Years Ended December 31,		
	2011	2010	2009
	(Amounts in thousands, except for per unit data)		
Revenues			
Rent billed	\$ 116,035	\$ 88,487	\$ 77,871
Straight-line rent	5,794	1,933	8,038
Interest and fee income	21,490	26,777	28,129
Total revenues	143,319	117,197	114,038
Expenses			
Real estate depreciation and amortization	32,901	22,830	21,588
Impairment charge	564	12,000	
Property-related	1,090	4,398	3,801
Acquisition expenses	4,184	2,026	
General and administrative	27,202	26,434	21,033
Total operating expense	65,941	67,688	46,422
Operating income	77,378	49,509	67,616
Other income (expense)			
Interest and other income	96	1,518	43
Debt refinancing costs	(14,214)	(6,716)	
Interest expense	(43,812)	(33,988)	(37,651)
Net other expenses	(57,930)	(39,186)	(37,608)
Income from continuing operations	19,448	10,323	30,008
Income from discontinued operations	7,283	12,764	6,422
Net income	26,731	23,087	36,430
Net income attributable to non-controlling interests	(178)	(99)	(37)
Net income attributable to MPT Operating Partnership partners	\$ 26,553	\$ 22,988	\$ 36,393
Earnings per unit basic			
Income from continuing operations attributable to MPT Operating Partnership partners	\$ 0.16	\$ 0.09	\$ 0.37
Income from discontinued operations attributable to MPT Operating Partnership partners	0.07	0.13	0.08
Net income attributable to MPT Operating Partnership partners	\$ 0.23	\$ 0.22	\$ 0.45
Weighted average units outstanding basic	110,623	100,706	78,117
Earnings per unit diluted			
Income from continuing operations attributable to MPT Operating Partnership partners	\$ 0.16	\$ 0.09	\$ 0.37
Income from discontinued operations attributable to MPT Operating Partnership partners	0.07	0.13	0.08

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Net income attributable to MPT Operating Partnership partners	\$ 0.23	\$ 0.22	\$ 0.45
Weighted average units outstanding diluted	110,629	100,708	78,117

See accompanying notes to consolidated financial statements.

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MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Consolidated Statements of Capital

For the Years Ended December 31, 2011, 2010 and 2009

(Amounts in thousands, except per unit data)

	General Partner		Limited Partners Common		LTIPs		Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Capital
	Units	Unit Value	Units	Unit Value	Units	Unit Value			
Balance at December 31, 2008	650	\$ 6,263	64,406	\$ 619,886	32	\$ 186	\$	\$ 243	\$ 626,578
Comprehensive income:									
Net income		364		35,856		174		36	36,430
Comprehensive income		364		35,856		174		36	36,430
Unit vesting and amortization of unit-based compensation	3	55	295	5,433	31				5,488
Proceeds from offering (net of offering costs)	134	680	13,237	67,323					68,003
Distributions to non-controlling interests								(149)	(149)
Distributions declared (\$0.80 per unit)		(645)		(63,546)		(287)			(64,478)
Balance at December 31, 2009	787	\$ 6,717	77,938	\$ 664,952	63	\$ 73	\$	\$ 130	\$ 671,872
Comprehensive income:									
Net income		230		22,601		157		99	23,087
Unrealized loss on interest rate swaps							(3,641)		(3,641)
Comprehensive income		230		22,601		157	(3,641)	99	19,446
Unit vesting and amortization of unit-based compensation	7	66	693	6,550	31				6,616
Proceeds from offering (net of offering costs)	308	2,882	30,492	285,184					288,066
Extinguishment of convertible debt		(26)		(2,560)					(2,586)
Distributions to non-controlling interests								(115)	(115)
Distributions declared (\$0.80 per unit)		(834)		(82,286)		(230)			(83,350)
Balance at December 31, 2010	1,102	\$ 9,035	109,123	\$ 894,441	94	\$	\$ (3,641)	\$ 114	\$ 899,949
Comprehensive income:									
Net income		265		26,020		268		178	26,731
Unrealized loss on interest rate swaps							(8,590)		(8,590)

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Comprehensive income	265		26,020	268	(8,590)	178	18,141
Unit vesting and amortization of unit-based compensation	5	69	556	6,915	56		6,984
Extinguishment of convertible debt	(55)		(5,446)				(5,501)
Purchase of non-controlling interest			(442)			(83)	(525)
Distributions to non-controlling interests						(209)	(209)
Distributions declared (\$0.80 per unit)	(896)		(88,470)	(268)			(89,634)
Balance at December 31, 2011	1,107	\$ 8,418	109,679	\$ 833,018	150	\$ (12,231)	\$ 829,205

See accompanying notes to consolidated financial statements.

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	For the Years Ended December 31,		
	2011	2010	2009
	(Amounts in thousands)		
Operating activities			
Net income	\$ 26,731	\$ 23,087	\$ 36,430
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,477	26,312	26,309
Amortization and write-off of deferred financing costs and debt discount	9,289	6,110	5,824
Premium on extinguishment of debt	13,091	3,833	
Straight-line rent revenue	(7,142)	(4,932)	(9,536)
Unit-based compensation expense	6,983	6,616	5,488
(Gain) loss from sale of real estate	(5,431)	(10,566)	(278)
Provision for uncollectible receivables and loans	1,499	14,400	
Straight-line rent write-off	2,470	3,694	1,111
Payment of discount on extinguishment of debt	(4,850)	(7,324)	
Other adjustments	1,622	(30)	(1,167)
Decrease (increase) in:			
Interest and rent receivable	(6,118)	(5,490)	(2,433)
Other assets	142	(566)	126
Accounts payable and accrued expenses	5,337	(3,252)	1,642
Deferred revenue	170	8,745	(760)
Net cash provided by operating activities	79,270	60,637	62,756
Investing activities			
Real estate acquired	(246,511)	(137,808)	(421)
Proceeds from sale of real estate	41,130	97,669	15,000
Principal received on loans receivable	4,289	90,486	4,305
Investment in loans receivable	(28,144)	(11,637)	(23,243)
Construction in progress	(22,999)	(6,638)	
Other investments, net	(13,386)	(9,291)	(7,777)
Net cash (used for) provided by investing activities	(265,621)	22,781	(12,136)
Financing activities			
Proceeds from term debt, net of discount	450,000	148,500	
Payments of term debt	(246,262)	(216,765)	(1,232)
Payment of deferred financing costs	(15,454)	(6,796)	232
Revolving credit facilities, net	89,600	(137,200)	(55,800)
Distributions paid	(89,601)	(77,087)	(61,649)
Lease deposits and other obligations to tenants	8,621	3,667	3,390
Proceeds from sale of units, net of offering costs		288,066	68,003
Other	(6,235)	(2,702)	
Net cash provided by (used in) financing activities	190,669	(317)	(47,056)
Increase in cash and cash equivalents for the year	4,318	83,101	3,564
Cash and cash equivalents at beginning of year	98,408	15,307	11,743
Cash and cash equivalents at end of year	\$ 102,726	\$ 98,408	\$ 15,307

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Interest paid, including capitalized interest of \$896 in 2011, \$63 in 2010, and \$ in 2009	\$ 38,463	\$ 29,679	\$ 33,272
Supplemental schedule of non-cash investing activities:			
Real estate acquired via assumption of mortgage loan	\$ (14,592)	\$	\$
Supplemental schedule of non-cash financing activities:			
Assumption of mortgage loan (as part of real estate acquired)	\$ 14,592	\$	\$
Dividends declared, not paid	22,407	22,374	16,110

See accompanying notes to consolidated financial statements.

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MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Notes To Consolidated Financial Statements

1. Organization

Medical Properties Trust, Inc., a Maryland corporation, was formed on August 27, 2003 under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in, owning, and leasing commercial real estate. Our operating partnership subsidiary, MPT Operating Partnership, L.P. (the Operating Partnership), through which we conduct all of our operations, was formed in September 2003. Through another wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of the Operating Partnership. At present, we directly own substantially all of the limited partnership interests in the Operating Partnership and have elected to report our required disclosures and that of the Operating Partnership on a combined basis except where material differences exist, MPT Finance Corporation is a wholly owned subsidiary of the Operating Partnership and was formed for the sole purpose of being a co-issuer of some of the Operating Partnership's indebtedness. MPT Finance Corporation has no substantive assets or operations.

Our primary business strategy is to acquire and develop real estate and improvements, primarily for long term lease to providers of healthcare services such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. We also make mortgage and other loans to operators of similar facilities. In addition, we may obtain profits interest in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment.

2. Summary of Significant Accounting Policies

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation: Property holding entities and other subsidiaries of which we own 100% of the equity or have a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which we own less than 100% of the equity interest, we consolidate the property if we have the direct or indirect ability to control the entities' activities based upon the terms of the respective entities' ownership agreements. For these entities, we record a non-controlling interest representing equity held by non-controlling interests.

We continually evaluate all of our transactions and investments to determine if they represent variable interests in a variable interest entity (VIE). If we determine that we have a variable interest in a VIE, we then evaluate if we are the primary beneficiary of the VIE. The evaluation is a qualitative assessment as to whether we have the ability to direct the activities of a VIE that most significantly impact the entity's economic performance. We consolidate each VIE in which we, by virtue of or transactions with our investments in the entity, are considered to be the primary beneficiary.

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At December 31, 2011, we had loans and/or equity investments in certain VIEs, which are also tenants of our facilities (including but not limited to Monroe and Vibra). We have determined that we are not the primary beneficiary of these VIEs. The carrying value and classification of the related assets and maximum exposure to loss as a result of our involvement with these VIEs are presented below at December 31, 2011 (in thousands):

VIE Type	Maximum Loss Exposure(1)	Asset Type Classification	Carrying Amount(2)
Loans, net	\$63,285	Other loans	\$ 39,552
Equity investments	\$12,888	Other assets	\$ 2,751

(1) Our maximum loss exposure related to loans with VIEs represents our current aggregate gross carrying value of the loan plus accrued interest and any other related assets (such as rents receivable), less any liabilities. Our maximum loss exposure related to our equity investment in VIEs represent the current carrying values of such investment plus any other related assets (such as rent receivables) less any liabilities.

(2) Carrying amount reflects the net book value of our loan or equity interest only in the VIE.

For the VIE types above, we do not consolidate the VIE because we do not have the ability to control the activities (such as the day-to-day healthcare operations of our borrower or investee) that most significantly impact the VIE's economic performance. As of December 31, 2011, we were not required to provide, financial support through a liquidity arrangement or otherwise, to our unconsolidated VIEs, including circumstances in which it could be exposed to further losses (e.g., cash short falls).

Typically, our loans are collateralized by assets of the borrower (some assets of which are on the premises of facilities owned by us) and further supported by limited guarantees made by certain principals of the borrower.

See Note 3 for additional description of the nature, purpose and activities of our more significant VIEs and interests therein.

Investments in Unconsolidated Entities: Investments in entities in which we have the ability to influence (but not control) are accounted for by the equity method. Under the equity method of accounting, our share of the investee's earnings or losses are included in our consolidated results of operations. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the interest in the investee entity. To the extent that our cost basis is different from the basis reflected at the investee entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the investee. We evaluate our equity method investments for impairment based upon a comparison of the fair value of the equity method investment to its carrying value. If we determine a decline in the fair value of an investment in an unconsolidated investee entity below its carrying value is other than temporary, an impairment is recorded.

Cash and Cash Equivalents: Certificates of deposit, short-term investments with original maturities of three months or less and money-market mutual funds are considered cash equivalents. The majority of our cash and cash equivalents are held at major commercial banks which at times may exceed the Federal Deposit Insurance Corporation limit. We have not experienced any losses to date on our invested cash. Cash and cash equivalents which have been restricted as to its use are recorded in other assets.

Revenue Recognition: We receive income from operating leases based on the fixed, minimum required rents (base rents) per the lease agreements. Rent revenue from base rents is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for acquired properties. The straight-line method records the periodic average amount of base rent earned over the term of a lease, taking into account contractual rent increases over the lease term. The straight-line method typically has the effect of recording more rent revenue from a lease than a tenant is required to pay early in the term of the lease. During the later parts of a lease term, this effect reverses with less rent revenue recorded than a tenant is

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required to pay. Rent revenue as recorded on the straight-line method in the consolidated statements of income is presented as two amounts: billed rent revenue and straight-line revenue. Billed rent revenue is the amount of base rent actually billed to the customer each period as required by the lease. Straight-line rent revenue is the difference between rent revenue earned based on the straight-line method and the amount recorded as billed rent revenue. We record the difference between base rent revenues earned and amounts due per the respective lease agreements, as applicable, as an increase or decrease to straight-line rent receivable.

Certain leases provide for additional rents contingent upon a percentage of the tenant revenue in excess of specified base amounts/thresholds (percentage rents). Percentage rents are recognized in the period in which revenue thresholds are met. Rental payments received prior to their recognition as income are classified as deferred revenue. We may also receive additional rent (contingent rent) under some leases when the U.S. Department of Labor consumer price index exceeds the annual minimum percentage increase in the lease. Contingent rents are recorded as billed rent revenue in the period earned.

In instances where we have a profits interest in our tenant's operations, we record revenue equal to our percentage interest of the tenant's profits, as defined in the lease or tenant's operating agreements, once annual thresholds, if any, are met.

We begin recording base rent income from our development projects when the lessee takes physical possession of the facility, which may be different from the stated start date of the lease. Also, during construction of our development projects, we are generally entitled to accrue rent based on the cost paid during the construction period (construction period rent). We accrue construction period rent as a receivable and deferred revenue during the construction period. When the lessee takes physical possession of the facility, we begin recognizing the accrued construction period rent on the straight-line method over the remaining term of the lease.

We receive interest income from our tenants/borrowers on mortgage loans, working capital loans, and other long-term loans. Interest income from these loans is recognized as earned based upon the principal outstanding and terms of the loans.

Commitment fees received from development and leasing services for lessees are initially recorded as deferred revenue and recognized as income over the initial term of an operating lease to produce a constant effective yield on the lease (interest method). Commitment and origination fees from lending services are recorded as deferred revenue and recognized as income over the life of the loan using the interest method.

Tenant payments for certain taxes, insurance, and other operating expenses related to our facilities (most of which are paid directly by our tenants to the government or related vendor) are recorded net of the respective expense as generally our leases are triple-net leases, with terms requiring such expenses to be paid by our tenants. Failure on the part of our tenants to pay such expense or to pay late would result in a violation of the lease agreement, which could lead to an event of default, if not cured.

Acquired Real Estate Purchase Price Allocation: We allocate the purchase price of acquired properties to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate, we utilize a number of sources, from time to time, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

We record above-market and below-market in-place lease values, if any, for our facilities, which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the

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remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. We amortize any resulting capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases.

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

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

We amortize the value of in-place leases, if any, to expense over the initial term of the respective leases. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event will the amortization period for intangible assets exceed the remaining depreciable life of the building. If a lease is terminated, the unamortized portion of the in-place lease value and customer relationship intangibles are charged to expense.

Real Estate and Depreciation: Real estate, consisting of land, buildings and improvements, are recorded at cost. Although typically paid by our tenants, any expenditures for ordinary maintenance and repairs that we pay are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of assets. For assets held for sale, we cease recording depreciation expense and adjust the assets' value to the lower of its carrying value or fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest. We classify real estate assets as held for sale when we have commenced an active program to sell the assets, and in the opinion of management, it is probable the asset will be sold within the next 12 months. We record the results of operations from material property sales or planned sales (which include real property, loans and any receivables) as discontinued operations in the consolidated statements of income for all periods presented if we do not have any continuing involvement with the property subsequent to its sale. Results of discontinued operations include interest expense from debt which specifically collateralizes the property sold or held for sale.

Construction in progress includes the cost of land, the cost of construction of buildings, improvements and fixed equipment, and costs for design and engineering. Other costs, such as interest, legal, property taxes and corporate project supervision, which can be directly associated with the project during construction, are also included in construction in progress.

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Depreciation is calculated on the straight-line method over the weighted average useful lives of the related real estate and other assets, as follows:

Buildings and improvements	37.4 years
Tenant lease intangibles	14.1 years
Tenant improvements	5.4 years
Furniture, equipment and other	9.3 years

Losses from Rent Receivables: We continuously monitor the performance of our existing tenants including, but not limited to,: admission levels and surgery/procedure volumes by type; current operating margins; ratio of our tenant's operating margins both to facility rent and to facility rent plus other fixed costs; trends in revenue and patient mix; and the effect of evolving healthcare regulations on tenant's profitability and liquidity. We utilize this information along with the tenant's payment and default history in evaluating (on a property-by-property basis) whether or not a provision for losses on outstanding rent receivables is needed. A provision for losses on rent receivables (including straight-line rent receivables) is ultimately recorded when it becomes probable that the receivable will not be collected in full. The provision is an amount which reduces the receivable to its estimated net realizable value based on a determination of the eventual amounts to be collected either from the debtor or from the collateral, if any.

Loans: Loans consist of mortgage loans, working capital loans and other long-term loans. Mortgage loans are collateralized by interests in real property. Working capital and other long-term loans are generally collateralized by interests in receivables and corporate and individual guarantees. We record loans at cost. We evaluate the collectability of both interest and principal on a loan-by-loan basis (using the same process as we do for assessing the collectability of rents) to determine whether they are impaired. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the allowance is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows using the loan's effective interest rate or to the fair value of the collateral if the loan is collateral dependent. When a loan is deemed to be impaired, we generally place the loan on non-accrual status and record interest income only upon receipt of cash.

Earnings Per Share/Units: Basic earnings per common share/unit is computed by dividing net income applicable to common shares/units by the weighted number of shares/units of common stock/units outstanding during the period. Diluted earnings per common share/units is calculated by including the effect of dilutive securities.

Certain of our unvested restricted and performance stock/unit awards contain non-forfeitable rights to dividends, and accordingly, these awards are deemed to be participating securities. These participating securities are included in the earnings allocation in computing both basic and diluted earnings per common share/unit.

Income Taxes: We conduct our business as a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute to stockholders at least 90% of our ordinary taxable income. As a REIT, we generally are not subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we intend to operate in such a manner so that we will remain qualified as a REIT for federal income tax purposes.

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Our financial statements include the operations of eight taxable REIT subsidiaries (TRS), including MPT Development Services, Inc. (MDS) and MPT Covington TRS, Inc. (CVT), along with six others, which are single member LLCs that are disregarded for tax purposes and are reflected in the tax returns of MDS. Our TRS entities are not entitled to a dividends paid deduction and are subject to federal, state and local income taxes. Our TRS entities are authorized to provide property development, leasing and management services for third-party owned properties, and they make loans to and/or investments in our lessees.

Given our income tax expense is typically not significant, we record such expense along with related penalties and interest, if any, in general administrative expenses.

Stock-Based Compensation: We currently sponsor the Second Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan (the Equity Incentive Plan) that was established in 2004. Awards of restricted stock, stock options and other equity-based awards with service conditions are amortized to compensation expense over the vesting periods which generally range from three to seven years, using the straight-line method. Awards of deferred stock units vest when granted and are charged to expense at the date of grant. Awards that contain market conditions are amortized to compensation expense over the derived vesting periods, which correspond to the periods over which we estimate the awards will be earned, which generally range from three to seven years, using the straight-line method. Awards with performance conditions are amortized using the straight-line method over the service period in which the performance conditions are measured, adjusted for the probability of achieving the performance conditions.

Deferred Costs: Costs incurred prior to the completion of offerings of stock or other capital instruments that directly relate to the offering are deferred and netted against proceeds received from the offering. External costs incurred in connection with anticipated financings and refinancing of debt are generally capitalized as deferred financing costs in other assets and amortized over the lives of the related loans as an addition to interest expense. For debt with defined principal re-payment terms, the deferred costs are amortized to produce a constant effective yield on the loan (interest method). For debt without defined principal repayment terms, such as revolving credit agreements, the deferred costs are amortized on the straight-line method over the term of the debt. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to borrowers are recognized as a reduction in interest income over the life of the loan.

Derivative Financial Investments and Hedging Activities. During our normal course of business, we may use certain types of derivative instruments for the purpose of managing interest rate risk. We record our derivative and hedging instruments at fair value on the balance sheet. Changes in the estimated fair value of derivative instruments that are not designated as hedges or that do not meet the criteria for hedge accounting are recognized in earnings. For derivatives designated as cash flow hedges, the change in the estimated fair value of the effective portion of the derivative is recognized in accumulated other comprehensive income (loss), whereas the change in the estimated fair value of the ineffective portion is recognized in earnings. For derivatives designated as fair value hedges, the change in the estimated fair value of the effective portion of the derivatives offsets the change in the estimated fair value of the hedged item, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings.

To qualify for hedge accounting, we formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking the hedge prior to entering into a derivative transaction. This process includes specific identification of the hedging instrument and the hedge transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness in hedging the exposure to the hedged transaction's variability in cash flows attributable to the hedged risk will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. In addition, for cash flow hedges, we assess whether the underlying forecasted transaction will occur. We

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discontinue hedge accounting if a derivative is not determined to be highly effective as a hedge or that is probable that the underlying forecasted transaction will not occur.

Exchangeable Senior Notes: In 2006 and 2008, we issued exchangeable senior notes that, based upon the occurrence of specified events, are exchangeable for cash up to their principal amount and our common shares for the remainder of the exchange value in excess, if any, of the principal amount. The initial proceeds from the issuance of the exchangeable senior notes are required to be allocated between a liability component and an equity component such that the interest expense on the exchangeable senior notes is not recorded at the stated rate of interest but rather at an effective rate that reflects our borrowing rate on conventional debt at the date of issuance. We calculate the liability component of the exchangeable senior notes based on the present value of the contractual cash flows discounted at a comparable market rate for conventional debt at the date of issuance. The difference between the principal amount and the fair value of the liability component is reported as a discount on the exchangeable senior notes that is accreted as additional interest expense from the issuance date through the contractual maturity date using the effective interest method. The liability component of the exchangeable senior notes is reported net of discounts on our consolidated balance sheets. We calculate the equity component of the exchangeable senior notes based on the difference between the initial proceeds received from the issuance of the exchangeable senior notes and the fair value of the liability component at the issuance date. The equity component is included in additional paid-in-capital, net of issuance costs, on our consolidated balance sheets. We allocate issuance costs for exchangeable senior notes between the liability and the equity components based on their relative values.

Fair Value Measurement

We measure and disclose the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 quoted prices for *identical* instruments in active markets;

Level 2 quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

Level 3 fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

We measure fair value using a set of standardized procedures that are outlined herein for all assets and liabilities which are required to be measured at their estimated fair value on either a recurring or non-recurring basis. When available, we utilize quoted market prices from an independent third party source to determine fair value and classifies such items in Level 1. In some instances where a market price is available, but the instrument is in an inactive or over-the-counter market, we consistently apply the dealer (market maker) pricing estimate and classify the asset or liability in Level 2.

If quoted market prices or inputs are not available, fair value measurements are based upon valuation models that utilize current market or independently sourced market inputs, such as interest rates, option volatilities, credit spreads, market capitalization rates, etc. Items valued using such internally-generated valuation techniques are classified according to the lowest level input that is significant to the fair value measurement. As a result, the asset or liability could be classified in either Level 2 or 3 even though there may be some significant inputs that are readily observable. Internal fair value models and techniques used by us include discounted cash flow and Black Scholes valuation models. We also consider our counterparty's and own credit risk on derivatives and other liabilities measured at their estimated fair value.

Table of Contents**Index to Financial Statements***Recent Accounting Developments*

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. In December 2011, the FASB deferred portions of this update in its issuance of ASU 2011-12. We do not expect the adoption of ASU 2011-05 on January 1, 2012 to have an impact on our consolidated financial position or results of operations.

Reclassifications: Certain reclassifications have been made to the consolidated financial statements to conform to the 2011 consolidated financial statement presentation. Assets sold or held for sale have been reclassified to Real Estate Held for Sale on the consolidated balance sheets and related operating results have been reclassified from continuing operations to discontinued operations (see Note 11).

3. Real Estate and Loans Receivable***Acquisitions***

We acquired the following assets:

	2011	2010	2009
	(Amounts in thousands)		
Land	\$ 19,705	\$ 8,227	\$ 421
Buildings	220,769	119,626	
Intangible lease assets-subject to amortization (weighted-average useful life 13.9 years in 2011 and 19.4 years in 2010)	20,630	9,955	
	\$ 261,104	\$ 137,808	\$ 421

2011 Activity

On January 4, 2011, we acquired the real estate of the 19-bed, 4-year old Gilbert Hospital in a suburb of Phoenix, Arizona area for \$17.1 million. Gilbert Hospital is operated by affiliates of Visionary Health, LLC, the same group that will operate the hospital that we are currently developing in Florence, Arizona. We acquired this asset subject to an existing lease that expires in May 2022. The lease contains three five-year extension options, and the rent escalates annually at 2.5%.

On January 31, 2011, we acquired for \$23.5 million the real estate of the 60-bed Atrium Medical Center at Corinth in the Dallas area, a long-term acute care hospital that was completed in 2009 and is subject to a lease that expires in June 2024. The lease has an initial term of 15 years, contains two ten-year extension options, and the rent escalates annually based on consumer price indexed increases and to be not less than 1% or greater than 5%. In addition, through one of our affiliates, we invested \$1.3 million to acquire approximately 19% of a joint venture arrangement with an affiliate of Vibra Healthcare, LLC (Vibra) that will manage and has acquired a 51% interest in the operations of the facility. We also made a \$5.2 million working capital loan to the joint venture. The former operators of the hospital, comprised primarily of local physicians, retained ownership of 49% of the operating entity.

On February 4, 2011, we purchased for \$58 million the real estate of Bayonne Medical Center, a 6-story, 278-bed acute care hospital in the New Jersey area of metropolitan New York, and leased the facility to the operator under a 15-year lease, with six five-year extension options. The rent escalates annually based on consumer price indexed increases. The operator is an affiliate of a private hospital operating company that acquired the hospital in 2008.

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On February 9, 2011, we acquired the real estate of the 306-bed Alvarado Hospital in San Diego, California for \$70 million from Prime Healthcare Services, Inc. (Prime). Prime is the operator of the facility and will lease the facility under a 10-year lease, with three five-year extension options and annual rent increases based on consumer price indexed increases.

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On February 14, 2011, we completed the acquisition of the Northland LTACH Hospital located in Kansas City, a 35-bed hospital that opened in April 2008 and has a lease that expires in 2028. The lease has an initial term of 20 years, contains three five-year extension options, and the rent increases annually at 2.75%. This hospital was part of a three property acquisition announced in December 2010 and is currently being operated by Kindred Healthcare Inc. (formerly RehabCare). The purchase price of this hospital was \$19.5 million, which included the assumption of a \$16 million existing mortgage loan that matures in January 2018.

On July 18, 2011, we acquired the real estate of the 40-bed Vibra Specialty Hospital of DeSoto in Desoto, Texas for \$13.0 million. Vibra Specialty Hospital of DeSoto is a new long-term acute care hospital that is currently ramping up its operations. This facility will be leased to a subsidiary of Vibra for a fixed term of 15 years with three five-year extension options. Rent escalates annually based on consumer priced indexed increases. In addition, we have made a \$2.5 million equity investment in the operator of this facility for a 25% equity ownership.

On September 30, 2011, we purchased the real estate of a 40-bed long-term acute care facility in New Braunfels, Texas for \$10.0 million. This facility will be leased to an affiliate of Post Acute Medical, LLC for a fixed term of 15 years with three five-year extension options. Rent escalates annually based on consumer priced indexed increases. In addition, we have made a \$1.4 million equity investment for a 25% equity ownership in the operator of this facility and funded a \$2.0 million working capital loan.

On October 14, 2011, we entered into agreements with a joint venture of Emerus Holding, Inc. and Baptist Health System, to acquire, provide for development funding and lease three acute care hospitals for \$30.0 million in the suburban markets of San Antonio, Texas. With the execution of these agreements, we have funded \$7.4 million during the fourth quarter of 2011, of which \$6.2 million was used to acquire land for these three facilities. The three facilities upon completion will be leased under a master lease structure with an initial term of 15 years and three five-year extension options. Rent escalates annually based on consumer priced indexed increases and to be not less than one percent or greater than three percent. We currently expect construction of these three facilities to be completed in the fourth quarter of 2012.

On November 4, 2011, we made investments in Hoboken University Medical Center in Hoboken, New Jersey, a 350-bed acute care facility. The total investment for this transaction was \$75.0 million, comprising \$50.0 million for the acquisition of an 100% ownership of the real estate, a secured working capital loan of up to \$20.0 million (\$15.1 million outstanding at December 31, 2011), and the purchase of a \$5.0 million convertible note, which provides us with the option to acquire up to 25% of the hospital operator. The lease with the tenant has an initial term of 15 years, contains six five-year extension options, and the rent escalates annually based on consumer price indexed increases.

From the respective acquisition dates in 2011 through year-end, these 2011 acquisitions contributed \$21.2 million of revenue and \$14.1 million of income. In addition, we incurred \$4.2 million in acquisition related expenses in 2011, of which \$1.9 million related to acquisitions consummated as of December 31, 2011.

2010 Activity

On June 17, 2010, we acquired three inpatient rehabilitation hospitals in Texas for an aggregate purchase price of \$74 million. The properties acquired had existing leases in place, which we assumed, that have initial terms expiring in 2033. Each lease may, subject to conditions, be renewed by the operator for two additional ten-year terms.

In the fourth quarter of 2010, we acquired two long-term acute care hospital facilities in Texas for an aggregate purchase price of \$64 million. The properties acquired had existing leases in place which we assumed. The Triumph Hospital Clear Lake, a 110-bed facility that opened in 2005, is subject to a lease maturing in 2025 and can be renewed by the lessee for two five-year terms. Triumph Hospital Tomball, a 75-bed facility that opened in August 2006, is subject to a lease that matures in 2026 and can be renewed by the lessee for two five-year terms.

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From the respective acquisition dates in 2010 through year-end, these 2010 acquisitions contributed \$4.3 million of revenue and \$3.4 million of income. In addition, we incurred approximately \$2.0 million in acquisition related expenses in 2010, of which approximately \$1.1 million related to acquisitions consummated as of December 31, 2010.

The results of operations for each of the properties acquired in 2011 and 2010 are included in our consolidated results from the effective date of each acquisition. The following table sets forth certain unaudited pro forma consolidated financial data for 2011 and 2010, as if each acquisition was consummated on the same terms at the beginning of 2010. Supplemental pro forma earnings were adjusted to exclude \$1.9 million and \$1.1 million of acquisition-related costs on these consummated deals incurred during 2011 and 2010, respectively (dollar amounts in thousands except per share/unit data).

	2011	2010
	(Amounts in thousands except per share/unit amounts)	
Total revenues	\$ 153,707	\$ 153,214
Net income	27,311	27,746
Net income per share/unit	\$ 0.24	\$ 0.26

Disposals

On December 30, 2011, we sold Sherman Oaks Hospital in Sherman Oaks, California to Prime for \$20.0 million, resulting in a gain of \$3.1 million. Due to this sale, we wrote-off \$1.2 million in straight-line rent receivables.

On December 30, 2011, we sold MountainView Regional Rehabilitation Hospital in Morgantown, West Virginia to HealthSouth Corporation for \$21.1 million, resulting in a gain of \$2.3 million.

In the fourth quarter 2010, we sold the real estate of our Montclair Hospital, an acute care medical center to Prime for proceeds of \$20.0 million. We realized a gain on the sale of \$2.2 million. Due to this sale, we wrote-off \$1.0 million in straight-line rent receivables.

In October 2010, we sold the real estate of our Sharpstown facility in Houston, Texas to a third party for net proceeds of \$2.7 million resulting in a gain of \$0.7 million.

In the second quarter 2010, we sold the real estate of our Inglewood Hospital, a 369-bed acute care medical center located in Inglewood, California, to Prime Healthcare, for \$75 million resulting in a gain of approximately \$6 million.

In the fourth quarter of 2009, we sold the real estate asset of one acute care facility to Prime for proceeds of \$15.0 million, and we realized a gain on the sale of \$0.3 million.

For each of these disposals, the operating results of these facilities for the current and all prior periods have been included in discontinued operations, and we have reclassified the related real estate to Real Estate Held for Sale.

Intangible Assets

At December 31, 2011 and 2010, our intangible lease assets were \$53.4 million (\$43.1 million, net of accumulated amortization) and \$33.6 million (\$26.8 million, net of accumulated amortization), respectively.

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We recorded amortization expense related to intangible lease assets of \$5.2 million (including \$0.6 million of accelerated amortization as described below), \$3.2 million, and \$4.5 million (including \$0.5 million of accelerated amortization as described below) in 2011, 2010, and 2009, respectively, and expect to recognize amortization expense from existing lease intangible assets as follows: (amounts in thousands)

For the Year Ended December 31:	
2012	\$ 3,865
2013	3,832
2014	3,767
2015	3,578
2016	3,536

As of December 31, 2011, capitalized lease intangibles have a weighted average remaining life of 14.1 years.

Leasing Operations

Minimum rental payments due to us in future periods under operating leases which have non-cancelable terms extending beyond one year at December 31, 2011, are as follows: (amounts in thousands)

2012	\$ 119,454
2013	120,275
2014	118,661
2015	115,880
2016	116,154
Thereafter	811,272
	\$ 1,401,696

In the 2011 fourth quarter, we replaced one of our tenants, Vibra, with a new tenant, LifeCare, at our LTACH facility in Dallas, Texas. As a result of this transaction, we wrote off the related straight line rent receivables of \$1.3 million and accelerated the amortization of the related lease intangibles resulting in \$0.6 million of expense in the 2011 fourth quarter.

The operator of our Denham Springs facility in Louisiana has not made all the payments required by the real estate lease agreement, and thus, the tenant is in default. During the second quarter of 2011, we evaluated alternative strategies for the recovery of our advances and accruals and at that time determined that the future cash flows of the current tenant and/or related collateral would, more likely than not, result in less than a full recovery of our receivables. As a result, we fully reserved for all outstanding receivables at that time (including \$1.5 million in billed rent, \$0.2 million of unbilled rent, and \$0.1 million of other receivables) with the exception of the \$0.7 million promissory note that we expect is recoverable from existing collateral. In addition, we recorded a \$0.6 million impairment charge against the real estate during the second quarter of 2011. We have not recorded any rental revenue or reversed previously established reserves, except for \$0.2 million, which represents payments received from the tenant subsequent to the second quarter. At December 31, 2011, we continue to believe, based on existing collateral and the current real estate market, that the \$0.7 million loan and the \$4.2 million of real estate are fully recoverable; however, no assurances can be made that future reserves will not be needed.

In September 2010, we exchanged properties with one of our tenants. In exchange for our acute care facility in Cleveland, Texas, we received a similar acute care facility in Hillsboro, Texas. The lease that was in place on our Cleveland facility was carried over to the new facility with no change in lease term or lease rate. This exchange was accounted for at fair value, resulting in a gain of \$1.3 million (net of \$0.2 million from the write-off of straight-line rent receivables).

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In April 2009, we terminated leases on two of our facilities in Louisiana (Covington and Denham Springs) after the operator defaulted on the leases. As a result of the lease terminations, we recorded a \$1.1 million charge in order to fully reserve and write off, respectively, the related straight-line rent receivables associated with the Covington and Denham Springs facilities. In addition, we accelerated the amortization of the related lease intangibles resulting in \$0.5 million of expense in the 2009 second quarter. In June 2009, we re-leased the Denham Springs facility to a new operator under terms similar to the terminated lease. In March 2010, we re-leased our Covington facility. The lease has a fixed term of 15 years with an option, at the lessee's discretion, to extend the term for three additional periods of five years each. Rent during 2010 was based on an annual rate of \$1.4 million and, commencing on January 1, 2011, increases annually by 2%. At the end of each term, the tenant has the right to purchase the facility at a price generally equivalent to the greater of our undepreciated cost and fair market value. Separately, we also obtained an interest in the operations of the tenant whereby we may receive additional consideration based on the profitability of such operations.

In January 2009, the then-operator of our Bucks County facility gave notice of its intentions to close the facility. The associated lease was terminated, which resulted in the write-off of \$4.7 million in uncollectible rent and other receivables in December 2008. This write-off excluded \$3.8 million of receivables that were guaranteed by the former tenant's parent company. In the 2010 fourth quarter, we agreed to settle our \$3.8 million claim of unpaid rent for \$1.4 million resulting in a \$2.4 million charge to earnings.

In July 2009, we re-leased our Bucks County facility located in Bensalem, Pennsylvania. The lease has a fixed term of five years with an option, at the lessee's discretion, to extend 15 additional periods of one year each. Initial cash rent was \$2.0 million per year with annual escalations of 2%. Separately, we also obtained a profits interest whereby we may receive up to an additional \$1.0 million annually pursuant to an agreement that provides for our participation in certain cash flows, if any, as defined in the agreement. After the fixed term, the tenant has the right to purchase the facility at a price based on a formula set forth in the lease agreement.

In the third quarter of 2008, we terminated leases on two general acute care hospitals in Houston, Texas and one hospital in Redding, California due to certain tenant defaults. These facilities were previously leased to affiliates of HPA that filed for bankruptcy subsequent to the lease terminations. On November 1, 2008, we entered into a new lease agreement for the Redding hospital. The new operator, an affiliate of Prime, agreed to increase the lease base from \$60.0 million to \$63.0 million and to pay up to \$12.0 million in additional rent and a profits participation of up to \$8.0 million based on the future profitability of the new lessee's operations. In the 2010 second quarter, Prime paid us \$12 million in additional rent related to our Redding property, and we terminated our agreements with Prime concerning the additional rent and profits interest. Of this \$12 million in additional rent, \$3.8 million has been recognized in income from lease inception through December 31, 2011, (including \$1.2 million in each of 2011, 2010 and 2009) and we expect to recognize the other \$8.2 million into income over the remainder of the lease life.

As of December 31, 2011, we have advanced \$28.6 million to the operator/lessee of Monroe Hospital in Bloomington, Indiana pursuant to a working capital loan agreement, including additional advances of \$0.6 million in 2011. In addition, as of December 31, 2011, we have \$14.9 million (\$3.4 million accrued in 2011) of rent, interest and other charges outstanding, of which \$5.6 million of interest receivables are significantly more than 90 days past due. Because the operator has not made all payments required by the working capital loan agreement and the related real estate lease agreement, we consider the loan to be impaired. During the first quarter of 2010, we evaluated alternative strategies for the recovery of our advances and accruals and at that time determined that the future cash flows of the current tenant or related collateral would, more likely than not, result in less than a full recovery of our loan advances. Accordingly, we recorded a \$12 million charge in the 2010 first quarter to recognize the estimated impairment of the working capital loan. During the third quarter of 2010, we determined that it is reasonably likely that the existing tenant will be unable to make certain lease payments that become due in future years. Accordingly, we recorded a valuation allowance for unbilled straight-line rent in the amount of \$2.5 million. At December 31, 2011, our net investment (exclusive of the related real estate) of \$31.5 million is our maximum exposure to Monroe and the amount is deemed collectible/recoverable. In making

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this determination, we considered our first priority secured interest in approximately (i) \$7 million in hospital patient receivables and (ii) 100% of the membership interests of the operator/lessee and our assessment of the realizable value of our other collateral.

Although Monroe Hospital has seen improvement in almost all key statistics (including census, EBITDA, etc.), we continue to evaluate possible operating strategies for the hospital. We have entered into a forbearance agreement with the operator whereby we have generally agreed, under certain conditions, not to fully exercise our rights and remedies under the lease and loan agreements during limited periods. We have not committed to the adoption of a plan to transition ownership or management of the hospital to any new operator, and there is no assurance that any such plan will be completed. Moreover, there is no assurance that any plan that we ultimately pursue will not result in additional charges for further impairment of our working capital loan. We have not recognized any interest income on the Monroe loan since it was considered impaired in the 2010 first quarter.

Loans

The following is a summary of our loans (\$ amounts in thousands):

	As of December 31, 2011		As of December 31, 2010	
	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate
Mortgage loans	\$ 165,000	10.2%	\$ 165,000	10.0%
Other loans	74,839	10.5%	50,985	10.8%
	\$ 239,839		\$ 215,985	

Including our working capital loans to Monroe and our new properties in 2011 (discussed previously), our other loans primarily consist of loans to our tenants for acquisitions and working capital purposes. In conjunction with our purchase of six healthcare facilities in July and August 2004, we made loans aggregating \$41.4 million to Vibra. As of December 31, 2011, Vibra has reduced the balance of the loans to \$17.8 million.

Concentration of Credit Risks

For the years ended December 31, 2011, 2010, and 2009, affiliates of Prime (including rent and interest from mortgage and working capital loans) accounted for 30.1%, 31.8%, and 32.5%, respectively, of our total revenues, and Vibra (including rent and interest from working capital loans) accounted for 12.0%, 15.0%, and 15.7%, respectively, of our total revenues. However, from an investment concentration perspective, Prime represented 25.3% and 26.7% of our total assets at December 31, 2011 and 2010, respectively, while Vibra represented 7.9% and 9.96%, respectively.

On an individual property basis, we had no investment of any single property greater than 5.6% of our total assets as of December 31, 2011.

From a geographic perspective, all of our properties are located in the United States with 26.8% of our total assets at December 31, 2011 located in California, down from 28.6% at December 31, 2010.

Related Party Transactions

Lease and interest revenue earned from tenants in which we have an equity interest in were \$5.5 million and \$1.8 million in 2011 and 2010, respectively. There was no such revenue in 2009.

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The following is a summary of debt (\$ amounts in thousands):

	As of December 31, 2011		As of December 31, 2010	
	Balance	Interest Rate	Balance	Interest Rate
Revolving credit facilities	\$ 89,600	Variable	\$	Variable
2006 senior unsecured notes	125,000	Various	125,000	7.333%-7.871%
2011 senior unsecured notes	450,000	6.875%		
Exchangeable senior notes				
Principal amount	11,000	9.250%	91,175	6.125%-9.250%
Unamortized discount	(180)		(2,585)	
	10,820		88,590	
Term loans				
Principal Amount	14,429	6.200%	157,683	Various
Unamortized discount			(1,303)	
	14,429		156,380	
	\$ 689,849		\$ 369,970	

As of December 31, 2011, principal payments due on our debt (which exclude the effects of any discounts recorded) are as follows:

2012	\$ 39,832
2013	11,249
2014	265
2015	50,283
2016	125,299
Thereafter	463,101
Total	\$ 690,029

To fund the acquisitions disclosed in Note 3, we used cash on-hand, borrowed on our revolving credit facilities, used a portion of the proceeds from the sale of the 2011 senior unsecured notes, and assumed a \$16 million mortgage loan.

In April 2011, our Operating Partnership and a wholly-owned subsidiary of our Operating Partnership closed on a private offering of \$450 million unsecured senior notes. Contemporaneously with the closing of the notes, we repaid and terminated our \$150 million term loan facility (which was part of the credit facility entered into in 2010) and our \$9 million collateralized term loan facility. We also paid down in full our revolving credit facility's outstanding balance with the proceeds from the notes offering. In the 2011 third quarter, we used proceeds from our 2011 senior unsecured notes offering to repurchase 86.6% of the outstanding 9.25% exchangeable senior notes due 2013 at a weighted average price of 118.4% of the principal amount (or \$84.1 million) plus accrued and unpaid interest pursuant to a cash tender offer. The interest savings from the retirement of this debt will offset the majority of the premium paid to retire it, and the potential dilution effect from the convertible aspect of these notes is removed.

In connection with these 2011 refinancing activities, we recognized charges of \$14.2 million related to the write-off of previously deferred loan costs and discounts associated with the payoff of the debt instruments noted above.

In April 2010, we completed a public offering of common stock (the Offering) resulting in net proceeds, after underwriting discount and commissions, of approximately \$279 million. See Note 9 for further information. We used the net proceeds from the Offering to repurchase 93%

of the outstanding 6.125% exchangeable senior

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notes due 2011 at a price of 103% of the principal amount plus accrued and unpaid interest (or \$136.3 million) pursuant to a cash tender offer. In addition, we paid off a \$30 million term loan. Finally, in May 2010, we closed on a \$450 million credit facility, and the proceeds of such along with the Offering were used to repay in full all outstanding obligations under the previous credit facility. These refinancing activities resulted in a charge of \$6.7 million for the year ended December 31, 2010.

Revolving Credit Facilities

In connection with the 2011 senior unsecured notes offering, we amended our 2010 credit agreement to now provide for a \$330 million unsecured revolving credit facility that matures in October 2015. As part of this amendment, we also lowered our interest rate to (1) the higher of the prime rate or federal funds rate plus 0.5%, plus a spread initially set at 1.60%, but that is adjustable from 1.60% to 2.40% based on current total leverage, or (2) LIBOR plus a spread initially set at 2.60%, but that is adjustable from 2.60% to 3.40% based on current total leverage. In addition to interest expense, we are required to pay a quarterly commitment fee on the undrawn portion of the revolving credit facility, ranging from 0.375% to 0.500% per year. At December 31, 2011 and 2010, our outstanding balance on the revolving credit facility was \$50 million and \$0, respectively. At December 31, 2011, our availability under our revolving credit facility was \$280 million. The weighted average interest rate on this facility was 3.2% and 2.1% for 2011 and 2010, respectively.

In regards to the \$220 million credit facility that we paid off in 2010, our outstanding borrowings under the revolving facility were \$96 million at December 31, 2009. For 2009, our interest rate was primarily set off the 30-day LIBOR plus 1.75% (1.99% at December 31, 2009). In addition, the old credit facility provided for a quarterly commitment fee on the unused portion ranging from 0.20% to 0.35%. The weighted average interest rate on this facility was 2.21% for 2009.

In June 2007, we signed a collateralized revolving bank credit facility for up to \$42 million. The terms are for five years with interest at the 30-day LIBOR plus 1.50% (1.80% at December 31, 2011 and 1.77% at December 31, 2010). The amount available under the facility decreases \$0.8 million per year until maturity. The facility is collateralized by one real estate property with a net book value of \$55.1 million and \$56.5 million at December 31, 2011 and 2010, respectively. This facility had an outstanding balance of \$39.6 and \$0 million at December 31, 2011 and December 31, 2010, respectively. At December 31, 2011, we had \$0 million of availability under this revolving credit facility. The weighted-average interest rate on this revolving bank credit facility was 1.63%, 1.74% and 1.86% for 2011, 2010 and 2009, respectively.

2011 Senior Unsecured Notes

On April 26, 2011, our Operating Partnership and a wholly-owned subsidiary of our Operating Partnership closed on a private placement of \$450 million aggregate principal amount of 6.875% Senior Notes due 2021 (the 2011 senior unsecured notes) to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The 2011 senior unsecured notes were subsequently registered under the Securities Act pursuant to an exchange offer. Interest on the 2011 senior unsecured notes is payable semi-annually on May 1 and November 1 of each year. The 2011 senior unsecured notes pay interest in cash at a rate of 6.875% per year and mature on May 1, 2021. We may redeem some or all of the 2011 senior unsecured notes at any time prior to May 1, 2016 at a make-whole redemption price. On or after May 1, 2016, we may redeem some or all of the 2011 senior unsecured notes at a premium that will decrease over time, plus accrued and unpaid interest to, but not including, the redemption date. The 2011 senior unsecured notes are guaranteed, jointly and severally, on an unsecured basis, by the certain subsidiary guarantors. In the event of a Change of Control, each holder of the 2011 senior unsecured notes may require us to repurchase some or all of its 2011 senior unsecured notes at a repurchase price equal to 101% of the aggregate principal amount plus accrued and unpaid interest to the date of purchase.

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During 2006, we issued \$125.0 million of Senior Unsecured Notes (the *Senior Notes*). The Senior Notes were placed in private transactions exempt from registration under the Securities Act of 1933, as amended, (the *Securities Act*). One of the issuances of Senior Notes totaling \$65.0 million paid interest quarterly at a fixed annual rate of 7.871% through July 30, 2011, thereafter, at a floating annual rate of three-month LIBOR plus 2.30% and may be called at par value by us at any time on or after July 30, 2011. This portion of the Senior Notes matures in July 2016. The remaining issuances of Senior Notes paid interest quarterly at fixed annual rates ranging from 7.333% to 7.715% through October 30, 2011, thereafter, at a floating annual rate of three-month LIBOR plus 2.30% and may be called at par value by us at any time on or after October 30, 2011. These remaining notes mature in October 2016.

During the second quarter 2010, we entered into an interest rate swap to fix \$65 million of our \$125 million Senior Notes, which started July 31, 2011 (date on which the interest rate turned variable) through maturity date (or July 2016), at a rate of 5.507%. We also entered into an interest rate swap to fix \$60 million of our Senior Notes which started October 31, 2011 (date on which the related interest rate turned variable) through the maturity date (or October 2016) at a rate of 5.675%. At December 31, 2011 and 2010, the fair value of the interest rate swaps was \$12.2 million and \$3.6 million, respectively, which is reflected in accounts payable and accrued expenses on the condensed consolidated balance sheet.

We account for our interest rate swaps as cash flow hedges. Accordingly, the effective portion of changes in the fair value of our swaps is recorded as a component of accumulated other comprehensive income/loss on the balance sheet and reclassified into earnings in the same period, or periods, during which the hedged transactions effects earnings, while any ineffective portion is recorded through earnings immediately. We did not have any hedge ineffectiveness from inception of our interest rate swaps through December 31, 2011 and therefore, there was no income statement effect recorded during the years ended December 31, 2011 and 2010. We do not expect any of the current losses included in accumulated other comprehensive loss to be reclassified into earnings in the next 12 months.

As noted above under the heading *Revolving Credit Facilities* , we, via the amendment to our credit agreement, ceased being secured under our revolving credit facility, which triggered a collateral posting event under our interest rate swap. At December 31, 2011, we have posted \$6.3 million of collateral, which is currently reflected in other assets on our consolidated balance sheets.

Exchangeable Senior Notes

In November 2006, our Operating Partnership issued and sold, in a private offering, \$138.0 million of Exchangeable Senior Notes (the *2006 Exchangeable Notes*). The 2006 Exchangeable Notes pay interest semi-annually at a rate of 6.125% per annum and mature on November 15, 2011. Net proceeds from the offering of the 2006 Exchangeable Notes were approximately \$134 million, after deducting the initial purchasers discount. During 2010, 93% of the outstanding 6.125% exchangeable senior notes due 2011 were repurchased at a price of 103% of the principal amount plus accrued and unpaid interest (or \$136.3 million). The remaining balance on the 2006 Exchangeable Notes of \$9.2 million was paid at maturity on November 15, 2011.

In March 2008, our Operating Partnership issued and sold, in a private offering, \$75.0 million of Exchangeable Senior Notes (the *2008 Exchangeable Notes*) and received proceeds of \$72.8 million. In April 2008, the Operating Partnership sold an additional \$7.0 million of the 2008 Exchangeable Notes (under the initial purchasers' overallotment option) and received proceeds of \$6.8 million. The 2008 Exchangeable Notes pay interest semi-annually at a rate of 9.25% per annum and mature on April 1, 2013. The 2008 Exchangeable Notes have an initial exchange rate of 80.8898 shares of our common stock per \$1,000 principal amount, representing an exchange price of \$12.36 per common share. The initial exchange rate is subject to adjustment under certain circumstances. The 2008 Exchangeable Notes are exchangeable prior to the close of business on the second day

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immediately preceding the stated maturity date at any time beginning on January 1, 2013 and also upon the occurrence of specified events, for cash up to their principal amounts and our common shares for the remainder of the exchange value in excess of the principal amount. The 2008 Exchangeable Notes are senior unsecured obligations of the Operating Partnership, guaranteed by us.

In July 2011, we used a portion of the proceeds from the 2011 senior unsecured notes to repurchase 85% of the outstanding 2008 Exchangeable Notes at a price of 118.5% of the principal amount plus accrued and unpaid interest (or \$84.2 million) pursuant to a cash tender offer. Additionally, in August 2011, we repurchased \$1.5 million of the outstanding 2008 Exchangeable Notes in the open market. The outstanding aggregate principal amount of the 2008 Exchangeable Notes is \$11.0 million as of December 31, 2011.

Term Loans

In connection with our acquisition of the Northland LTACH Hospital on February 14, 2011, we assumed a \$16.1 million mortgage. The Northland mortgage loan requires monthly principal and interest payments based on a 30-year amortization period. The Northland mortgage loan has a fixed interest rate of 6.2%, matures on January 1, 2018 and can be prepaid after January 1, 2013, subject to a certain prepayment premium. At December 31, 2011, the remaining balance on this term loan was \$14.4 million.

In May 2010, we closed on a \$150 million term loan that was scheduled to mature on May 17, 2016 and had an interest rate option of (1) LIBOR plus a spread of 3.5% or (2) the higher of the prime rate or federal funds rate plus 0.5%, plus a spread of 2.50%. This 2010 term loan was subject to a LIBOR floor of 1.5% (5.00% at December 31, 2010). This term loan was repaid and terminated in 2011 in connection with our 2011 senior unsecured notes offering.

Included in the \$220 million credit facility that was paid off in 2010 was a term loan that had an outstanding balance of \$64.5 million at December 31, 2009. This term loan's interest rate was based on the 30-day LIBOR plus a spread of 200 basis points (2.26% at December 31, 2009).

In November 2008, we signed a collateralized term loan facility for \$9 million with interest fixed at 5.66%. This term loan was repaid and terminated in 2011 in connection with our 2011 senior unsecured notes offering.

Covenants

Our debt facilities impose certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate or other assets; and change our business. In addition, the credit agreement governing our revolving credit facility limits the amount of dividends we can pay to 120% of normalized adjusted funds from operations, as defined in the agreements, on a rolling four quarter basis starting for the fiscal quarter ending March 31, 2012. Thereafter, a similar dividend restriction exists but the percentage drops each quarter until reaching 95% at March 31, 2013. The indenture governing our 2011 senior unsecured notes also limits the amount of dividends we can pay based on the sum of 95% of funds from operations, proceeds of equity issuances and certain other net cash proceeds. Finally, our 2011 senior unsecured notes (along with the senior unsecured notes entered into in 2012 in connection with the Ernest acquisition) require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, the new credit facility contains customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, mortgage secured leverage ratio, recourse mortgage secured leverage ratio, consolidated adjusted net worth, facility leverage ratio, and borrowing base interest coverage ratio. This facility also contains customary events of default, including

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among others, nonpayment of principal or interest, material inaccuracy of representations and failure to comply with our covenants. If an event of default occurs and is continuing under the facility, the entire outstanding balance may become immediately due and payable. At December 31, 2011, we were in compliance with all such financial and operating covenants.

5. Income Taxes*Medical Properties Trust, Inc.*

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax if we distribute 100% of our taxable income to our stockholders and satisfy certain other requirements. Income tax is paid directly by our stockholders on the dividends distributed to them. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax. Taxable income from non-REIT activities managed through our taxable REIT subsidiaries is subject to applicable federal, state and local income taxes. For 2011, 2010 and 2009, we recorded tax expense of \$0.1 million, \$1.6 million and \$0.3 million, respectively.

At December 31, 2011 and 2010, we had a net deferred tax asset (prior to valuation allowance) of \$8.7 million and \$6.7 million respectively. This increase is primarily related to the increase in the federal and state net operating loss carry forwards (NOLs) at our MDS TRS. NOLs are available to offset future earnings in one of our taxable REIT subsidiaries within the periods specified by law. At December 31, 2011, we had U.S. federal and state NOLs of \$12.1 million and \$13.0 million, respectively, that expire in 2020 through 2031.

With the continued losses sustained by MDS, we do not believe MDS will generate enough taxable income to use the federal and state net operating losses noted above within the carry forward period specified by law. Therefore, we continue to fully reserve for the net deferred tax asset. At December 31, 2011 and 2010 the valuation allowance was \$8.9 million and \$6.8 million, respectively. We will continue to monitor this valuation allowance and, if circumstances change (such as entering into new working capital loans or other transactions), we will adjust this valuation allowance accordingly.

Earnings and profits, which determine the taxability of distributions to stockholders, will differ from net income reported for financial reporting purposes due primarily to differences in cost basis, differences in the estimated useful lives used to compute depreciation, and differences between the allocation of our net income and loss for financial reporting purposes and for tax reporting purposes.

A schedule of per share distributions we paid and reported to our stockholders is set forth in the following:

	For the Years Ended December 31,		
	2011	2010	2009
Common share distribution	\$ 0.800000	\$ 0.800000	\$ 0.800000
Ordinary income	0.300844	0.388128	0.471792
Capital gains(1)	0.031396	0.027724	0.003708
Unrecaptured Sec. 1250 gain	0.031396	0.022784	0.003708
Return of capital	0.467760	0.384148	0.324500
Allocable to next year			

(1) Capital gains include unrecaptured Sec. 1250 gains.

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As a partnership, the allocated share of income of the Operating Partnership is included in the income tax returns of the general and limited partners. Accordingly, no accounting for income taxes is generally required for such income of the Operating Partnership. However, the Operating Partnership has formed taxable REIT subsidiaries on behalf of Medical Properties Trust, Inc., which are subject to federal, state and local income taxes at regular corporate rates. See discussion above under Medical Properties Trust, Inc. for more details of income taxes associated with our taxable REIT subsidiaries.

6. Earnings Per Share/Unit*Medical Properties Trust, Inc.*

Our earnings per share were calculated based on the following (amounts in thousands):

	For the Years Ended December 31,		
	2011	2010	2009
Numerator:			
Income from continuing operations	\$ 19,431	\$ 10,248	\$ 29,945
Non-controlling interests share in continuing operations	(178)	(99)	(36)
Participating securities share in earnings	(1,090)	(1,254)	(1,506)
Income from continuing operations, less participating securities share in earnings	18,163	8,895	28,403
Income from discontinued operations	7,283	12,764	6,422
Non-controlling interests share in discontinued operations			(1)
Income from discontinued operations attributable to MPT common stockholders	7,283	12,764	6,421
Net income, less participating securities share in earnings	\$ 25,446	\$ 21,659	\$ 34,824
Denominator:			
Basic weighted-average common shares	110,623	100,706	78,117
Dilutive stock options	6	2	
Diluted weighted-average common shares	110,629	100,708	78,117

MPT Operating Partnership, L.P.

Our earnings per unit were calculated based on the following (amounts in thousands):

	For the Years Ended December 31,		
	2011	2010	2009
Numerator:			
Income from continuing operations	\$ 19,448	\$ 10,323	\$ 30,008
Non-controlling interests share in continuing operations	(178)	(99)	(36)
Participating securities share in earnings	(1,090)	(1,254)	(1,506)
Income from continuing operations, less participating securities share in earnings	18,180	8,970	28,466

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Income from discontinued operations	7,283	12,764	6,422
Non-controlling interests share in discontinued operations			(1)
Income from discontinued operations attributable to MPT Operating Partnership partners	7,283	12,764	6,421
Net income, less participating securities share in earnings	\$ 25,463	\$ 21,734	\$ 34,887
Denominator:			
Basic weighted-average units	110,623	100,706	78,117
Dilutive options	6	2	
Diluted weighted-average units	110,629	100,708	78,117

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For each of the years ended December 31, 2011, 2010, and 2009, 0.1 million of options were excluded from the diluted earnings per share/unit calculation as they were not determined to be dilutive. Shares/units that may be issued in the future in accordance with our exchangeable senior notes were excluded from the diluted earnings per share/unit calculation as they were not determined to be dilutive.

7. Stock Awards

We have adopted the Second Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan (the "Equity Incentive Plan"), which authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units and awards of interests in our Operating Partnership. The Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. We have reserved 7,441,180 shares of common stock for awards under the Equity Incentive Plan for which 2,595,161 shares remain available for future stock awards as of December 31, 2011. The Equity Incentive Plan contains a limit of 1,000,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year. Awards under the Equity Incentive Plan are subject to forfeiture due to termination of employment prior to vesting. In the event of a change in control, outstanding and unvested options will immediately vest, unless otherwise provided in the participant's award or employment agreement, and restricted stock, restricted stock units, deferred stock units and other stock-based awards will vest if so provided in the participant's award agreement. The term of the awards is set by the Compensation Committee, though Incentive Stock Options may not have terms of more than ten years. Forfeited awards are returned to the Equity Incentive Plan and are then available to be re-issued as future awards. For each share of common stock issued by Medical Properties Trust, Inc. pursuant to its Equity Incentive Plan, the Operating Partnership issues a corresponding number of operating partnership units.

The following awards have been granted pursuant to our Equity Incentive Plan:

Stock Options.

We awarded 50,000 common stock options in 2007, with an exercise price and estimated grant date fair values of \$12.09 and \$1.36 per option, respectively. The options awarded in 2007 vest annually in equal amounts over three years from the date of award and expire in 2012. We use the Black-Scholes pricing model to calculate the fair values of the options awarded. In 2007, the following assumptions were used to derive the fair values: an option term of four years; expected volatility of 28.34%; a weighted average risk-free rate of return of 4.62%; and a dividend yield of 8.93%. The intrinsic value of options exercisable and outstanding at December 31, 2011, is \$-0-. No options were granted, exercised, or forfeited in 2011, 2010, or 2009, but some were settled for cash in 2011. At December 31, 2011, we had 110,000 options outstanding and exercisable, with a weighted-average exercise price of \$10.95 per option. The weighted average remaining contractual term of options exercisable and outstanding is 1.8 years.

Restricted Equity Awards

Other stock-based awards are in the form of service-based awards and performance-based awards. The service-based awards vest as the employee provides the required service over periods that generally range from three to seven years. Service based awards are valued at the average price per share of common stock on the date of grant. In 2011, 2010, and 2007, the Compensation Committee granted awards to employees which vest based on us achieving certain performance levels, stock price levels, total shareholder return or comparison to peer total return indices. Generally, dividends are not paid on these performance awards until the award is earned. See below for details of such grants:

- 2011 performance awards The 2011 performance awards were granted in three parts:
 - 1) Approximately 30% of the 2011 performance awards are based on us achieving a simple 9.0% annual total shareholder return over a three year period; however, the award contains both carry forward and carry back provisions through December 31, 2015. The fair value of this award was

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- estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 2.07%; expected volatility of 33%; expected dividend yield of 8.5%; and expected service period of 4 years.
- 2) Approximately 18% of the 2011 performance awards are based on us achieving a cumulative total shareholder return from January 1, 2011 to December 31, 2013. The minimum total shareholder return needed to earn a portion of this award is 27% with 100% of the award earned if our total shareholder return reaches 39%. If any shares are earned from this award, the shares will vest in equal annual amounts on January 1, 2014, 2015 and 2016. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.07%; expected volatility of 34%; expected dividend yield of 8.5%; and expected service period of 5 years.
 - 3) The remainder of the 2011 performance awards will be earned if our total shareholder return outpaces that of the MSCI U.S. REIT Index (Index) over the cumulative period from January 1, 2011 to December 31, 2013. Our total shareholder return must exceed that of the Index to earn the minimum number of shares under this award, while it must exceed the Index by 12% to earn 100% of the award. If any shares are earned from this award, the shares will vest in equal annual amounts on January 1, 2014, 2015 and 2016. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.07%; expected volatility of 34%; expected dividend yield of 8.5%; and expected service period of 5 years.

None of the 2011 performance awards were earned in 2011.

- 2010 performance awards - The 2010 performance awards are based on us achieving a simple 9.5% annual total shareholder return over a three year period; however, the award contains both carry forward and carry back provisions through December 31, 2014. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 2.60%; expected volatility of 42%; expected dividend yield of 8.5%; and expected service period of 4 years. None of the 2010 performance awards were earned in 2011; however, 60,866 awards were earned in 2010.
- 2007 performance awards - The 2007 performance awards were granted under our 2007 Multi-year Incentive Plan and consist of two components: core performance awards (CPRE) and superior performance awards (SPRE). The CPRE awards vest annually and ratably over a seven-year period beginning December 31, 2007, contingent upon our achievement of a simple 9% annual total return to shareholders (prorated to 7.5% for the first vesting period ending December 31, 2007). In years in which the annual total return exceeds 9%, the excess return may be used to earn CPRE awards not earned in a prior or future year. SPRE awards were to be earned based on achievement of specified share price thresholds during the period beginning March 1, 2007 through December 31, 2010, and were to vest annually and ratably over the subsequent three-year period (2011-2013). At December 31, 2010, the share price thresholds were not met. Accordingly, in accordance with the SPRE award agreements, 33.334% of the SPRE awards were earned as we performed at or above the 50th percentile of all real estate investment trusts included in the Morgan Stanley REIT Index in terms of total return to shareholders over the same period. The other 66.666% of the SPRE awards were deemed forfeited.

In 2011, no CPRE awards were earned. In addition to the SPRE awards noted earlier, 79,287 shares/LTIP units (discussed in Note 9) were earned in 2010 under the CPRE award.

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The following summarizes restricted equity awards activity in 2011 and 2010, respectively:

For the Year Ended December 31, 2011:

	Vesting Based on Service		Vesting Based on Market/Performance Conditions	
	Shares	Weighted Average Value at Award Date	Shares	Weighted Average Value at Award Date
Nonvested awards at beginning of the year	783,305	\$ 10.43	828,409	\$ 8.70
Awarded	292,803	\$ 10.76	853,656	\$ 5.72
Vested	(453,980)	\$ 9.89	(163,575)	\$ 6.87
Forfeited	(18,148)	\$ 9.70	(7,093)	\$ 9.32
Nonvested awards at end of year	603,980	\$ 11.02	1,511,397	\$ 7.21

For the Year Ended December 31, 2010:

	Vesting Based on Service		Vesting Based on Market/Performance Conditions	
	Shares	Weighted Average Value at Award Date	Shares	Weighted Average Value at Award Date
Nonvested awards at beginning of the year	962,350	\$ 10.22	1,301,088	\$ 6.90
Awarded	277,680	\$ 10.39	182,600	\$ 9.25
Vested	(454,323)	\$ 9.97	(175,279)	\$ 10.64
Forfeited	(2,402)	\$ 8.66	(480,000)	\$ 3.31
Nonvested awards at end of year	783,305	\$ 10.43	828,409	\$ 8.70

The value of stock-based awards is charged to compensation expense over the vesting periods. In the years ended December 31, 2011, 2010 and 2009, we recorded \$7.0 million, \$6.6 million, and \$5.5 million respectively, of non-cash compensation expense. The remaining unrecognized cost from restricted equity awards at December 31, 2011, is \$10.5 million and will be recognized over a weighted average period of 2.4 years. Restricted equity awards which vested in 2011, 2010, and 2009 had a value of \$6.1 million, \$6.1 million, and \$2.4 million, respectively.

8. Commitments and Contingencies*Commitments*

Our operating leases primarily consist of ground leases on which certain of our facilities or other related property reside along with corporate office and equipment leases. These ground leases are long-term leases (almost all having terms for approximately 50 years or more), some contain escalation provisions and one contains a purchase option. Properties subject to these ground leases are subleased to our tenants. Lease and rental expense (which is recorded on the straight-line method) for 2011, 2010 and 2009, respectively, were \$868,106, \$989,170, and \$859,570, which was offset by sublease rental income of \$443,829, \$520,090, and \$498,733 for 2011, 2010, and 2009, respectively.

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Fixed minimum payments due under operating leases with non-cancelable terms of more than one year at December 31, 2011 are as follows:
(amounts in thousands)

2012	\$ 2,233
2013	2,104
2014	1,609
2015	1,610
2016	1,610
Thereafter	36,378
	\$ 45,544

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The total amount to be received in the future from non-cancellable subleases at December 31, 2011, is \$29.4 million.

Contingencies

We are a party to various legal proceedings incidental to our business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to those proceedings is not presently expected to materially affect our financial position, results of operations or cash flows.

9. Common Stock/Partners Capital

Medical Properties Trust, Inc.

In April 2010, we completed a public offering of 26 million shares of common stock at \$9.75 per share. Including the underwriters' purchase of 3.9 million additional shares to cover over allotments, net proceeds from the offering, after underwriting discount and commissions, were \$279.1 million. We used the net proceeds from the offering to fund our refinancing activities as discussed in Note 4 with any remaining proceeds used for general corporate purposes including funding acquisitions during 2010.

During the first quarter of 2010, we sold 0.9 million shares of our common stock under our at-the-market equity offering program, at an average price of \$10.77 per share, for total proceeds, net of a 2% sales commission, of \$9.5 million.

In November 2009, we put an at-the-market program in place, and we have the ability to sell up to \$50 million of stock under that plan. During the fourth quarter of 2009, we sold 30,000 shares at an average price per share of \$10.25 resulting in a proceeds, net of a 2% sales agent commission, of \$0.3 million.

On January 9, 2009, we filed Articles of Amendment to our charter with the Maryland State Department of Assessments and Taxation increasing the number of authorized shares of common stock, par value \$0.001 per share available for issuance from 100,000,000 to 150,000,000. Subsequent to 2011, we further increased the number of authorized shares of common stock to 250,000,000.

In January 2009, we completed a public offering of 12.0 million shares of our common stock at \$5.40 per share. Including the underwriters' purchase of 1.3 million additional shares to cover over allotments, net proceeds from this offering, after underwriting discount and commissions, were \$67.8 million. The net proceeds of this offering were generally used to repay borrowings outstanding under our revolving credit facilities.

MPT Operating Partnership, L.P.

The Operating Partnership is made up of a general partner, Medical Properties Trust, LLC (General Partner) and limited partners, including the Company (which owns 100% of the General Partner) and three other partners who are employees. By virtue of its ownership of the General Partner, the Company has a 99.8% ownership interest in Operating Partnership via its ownership of all the common units. The remaining ownership interest is held by the two employees and one director via their ownership of LTIP units. These LTIP units were issued to the employees pursuant to the 2007 Multi-Year Incentive Plan, which is part of the Equity Incentive Plan discussed in Note 7 and once vested in accordance with their award agreement, may be converted to common units per the Second Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. (Operating Partnership Agreement).

In regards to distributions, the Operating Partnership shall distribute cash at such times and in such amounts as are determined by the General Partner in its sole and absolute discretion, to common unit holders who are common unit holders on the record date. However, per the Operating Partnership Agreement, the General Partner shall use its reasonable efforts to cause the Operating Partnership to distribute amounts sufficient to enable the

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Company to pay stockholder dividends that will allow the Company to (i) meet its distribution requirement for qualification as a REIT and (ii) avoid any federal income or excise tax liability imposed by the Internal Revenue Code, other than to the extent the Company elects to retain and pay income tax on its net capital gain. In accordance with the Operating Partnership Agreement, LTIP units are treated as common units for distribution purposes.

The Operating Partnership's net income will generally be allocated first to the General Partner to the extent of any cumulative losses and then to the limited partners in accordance with their respective percentage interests in the common units issued by the Operating Partnership. Any losses of the Operating Partnership will generally be allocated first to the limited partners until their capital account is zero and then to the General Partner. In accordance with the Operating Partnership Agreement, LTIP units are treated as common units for purposes of income and loss allocations.

Limited partners have the right to require the Operating Partnership to redeem part or all of their common units. It is at the Operating Partnership's discretion to redeem such common units for cash based on the fair market value of an equivalent number of shares of the Company's common stock at the time of redemption or, alternatively, redeem the common units for shares of the Company's common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, or similar events. In order for LTIP units to be redeemed, they must first be converted to common units and then must wait two years from the issuance of the LTIP units to be redeemed.

For each share of common stock issued by Medical Properties Trust, Inc., the Operating Partnership issues a corresponding number of operating partnership units.

10. Fair Value of Financial Instruments

We have various assets and liabilities that are considered financial instruments. We estimate that the carrying value of cash and cash equivalents, and accounts payable and accrued expenses approximates their fair values. Included in accounts payable and accrued expenses are our interest rate swaps, which are recorded at fair value based on Level 2 observable market assumptions using standardized derivative pricing models. We estimate the fair value of our loans, interest, and other receivables by discounting the estimated future cash flows using the current rates at which similar receivables would be made to others with similar credit ratings and for the same remaining maturities. We determine the fair value of our exchangeable notes based on quotes from securities dealers and market makers. We estimate the fair value of our senior notes, revolving credit facilities, and term loans based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

The following table summarizes fair value information for our financial instruments: (amounts in thousands)

Asset (Liability)	December 31, 2011		December 31, 2010	
	Book Value	Fair Value	Book Value	Fair Value
Interest and rent receivables	\$ 29,862	\$ 22,866	\$ 26,176	\$ 20,265
Loans	239,839	243,272	215,985	209,126
Debt, net	(689,849)	(688,032)	(369,970)	(359,910)

11. Discontinued Operations

On December 30, 2011, we sold MountainView Regional Rehabilitation Hospital in Morgantown, West Virginia to HealthSouth Corporation for \$21.1 million, resulting in a gain of \$2.3 million. On December 30, 2011, we also sold Sherman Oaks Hospital in Sherman Oaks, California to Prime Healthcare Services, Inc. for approximately \$20.0 million, resulting in a gain of \$3.1 million. Due to this sale, we wrote-off \$1.2 million in straight-line rent receivables.

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In the fourth quarter 2010, we sold the real estate of our Montclair Hospital, an acute care medical center to Prime for proceeds of \$20.0 million. We realized a gain on the sale of \$2.2 million. In October of 2010, we sold the real estate of our Sharpstown hospital in Houston, Texas to a third party for proceeds of \$3.0 million resulting in a gain of \$0.7 million. In the second quarter of 2010, we sold the real estate of our Inglewood Hospital, a 369-bed acute care medical center located in Inglewood, California, to Prime for \$75 million resulting in a gain of approximately \$6 million.

In the fourth quarter of 2009, we sold the real estate of a general acute hospital to Prime for proceeds of approximately \$15 million. The sale was completed on December 28, 2009, resulting in a gain on the sale of \$0.3 million.

We have classified current and prior year activity related to these transactions, along with the related operating results of the facilities prior to these transactions taking place, as discontinued operations. In addition, we have reclassified the related real estate assets to Real Estate Held for Sale in all prior periods.

The following table presents the results of discontinued operations for the years ended December 31, 2011, 2010 and 2009 (in thousands except per share/unit amounts):

	For the Years Ended December 31,		
	2011	2010	2009
Revenues	\$ 3,534	\$ 8,488	\$ 16,197
Gain on sale	5,431	10,566	278
Income from discontinued operations	7,283	12,764	6,422
Income from discontinued operations diluted per share/unit	\$ 0.07	\$ 0.13	\$ 0.08

12. Quarterly Financial Data (unaudited)

Medical Properties Trust, Inc.

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2011 and 2010: (amounts in thousands, except for per share data)

	For the Three Month Periods in 2011 Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 34,347	\$ 35,396	\$ 36,774	\$ 36,802
Income (loss) from continuing operations	9,652	1,934	(237)	8,082
Income from discontinued operations	1,172	748	705	4,658
Net income	10,824	2,682	468	12,740
Net income attributable to MPT common stockholders	10,780	2,640	424	12,692
Net income attributable to MPT common stockholders per share basic	\$ 0.09	\$ 0.02	\$	\$ 0.11
Weighted average shares outstanding basic	110,400	110,589	110,714	110,788
Net income (loss) attributable to MPT common stockholders per share diluted	\$ 0.09	\$ 0.02	\$	\$ 0.11
Weighted average shares outstanding diluted	110,408	110,600	110,719	110,788

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	For the Three Month Periods in 2010 Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 29,365	\$ 29,534	\$ 27,621	\$ 30,677
Income (loss) from continuing operations	(4,249)	(1,037)	7,967	7,567
Income from discontinued operations	1,436	7,269	997	3,062
Net income	(2,813)	6,232	8,964	10,629
Net income attributable to MPT common stockholders	(2,822)	6,223	8,919	10,593
Net income attributable to MPT common stockholders per share basic	\$ (0.04)	\$ 0.06	\$ 0.08	\$ 0.09
Weighted average shares outstanding basic	79,176	103,498	110,046	110,103
Net income attributable to MPT common stockholders per share diluted	\$ (0.04)	\$ 0.06	\$ 0.08	\$ 0.09
Weighted average shares outstanding diluted	79,178	103,498	110,046	110,108

MPT Operating Partnership, L.P.

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2011 and 2010: (amounts in thousands, except for per unit data)

	For the Three Month Periods in 2011 Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 34,347	\$ 35,396	\$ 36,774	\$ 36,802
Income (loss) from continuing operations	9,669	1,961	(219)	8,037
Income from discontinued operations	1,172	748	705	4,658
Net income	10,841	2,709	486	12,695
Net income attributable to MPT Operating Partnership partners	10,796	2,667	443	12,647
Net income attributable to MPT Operating Partnership partners per unit basic	\$ 0.09	\$ 0.02	\$	\$ 0.11
Weighted average units outstanding basic	110,400	110,589	110,714	110,788
Net income attributable to MPT Operating Partnership partners per unit diluted	\$ 0.09	\$ 0.02	\$	\$ 0.11
Weighted average units outstanding diluted	110,408	110,600	110,719	110,788

	For the Three Month Periods in 2010 Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 29,365	\$ 29,534	\$ 27,621	\$ 30,677
Income (loss) from continuing operations	(4,235)	(968)	7,958	7,568
Income from discontinued operations	1,436	7,269	997	3,062
Net income (loss)	(2,799)	6,301	8,955	10,630
Net income (loss) attributable to MPT Operating Partnership partners	(2,807)	6,292	8,910	10,593
Net income (loss) attributable to MPT Operating Partnership partners per unit basic	\$ (0.04)	\$ 0.06	\$ 0.08	\$ 0.09
Weighted average units outstanding basic	79,176	103,498	110,046	110,103
Net income (loss) attributable to MPT Operating Partnership partners per unit diluted	\$ (0.04)	\$ 0.06	\$ 0.08	\$ 0.09
Weighted average units outstanding diluted	79,178	103,498	110,046	110,108

Table of Contents**Index to Financial Statements****13. Subsequent Events**

On January 31, 2012, we entered into definitive agreements to make loans to and acquire assets from Ernest Health, Inc. (Ernest) and to make an equity contribution in the parent of Ernest for a combined purchase price and investment of \$396.5 million, consisting of \$200 million to purchase real estate assets, a first mortgage loan of \$100 million, an acquisition loan for \$93.2 million and a capital contribution of \$3.3 million, all as further described below. On February 29, 2012, we closed and funded this acquisition and related investments.

Real estate acquisition

Pursuant to a definitive real property asset purchase agreement (the Purchase Agreement), we acquired from Ernest and certain of its subsidiaries (i) a portfolio of five rehabilitation facilities (including a ground lease interest relating to a community-based acute rehabilitation facility in Wyoming), (ii) seven long-term acute care facilities located in seven states and (iii) undeveloped land in Provo, Utah (collectively, the Acquired Facilities) for an aggregate purchase price of \$200 million, subject to certain adjustments. The Acquired Facilities will be leased to subsidiaries of Ernest pursuant to a master lease agreement. The master lease agreement has a 20-year term with three five-year extension options and provides for an initial rental rate of 9%, with consumer price-indexed increases, limited to a 2% floor and 5% ceiling annually thereafter.

Mortgage loan financing

Pursuant to the Purchase Agreement, we also made Ernest a \$100 million loan secured by a first mortgage interest in four subsidiaries of Ernest, which has terms similar to the leasing terms described above.

Acquisition loan and equity contribution

In addition, an affiliate of one of our taxable REIT subsidiaries has become a member in Ernest Health Holdings, LLC (Ernest Holdings), whose only other member is an entity formed by the present key management personnel of Ernest (ManageCo). We made capital contributions of approximately \$3.3 million to Ernest Holdings in exchange for a membership interest representing a 49% aggregate initial equity interest. The remaining 51% initial equity interest in Ernest Holdings is owned by ManageCo, which has made contributions valued at \$3.5 million in exchange for a membership interest in Ernest Holdings.

Pursuant to the terms of an Agreement and Plan of Merger dated January 31, 2012, a merger subsidiary of Ernest Holdings was merged with and into Ernest, with Ernest surviving the merger as a wholly-owned subsidiary of Ernest Holdings. Finally, we made an acquisition loan of approximately \$93.2 million to the merger subsidiary (the Acquisition Loan). The Acquisition Loan will bear interest at a rate of 15.0%, with a 6% coupon payable in cash in the first year, a 7% coupon payable in cash in the second year and a 10% coupon payable in cash thereafter. The remaining 9% in year one; 8% in year two and 5% thereafter will be accrued and paid upon the occurrence of any capital or liquidity events of Ernest Holdings and will be payable in all events at maturity. The acquisition loan may be prepaid without penalty at any time.

Financing of Ernest transactions and other general corporate needs

To finance the Ernest transactions along with other general corporate purposes (including potential future acquisitions), we completed or have initiated the following transactions subsequent to December 31, 2011:

- 1) Common stock offering On February 7, 2012, we completed an offering of 23,575,000 shares of our common stock (including 3,075,000 shares sold pursuant to the exercise in full of the underwriters' over-

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allotment option) at a price of \$9.75 per share, resulting in net proceeds (after underwriting discount) of \$220.7 million.

- 2) Senior unsecured notes offering On February 17, 2012, we completed a \$200 million offering of senior unsecured notes. These senior notes will accrue interest at a fixed rate of 6.375% per year and will mature on February 15, 2022. Net proceeds, after underwriting discount, from this senior notes offering was \$196.5 million.

- 3) Credit facilities On January 25, 2012, we received a commitment letter and term sheet for an \$80 million senior unsecured term loan facility that provides for customary financial and operating covenants, substantially consistent with our revolving credit facility. We expect to close on our new term loan facility shortly after the closing of the Ernest transactions described above. In addition to the new term loan facility, our existing revolving credit facility includes an accordion feature pursuant to which borrowings thereunder can be increased up to \$400 million from \$330 million. We have requested a \$70 million increase in our revolving credit facility contemporaneously with the closing of our new term loan facility.

14. Condensed Consolidating Financial Information

The following tables present the condensed consolidating financial information for (a) Medical Properties Trust, Inc. (Parent and a guarantor to our 2011 senior unsecured notes), (b) MPT Operating Partnership, L.P. and MPT Finance Corporation (Subsidiary Issuer), (c) on a combined basis, the guarantors of our 2011 senior unsecured notes (Subsidiary Guarantors), and (d) on a combined basis, the non-guarantor subsidiaries (Non-Guarantor Subsidiaries). Separate financial statements of the Subsidiary Guarantors are not presented because the guarantee by each 100% owned Subsidiary Guarantor is joint and several, and we believe separate financial statements and other disclosures regarding the Subsidiary Guarantors are not material to investors. Furthermore, there are no significant legal restrictions on the Parent s ability to obtain funds from its subsidiaries by dividend or loan.

The guarantees by the Subsidiary Guarantors may be released and discharged upon: (1) any sale, exchange or transfer of all of the capital stock of a Subsidiary Guarantor; (2) the merger or consolidation of a Subsidiary Guarantor with a Subsidiary Issuer or any other Subsidiary Guarantor; (3) the proper designation of any Subsidiary Guarantor by the Subsidiary Issuers as unrestricted for covenant purposes under the indenture governing the 2011 senior unsecured notes; (4) the legal defeasance or covenant defeasance or satisfaction and discharge of the indenture; (5) a liquidation or dissolution of a Subsidiary Guarantor permitted under the indenture governing the 2011 senior unsecured notes; or (6) the release or discharge of the Subsidiary Guarantor from its guarantee obligations under our revolving credit facility.

Table of Contents**Index to Financial Statements****Condensed Consolidated Balance Sheets****December 31, 2011****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Assets						
Real estate assets						
Land, buildings and improvements and intangible lease assets	\$	\$ 37	\$ 1,127,441	\$ 147,921	\$	\$ 1,275,399
Mortgage loans			165,000			165,000
Gross investment in real estate assets		37	1,292,441	147,921		1,440,399
Accumulated depreciation and amortization			(89,788)	(13,949)		(103,737)
Net investment in real estate assets		37	1,202,653	133,972		1,336,662
Cash & cash equivalents		101,230		1,496		102,726
Interest and rent receivables		399	22,525	6,938		29,862
Straight-line rent receivables			24,000	9,993		33,993
Other loans		177		74,662		74,839
Net intercompany receivable (payable)	21,955	872,382	(888,866)	(5,471)		
Investment in subsidiaries	829,205	489,858	43,008		(1,362,071)	
Other assets		27,284	1,727	14,781		43,792
Total Assets	\$ 851,160	\$ 1,491,367	\$ 405,047	\$ 236,371	\$ (1,362,071)	\$ 1,621,874
Liabilities and Equity						
Liabilities						
Debt, net	\$	\$ 635,820	\$	\$ 54,029	\$	\$ 689,849
Accounts payable and accrued expenses	22,345	25,783	2,576	421		51,125
Deferred revenue		559	17,488	5,260		23,307
Lease deposits and other obligations to tenants			27,874	904		28,778
Total liabilities	22,345	662,162	47,938	60,614		793,059
Total Medical Properties Trust Inc. stockholder s equity	828,815	829,205	357,109	175,757	(1,362,071)	828,815
Non-controlling interests						
Total equity	828,815	829,205	357,109	175,757	(1,362,071)	828,815
Total Liabilities and Equity	\$ 851,160	\$ 1,491,367	\$ 405,047	\$ 236,371	\$ (1,362,071)	\$ 1,621,874

Table of Contents**Index to Financial Statements****Condensed Consolidated Statements of Income****For the Year Ended December 31, 2011****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues						
Rent billed	\$	\$	\$ 100,759	\$ 18,368	\$ (3,092)	\$ 116,035
Straight-line rent			3,538	2,256		5,794
Interest and fee income		6,123	17,001	4,601	(6,235)	21,490
Total revenues		6,123	121,298	25,225	(9,327)	143,319
Expenses						
Real estate depreciation and amortization			29,279	3,622		32,901
Impairment charge			564			564
Property-related		217	834	3,131	(3,092)	1,090
General and administrative	17	27,626		3,760		31,403
Total operating expenses	17	27,843	30,677	10,513	(3,092)	65,958
Operating income	(17)	(21,720)	90,621	14,712	(6,235)	77,361
Other income (expense)						
Interest income and other		26	345	(275)		96
Debt refinancing costs		(14,109)		(105)		(14,214)
Interest expense		(43,064)	880	(7,863)	6,235	(43,812)
Net other expense		(57,147)	1,225	(8,243)	6,235	(57,930)
Income (loss) from continuing operations	(17)	(78,867)	91,846	6,469		19,431
Income (loss) from discontinued operations			98	7,185		7,283
Equity in earnings of consolidated subsidiaries net of income taxes	26,731	105,598	4,578		(136,907)	
Net income	26,714	26,731	96,522	13,654	(136,907)	26,714
Net income attributable to non-controlling interests	(178)	(178)			178	(178)
Net income attributable to MPT common stockholders	\$ 26,536	\$ 26,553	\$ 96,522	\$ 13,654	\$ (136,729)	\$ 26,536

Table of Contents**Index to Financial Statements****Condensed Consolidated Statements of Cash Flows****For the Year Ended December 31, 2011****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating Activities						
Net cash provided by (used in) operating activities	\$ (209)	\$ (48,779)	\$ 112,311	\$ 15,947	\$	\$ 79,270
Investing Activities						
Real estate acquired			(241,626)	(4,885)		(246,511)
Principal received on loans receivable			230	4,059		4,289
Proceeds from sales of real estate				41,130		41,130
Investments in and advances to subsidiaries	89,551	(92,052)	142,448	(50,605)	(89,342)	
Investments in loans receivable and other investments			(230)	(27,914)		(28,144)
Construction in progress and other		(6,466)	(24,081)	(5,838)		(36,385)
Net cash provided by (used in) investing activities	89,551	(98,518)	(123,259)	(44,053)	(89,342)	(265,621)
Financing Activities						
Revolving credit facilities, net		50,000		39,600		89,600
Proceeds from term debt, net of discount		450,000				450,000
Payments of term debt		(237,666)		(8,596)		(246,262)
Distributions paid	(89,342)	(89,601)			89,342	(89,601)
Proceeds from sale of common shares/units, net of offering costs						
Lease deposits and other obligations to tenants			10,948	(2,327)		8,621
Debt issuance costs paid and other financing activities		(21,028)		(661)		(21,689)
Net cash provided by (used in) financing activities	(89,342)	151,705	10,948	28,016	89,342	190,669
Increase (decrease) in cash and cash equivalents for period		4,408		(90)		4,318
Cash and cash equivalents at beginning of period		96,822		1,586		98,408
Cash and cash equivalents at end of period	\$	\$ 101,230	\$	\$ 1,496	\$	\$ 102,726

Table of Contents**Index to Financial Statements****Condensed Consolidated Balance Sheets****December 31, 2010****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Assets						
Real estate assets						
Land, buildings and improvements and intangible lease assets	\$	\$ 297	\$ 861,599	\$ 128,652	\$	\$ 990,548
Real estate held for sale				37,514		37,514
Mortgage loans			165,000			165,000
Gross investment in real estate assets		297	1,026,599	166,166		1,193,062
Accumulated depreciation and amortization			(61,460)	(10,327)		(71,787)
Net investment in real estate assets		297	965,139	155,839		1,121,275
Cash & cash equivalents		96,822		1,586		98,408
Interest and rent receivables		157	20,692	5,327		26,176
Straight-line rent receivables			20,052	8,860		28,912
Other loans		178		50,807		50,985
Net intercompany receivable (payable)	21,944	774,771	(747,895)	(48,820)		
Investment in subsidiaries	899,949	390,232	42,970		(1,333,151)	
Other assets		10,289	1,182	11,587		23,058
Total Assets	\$ 921,893	\$ 1,272,746	\$ 302,140	\$ 185,186	\$ (1,333,151)	\$ 1,348,814
Liabilities and Equity						
Liabilities						
Debt, net	\$	\$ 361,537	\$	\$ 8,433	\$	\$ 369,970
Accounts payable and accrued expenses	22,317	10,824	2,378	455		35,974
Deferred revenue		436	17,616	5,085		23,137
Lease deposits and other obligations to tenants			17,019	3,138		20,157
Total liabilities	22,317	372,797	37,013	17,111		449,238
Total Medical Properties Trust Inc. stockholder s equity	899,462	899,835	265,127	168,075	(1,333,037)	899,462
Non-controlling interests	114	114			(114)	114
Total equity	899,576	899,949	265,127	168,075	(1,333,151)	899,576
Total Liabilities and Equity	\$ 921,893	\$ 1,272,746	\$ 302,140	\$ 185,186	\$ (1,333,151)	\$ 1,348,814

Table of Contents**Index to Financial Statements****Condensed Consolidated Statements of Income****For the Year Ended December 31, 2010****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues						
Rent billed	\$	\$	\$ 73,617	\$ 15,900	\$ (1,030)	\$ 88,487
Straight-line rent			222	1,711		1,933
Interest and fee income		6,964	16,755	10,572	(7,514)	26,777
Total revenues		6,964	90,594	28,183	(8,544)	117,197
Expenses						
Real estate depreciation and amortization			19,251	3,579		22,830
Impairment charge				12,000		12,000
Property-related		(4)	4,365	1,067	(1,030)	4,398
General and administrative	75	27,867		593		28,535
Total operating expenses	75	27,863	23,616	17,239	(1,030)	67,763
Operating income	(75)	(20,899)	66,978	10,944	(7,514)	49,434
Other income (expense)						
Interest income and other		(14)		1,532		1,518
Debt refinancing costs		(6,716)				(6,716)
Interest expense		(33,623)	31	(7,910)	7,514	(33,988)
Net other expense		(40,353)	31	(6,378)	7,514	(39,186)
Income (loss) from continuing operations	(75)	(61,252)	67,009	4,566		10,248
Income (loss) from discontinued operations			121	12,643		12,764
Equity in earnings of consolidated subsidiaries net of income taxes	23,087	84,339	4,273		(111,699)	
Net income	23,012	23,087	71,403	17,209	(111,699)	23,012
Net income attributable to non-controlling interests	(99)	(99)			99	(99)
Net income attributable to MPT common stockholders	\$ 22,913	\$ 22,988	\$ 71,403	\$ 17,209	\$ (111,600)	\$ 22,913

Table of Contents**Index to Financial Statements****Condensed Consolidated Statements of Cash Flows****For the Year Ended December 31, 2010****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating Activities						
Net cash provided by (used in) operating activities	\$ (29)	\$ (54,909)	\$ 89,780	\$ 25,795	\$	\$ 60,637
Investing Activities						
Real estate acquired			(137,808)			(137,808)
Principal received on loans receivable				90,486		90,486
Proceeds from sales of real estate			2,669	95,000		97,669
Investments in and advances to subsidiaries	(211,181)	99,564	54,409	(154,002)	211,210	
Investments in loans receivable and other investments			(5,000)	(6,637)		(11,637)
Construction in progress and other		(108)	(8,267)	(7,554)		(15,929)
Net cash provided by (used in) investing activities	(211,181)	99,456	(93,997)	17,293	211,210	22,781
Financing Activities						
Revolving credit facilities, net		(96,000)		(41,200)		(137,200)
Proceeds from term debt, net of discount		148,500				148,500
Payments of term debt		(216,520)		(245)		(216,765)
Distributions paid	(76,856)	(77,087)			76,856	(77,087)
Proceeds from sale of common shares/units, net of offering costs	288,066	288,066			(288,066)	288,066
Lease deposits and other obligations to tenants			4,217	(550)		3,667
Debt issuance costs paid and other financing activities		(9,498)				(9,498)
Net cash provided by (used in) financing activities	211,210	37,461	4,217	(41,995)	(211,210)	(317)
Increase in cash and cash equivalents for period		82,008		1,093		83,101
Cash and cash equivalents at beginning of period		14,814		493		15,307
Cash and cash equivalents at end of period	\$	\$ 96,822	\$	\$ 1,586	\$	\$ 98,408

Table of Contents**Index to Financial Statements****Condensed Consolidated Statements of Income****For the Year Ended December 31, 2009****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues						
Rent billed	\$	\$	\$ 63,282	\$ 14,589	\$	\$ 77,871
Straight-line rent			5,966	2,072		8,038
Interest and fee income		10,010	14,388	14,150	(10,419)	28,129
Total revenues		10,010	83,636	30,811	(10,419)	114,038
Expenses						
Real estate depreciation and amortization			17,926	3,662		21,588
Impairment charge						
Property-related		(20)	3,778	43		3,801
General and administrative	63	20,631		402		21,096
Total operating expenses	63	20,611	21,704	4,107		46,485
Operating income	(63)	(10,601)	61,932	26,704	(10,419)	67,553
Other income (expense)						
Interest income and other		51		(8)		43
Debt refinancing costs						
Interest expense		(36,760)		(11,310)	10,419	(37,651)
Net other income (expense)		(36,709)		(11,318)	10,419	(37,608)
Income (loss) from continuing operations	(63)	(47,310)	61,932	15,386		29,945
Income (loss) from discontinued operations			(1,254)	7,676		6,422
Equity in earnings of consolidated subsidiaries net of income taxes	36,430	83,740	3,918		(124,088)	
Net income	36,367	36,430	64,596	23,062	(124,088)	36,367
Net income attributable to non-controlling interests	(37)	(37)			37	(37)
Net income attributable to MPT common stockholders	\$ 36,330	\$ 36,393	\$ 64,596	\$ 23,062	\$ (124,051)	\$ 36,330

Table of Contents**Index to Financial Statements****Condensed Consolidated Statements of Cash Flows****For the Year Ended December 31, 2009****(in thousands)**

	Parent	Subsidiary Issuers	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating Activities						
Net cash provided by (used in) operating activities	\$ (268)	\$ (35,554)	\$ 69,738	\$ 28,835	\$	\$ 62,751
Investing Activities						
Real estate acquired			(421)			(421)
Principal received on loans receivable				4,305		4,305
Proceeds from sales of real estate				15,000		15,000
Investments in and advances to subsidiaries	(6,699)	89,642	(53,811)	(35,716)	6,584	
Investments in loans receivable and other investments			(15,000)	(8,243)		(23,243)
Construction in progress and other			(3,067)	(4,710)		(7,777)
Net cash provided by (used in) investing activities	(6,699)	89,642	(72,299)	(29,364)	6,584	(12,136)
Financing Activities						
Revolving credit facilities, net		(55,000)		(800)		(55,800)
Proceeds from term debt, net of discount						
Payments of term debt		(960)		(272)		(1,232)
Distributions paid	(61,419)	(61,649)			61,419	(61,649)
Proceeds from sale of common shares/units, net of offering costs	68,003	68,003			(68,003)	68,003
Lease deposits and other obligations to tenants			2,561	829		3,390
Debt issuance costs paid and other financing activities	378	(149)		3		232
Net cash provided by (used in) financing activities	6,962	(49,755)	2,561	(240)	(6,584)	(47,056)
Increase in cash and cash equivalents for period	(5)	4,333		(769)		3,559
Cash and cash equivalents at beginning of period	5	10,481		1,262		11,748
Cash and cash equivalents at end of period	\$	\$ 14,814	\$	\$ 493	\$	\$ 15,307

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ITEM 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

ITEM 9A. *Controls and Procedures*

Medical Properties Trust, Inc. Evaluation of Disclosure Controls and Procedures

We have adopted and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b), under the Securities Exchange Act of 1934, as amended, we have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be disclosed by us in the reports that we file with the SEC.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

The management of Medical Properties Trust, Inc. has prepared the consolidated financial statements and other information in our Annual Report in accordance with accounting principles generally accepted in the United States of America and is responsible for its accuracy. The financial statements necessarily include amounts that are based on management's best estimates and judgments. In meeting its responsibility, management relies on internal accounting and related control systems. The internal control systems are designed to ensure that transactions are properly authorized and recorded in our financial records and to safeguard our assets from material loss or misuse. Such assurance cannot be absolute because of inherent limitations in any internal control system.

Management of Medical Properties Trust, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In connection with the preparation of our annual financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2011. The assessment was based upon the framework described in the Integrated Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of internal control over financial reporting and testing of the operational effectiveness of internal control over financial reporting. We have reviewed the results of the assessment with the Audit Committee of our Board of Trustees.

Based on our assessment under the criteria set forth in COSO, management has concluded that, as of December 31, 2011, Medical Properties Trust, Inc. maintained effective internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

MPT Operating Partnership, L.P. Evaluation of Disclosure Controls and Procedures

The management of MPT Operating Partnership, L.P. has prepared the consolidated financial statements and other information in our Annual Report in accordance with accounting principles generally accepted in the United States of America and is responsible for its accuracy. The financial statements necessarily include amounts that are based on management's best estimates and judgments. In meeting its responsibility, management relies on internal accounting and related control systems. The internal control systems are designed to ensure that transactions are properly authorized and recorded in our financial records and to safeguard our assets from material loss or misuse. Such assurance cannot be absolute because of inherent limitations in any internal control system.

Management of MPT Operating Partnership, L.P. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of our annual financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2011. The assessment was based upon the framework described in the Integrated Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of internal control over financial reporting and testing of the operational effectiveness of internal control over financial reporting. We have reviewed the results of the assessment with the Audit Committee of our Board of Trustees.

Based on our assessment under the criteria set forth in COSO, management has concluded that, as of December 31, 2011, MPT Operating Partnership, L.P. maintained effective internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B. *Other Information*

None.

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PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item 10 is incorporated by reference to our definitive Proxy Statement for the 2011 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2012.

ITEM 11. *Executive Compensation*

The information required by this Item 11 is incorporated by reference to our definitive Proxy Statement for the 2011 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2012.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item 12 is incorporated by reference to our definitive Proxy Statement for the 2011 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2012.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item 13 is incorporated by reference to our definitive Proxy Statement for the 2011 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2012.

ITEM 14. *Principal Accountant Fees and Services*

The information required by this Item 14 is incorporated by reference to our definitive Proxy Statement for the 2011 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2012.

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PART IV

ITEM 15. Exhibits and Financial Statement Schedules
(a) Financial Statements and Financial Statement Schedules

Index of Financial Statements of Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. which are included in Part II, Item 8 of this Annual Report on Form 10-K:

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Medical Properties Trust, Inc.	
<u>Consolidated Balance Sheets as of December 31, 2011 and 2010</u>	55
<u>Consolidated Statements of Income for the Years Ended December 31, 2011, 2010 and 2009</u>	56
<u>Consolidated Statements of Equity for the Years Ended December 31, 2011, 2010 and 2009</u>	57
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009</u>	58
MPT Operating Partnership, L.P.	
<u>Consolidated Balance Sheets as of December 31, 2011 and 2010</u>	59
<u>Consolidated Statements of Income for the Years Ended December 31, 2011, 2010 and 2009</u>	60
<u>Condensed Consolidated Statements of Capital for the Years Ended December 31, 2011, 2010 and 2009</u>	61
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Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.	
<u>Notes to Consolidated Financial Statements</u>	63
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<u>Schedule II Valuation and Qualifying Accounts</u>	107
<u>Schedule III Real Estate and Accumulated Depreciation</u>	108
<u>Schedule IV Mortgage Loans on Real Estate</u>	111
(b) Exhibits	

Exhibit	
Number	Exhibit Title
3.1(1)	Registrant's Second Articles of Amendment and Restatement
3.2(2)	Articles of Amendment of Registrant's Second Articles of Amendment and Restatement
3.3(3)	Registrant's Second Amended and Restated Bylaws
4.1(1)	Form of Common Stock Certificate
4.2(4)	Indenture, dated July 14, 2006, among Registrant, MPT Operating Partnership, L.P. and the Wilmington Trust Company, as trustee
4.3(13)	Indenture, dated as of March 26, 2008, among MPT Operating Partnership, L.P., as Issuer, Medical Properties Trust, Inc., as Guarantor, and Wilmington Trust Company, as Trustee.
4.4(9)	Indenture, dated as of April 26, 2011, Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust Company, as Trustee.
10.1(11)	Second Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.

10.2(6) Amended and Restated 2004 Equity Incentive Plan

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10.3(7)	Form of Stock Option Award
10.4(7)	Form of Restricted Stock Award
10.5(7)	Form of Deferred Stock Unit Award
10.6(1)	Employment Agreement between Registrant and Edward K. Aldag, Jr., dated September 10, 2003
10.7(1)	First Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated March 8, 2004
10.8(1)	Employment Agreement between Registrant and R. Steven Hamner, dated September 10, 2003
10.9	Not used
10.10(1)	Employment Agreement between Registrant and Emmett E. McLean, dated September 10, 2003
10.12(1)	Form of Indemnification Agreement between Registrant and executive officers and directors
10.13(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (LTIP Units)
10.14(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (Restricted Shares)
10.17(16)	Second Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated September 29, 2006
10.18(16)	First Amendment to Employment Agreement between Registrant and R. Steven Hamner, dated September 29, 2006
10.19(16)	First Amendment to Employment Agreement between Registrant and Emmett E. McLean, dated September 29, 2006
10.21(8)	Second Amended and Restated 2004 Equity Incentive Plan
10.22(17)	Second Amendment to Employment Agreement between Registrant and William G. McKenzie, dated February 27, 2009
10.25(17)	Second Amendment to Employment Agreement between Registrant and Emmett E. McLean, dated January 1, 2008
10.26(17)	Third Amendment to Employment Agreement between Registrant and Emmett E. McLean, dated January 1, 2009
10.27(17)	Second Amendment to Employment Agreement between Registrant and Richard S. Hamner, dated January 1, 2008
10.28(17)	Third Amendment to Employment Agreement between Registrant and R. Steven Hamner, dated January 1, 2009
10.29(17)	Third Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated January 1, 2008
10.30(17)	Fourth Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated January 1, 2009
10.31(17)	Third Amendment to Employment Agreement between Registrant and William G. McKenzie, dated January 1, 2008
10.32(17)	Fourth Amendment to Employment Agreement between Registrant and William G. McKenzie, dated January 1, 2009

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10.34(9)	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of April 26, 2011, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., KeyBank National Association as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent
12.1(19)	Statement re Computation of Ratios
21.1(19)	Subsidiaries of Registrant
23.1(19)	Consent of PricewaterhouseCoopers LLP
31.1(19)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.2(19)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.3(19)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
31.4(19)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
32.1(19)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Medical Properties Trust, Inc.)
32.2(19)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (MPT Operating Partnership, L.P.)
99.1(20)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of December 31, 2010 and 2009
99.2(20)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of September 30, 2011

The following materials from Medical Properties Trust, Inc. s and MPT Operating Partnership, L.P. s Annual Report on Form 10-K for the year ended December 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows; and (v) related notes to these financial statements.

Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Incorporated by reference to Registrant s Registration Statement on Form S-11 filed with the Commission on October 26, 2004, as amended (File No. 333-119957).
- (2) Incorporated by reference to Registrant s current report on Form 8-K, filed with the Commission on November 24, 2009.
- (3) Incorporated by reference to Registrant s quarterly report on Form 10-Q for the quarter ended September 30, 2005, filed with the Commission on November 10, 2005.
- (4) Incorporated by reference to Registrant s current report on Form 8-K, filed with the Commission on July 20, 2006.

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- (5) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on November 13, 2006.
- (6) Incorporated by reference to Registrant's definitive proxy statement on Schedule 14A, filed with the Commission on September 13, 2005.
- (7) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on October 18, 2005.
- (8) Incorporated by reference to Registrant's definitive proxy statement on Schedule 14A, filed with the Commission on April 14, 2007.
- (9) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on May 2, 2011.
- (10) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2007, filed with the Commission on November 9, 2007.
- (11) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on August 6, 2007.
- (12) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on August 15, 2007.
- (13) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on March 26, 2008.
- (14) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2008, filed with the Commission on May 9, 2008.
- (15) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2008, filed with the Commission on August 8, 2008.
- (16) Incorporated by reference to Registrant's annual report on Form 10-K/A for the period ended December 31, 2007, filed with the Commission on July 11, 2008.
- (17) Incorporated by reference to Registrant's annual report on Form 10-K for the period ended December 31, 2008, filed with the Commission on March 13, 2009.
- (18) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on June 11, 2010.
- (19) Included in this Form 10-K.
- (20) Since affiliates of Prime Healthcare Services, Inc. lease more than 20% of our total assets under triple net leases, the financial status of Prime may be considered relevant to investors. Prime's most recently available audited consolidated financial statements (as of and for the years ended December 31, 2010 and 2009) and Prime's most recently available financial statements (unaudited, as of and for the period ended September 30, 2011) are incorporated by reference to Registrant's annual report on Form 10-K/A for the period ended December 31, 2010 filed with the Commission on April 12, 2011 and to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 9, 2011, respectively. We have not participated in the preparation of Prime's financial statements nor do we have the right to dictate the form of any financial statements provided to us by Prime.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. Steven Hamner
 R. Steven Hamner
 Executive Vice President and Chief Financial
 Officer (Principal Financial and Accounting Officer)

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ R. Steven Hamner
 R. Steven Hamner
 Executive Vice President and Chief Financial
 Officer of the sole member of the general partner of

MPT Operating Partnership, L.P.

(Principal Financial and Accounting Officer)

Date: February 29, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Edward K. Aldag, Jr. Edward K. Aldag, Jr.	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	February 29, 2012
/s/ R. Steven Hamner R. Steven Hamner	Executive Vice President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	February 29, 2012
/s/ G. Steven Dawson G. Steven Dawson	Director	February 29, 2012
/s/ Robert E. Holmes, Ph.D. Robert E. Holmes, Ph.D.	Director	February 29, 2012

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/s/ Sherry A. Kellett	Director	February 29, 2012
Sherry A. Kellett		
/s/ William G. McKenzie	Director	February 29, 2012
William G. McKenzie		
/s/ L. Glenn Orr, Jr.	Director	February 29, 2012
L. Glenn Orr, Jr.		

Table of Contents**Index to Financial Statements****Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.****Schedule II: Valuation and Qualifying Accounts****December 31, 2011**

Year Ended December 31,	Balance at Beginning of Year(1)	Additions Charged Against Operations(1)	Net Recoveries(1)	Balance at End of Year(1)
			(In thousands)	
2011	\$ 23,926	\$ 8,692(3)	\$ ()	\$ 32,618
2010	\$ 4,339	\$ 22,245(2)	\$ 2,658	\$ 23,926
2009	\$ 397	\$ 5,107	\$ 1,165	\$ 4,339

- (1) Includes allowance for doubtful accounts, straight-line rent reserves, allowance for loan losses, tax valuation allowances and other reserves.
- (2) Includes \$12 million loan loss reserve related to our Monroe property and a \$6.5 million increase in valuation allowances to fully reserve for the net deferred tax asset of one of our taxable REIT subsidiaries.
- (3) Includes \$3.7 million and \$2.9 million in rent and interest reserves, respectively, related to our Denham Springs and Monroe properties and \$2.1 million to fully reserve for the net deferred tax asset of one of our taxable REIT subsidiaries.

Table of ContentsIndex to Financial Statements**Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.****SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION****December 31, 2011**

Location	Type of Property	Initial Costs		Additions Subsequent to Acquisition		Cost at December 31, 2011			Accumulated Depreciation	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed (Years)
		Land	Buildings	Improvements	Carrying Costs	Land	Buildings	Total				
Thornton, CO	Long term acute care hospital	\$ 2,130	\$ 6,013	\$ 2,237	\$	\$ 2,130	\$ 8,250	\$ 10,380	\$ 1,276	1962	August 17, 2004	40
New Bedford, MA	Long term acute care hospital	1,400	19,772	256		1,400	20,028	21,428	3,660	1942	August 17, 2004	40
Covington, LA	Long term acute care hospital	821	10,238		14	821	10,252	11,073	1,687	1984	June 9, 2005	13
Denham Springs, LA	Long term acute care hospital	429	5,340		(515)	429	4,825	5,254	1,014	1960	June 9, 2005	40
Redding, CA	Long term acute care hospital		19,952		4,361	1,629	22,684	24,313	3,487	1991	June 30, 2005	40
Bloomington, IN	Acute care general hospital	2,457	31,209		408	2,576	31,498	34,074	4,223	2006	August 8, 2006	40
Dallas, TX	Long term acute care hospital	1,000	13,589		368	1,421	13,536	14,957	1,804	2006	September 5, 2006	40
Huntington Beach, CA	Acute care general hospital	937	10,907		3	937	10,910	11,847	1,409	1965	November 8, 2006	40
La Palma, CA	Acute care general hospital	937	10,907		3	937	10,910	11,847	1,409	1971	November 8, 2006	40
Anaheim, CA	Acute care general hospital	1,875	21,814		10	1,875	21,824	23,699	2,819	1964	November 8, 2006	40

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Luling, TX										December 1,	
	Long term acute care hospital	811	9,345		811	9,345	10,156	1,188	2002	2006	40
San Antonio, TX										December 1,	
	Rehabilitation hospital		10,198			10,198	10,198	1,296	1987	2006	40
Victoria, TX										December 1,	
	Long term acute care hospital	625	7,197		625	7,197	7,822	915	1998	2006	40
Houston, TX										December 1,	
	Acute care general hospital	4,757	56,238	1,259	5,464	56,790	62,254	7,163	2006	2006	40
Bensalem, PA										March 19,	
	Acute care general hospital	6,911	38,185	(353)	6,911	37,832	44,743	4,647	2006	2007	40
Portland, OR										April 18,	
	Long term acute care hospital	3,085	17,859	2,559	3,071	20,432	23,503	2,329	1964	2007	40
San Diego, CA										May 9,	
	Acute care general hospital	6,550	15,653	77	6,550	15,730	22,280	1,833	1964	2007	40
Redding, CA										August 10,	
	Acute care general hospital	1,555	53,863	13	1,555	53,876	55,431	5,959	1974	2007	40
Houston, TX										August 10,	
	Acute care general hospital	3,501	34,530	(6,308)	3,274	28,449	31,723	2,996	1960	2007	40
Bennettsville, SC										April 1,	
	Acute care general hospital	794	15,772		794	15,772	16,566	1,480	1984	2008	40
Bossier City, LA										April 1,	
	Long term acute care hospital	900	17,818		900	17,818	18,718	1,668	1982	2008	40
Bristol, CT										April 22,	
	Wellness Center	485	2,267		485	2,267	2,752	635	1975	2008	10
Cheraw, SC										April 1,	
	Acute care general hospital	657	19,576		657	19,576	20,233	1,835	1982	2008	40
Detroit, MI										May 22,	
	Long term acute care hospital	1,220	8,687	(365)	1,220	8,322	9,542	831	1956	2008	40
Enfield, CT										April 22,	
	Wellness Center	384	2,257		384	2,257	2,641	632	1974	2008	10
Fayetteville, AR										July 14,	
	Rehabilitation hospital	909	18,332		909	18,332	19,241	1,604	1991	2008	40
Fort Lauderdale, FL										April 22,	
	Rehabilitation hospital	3,499	21,939	1	3,499	21,940	25,439	2,015	1985	2008	40
Garden Grove, CA										November 25,	
	Acute care general hospital	5,502	10,748	51	5,502	10,799	16,301	844	1982	2008	40
Garden Grove, CA	Medical Office Building	862	7,888	28	862	7,916	8,778	611	1982	November 25,	40

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Idaho Falls, ID	Acute care general hospital	1,822	37,467	4,665	1,822	42,132	43,954	3,798	2002	April 1, 2008	40
Newington, CT	Wellness Center	270	1,615		270	1,615	1,885	455	1979	April 22, 2008	10
Petersburg, VA	Rehabilitation hospital	1,302	9,121		1,302	9,121	10,423	798	2006	July 1, 2008	40
West Valley City, UT	Acute care general hospital	5,516	58,314		5,516	58,314	63,830	5,356	1980	April 22, 2008	40
Poplar Bluff, MO	Acute care general hospital	2,659	38,694		2,660	38,694	41,354	3,553	1980	April 22, 2008	40
East Providence, RI	Wellness Center	209	1,265		209	1,265	1,474	356	1979	April 22, 2008	10
San Dimas, CA	Acute care general hospital	6,160	6,839	34	6,160	6,873	13,033	530	1972	November 25, 2008	40
San Dimas, CA	Medical Office Building	1,915	5,085	18	1,915	5,103	7,018	394	1979	November 25, 2008	40
West Springfield, MA	Wellness Center	583	3,185		583	3,185	3,768	897	1976	April 22, 2008	10
Tucson, AZ	Long term acute care hospital	920	6,078		920	6,078	6,998	570	1987	April 1, 2008	40
Warwick, RI	Wellness Center	1,265	759		1,265	759	2,024	213	1979	April 22, 2008	10
Webster, TX	Long term acute care hospital	988	10,432		988	10,433	11,421	978	1986	April 1, 2008	40
Wichita, KS	Rehabilitation hospital	1,019	18,373	1	1,019	18,374	19,393	1,721	1992	April 4, 2008	40
Addison, TX	Rehabilitation hospital	2,013	22,531		2,013	22,531	24,544	845	2008	June 17, 2010	40
Shenandoah, TX	Rehabilitation hospital	2,033	21,943		2,033	21,943	23,976	823	2008	June 17, 2010	40
Richardson, TX	Rehabilitation hospital	2,219	17,419		2,219	17,419	19,638	653	2008	June 17, 2010	40
Hill County, TX	Acute care general hospital	1,120	17,882		1,120	17,882	19,002	1,498	1980	September 17, 2010	40
Webster, TX	Long term acute care hospital	663	33,751		663	33,751	34,414	844	2004	December 21, 2010	40
Tomball, TX	Long term acute care hospital	1,298	23,982		1,298	23,982	25,280	600	2005	December 21, 2010	40
Gilbert, AZ	General Acute Care	150	15,553		150	15,553	15,703	389	2005	January 4, 2011	40
Corinth, TX	LTACH	501	21,175		501	21,175	21,676	485	2008	January 31, 2011	40
Bayonne, NJ	General Acute Care	2,003	51,495		2,003	51,495	53,498	2,360	1918	February 4, 2011	20
San Diego, CA	General Acute Care	12,663	52,431		12,663	52,431	65,094	1,202	1973	February 9, 2011	40
Northland, MO	LTACH	834	17,182		834	17,182	18,016	394	2007	February 14, 2011	40
DeSoto, TX	LTACH	1,067	10,701		1,067	10,700	11,767	111	2008	July 18, 2011	40
New Braunfels, TX	LTACH	1,100	7,883		1,100	7,882	8,982	49	2007	September 30, 2011	40
Hoboken, NJ	General Acute Care	1,387	44,351		1,388	44,350	45,738	289	1863	November 4, 2011	20
		\$ 108,672	\$ 1,073,599	\$ 2,493	\$ 6,332	\$ 111,309	\$ 1,079,787	\$ 1,191,096	\$ 93,430		

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The changes in total real estate assets including real estate held for sale but excluding construction in progress, intangible lease asset and mortgage loans, for the years ended:

	December 31, 2011	December 31, 2010	December 31, 2009
COST			
Balance at beginning of period	\$ 990,635	\$ 934,601	\$ 943,700
Acquisitions	240,474	146,854	421
Additions	1,011	1,709	5,550
Dispositions	(40,460)	(92,529)	(15,070)
Other	(564)		
Balance at end of period	\$ 1,191,096	\$ 990,635(1)	\$ 934,601(1)

The changes in accumulated depreciation; including real estate assets held for sale for the years ended:

	December 31, 2011	December 31, 2010	December 31, 2009
ACCUMULATED DEPRECIATION			
Balance at beginning of period	\$ 68,662	\$ 51,638	\$ 30,581
Depreciation	29,523	22,664	21,389
Depreciation on disposed property	(4,755)	(5,640)	(332)
Balance at end of period	\$ 93,430	\$ 68,662(2)	\$ 51,638(2)

- (1) Includes real-estate cost included in real estate held for sale of \$40,460 and \$113,151 for 2010 and 2009, respectively. Excludes intangible lease assets that are included in real estate held for sale of \$1,361 and \$25,848 for 2010 and 2009, respectively.
- (2) Includes accumulated depreciation in real estate held for sale of \$3,716 and \$6,350 for 2010 and 2009, respectively. Excludes accumulated amortization related to intangible lease assets that are included in real estate held for sale of \$591 and \$3,978 for 2010 and 2009, respectively.

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SCHEDULE IV MORTGAGE LOANS ON REAL ESTATE

MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.

Column A	Column B	Column C	Column D	Column E	Column F	Column G(3)	Column H
Description	Interest Rate	Final Maturity Date	Periodic Payment Terms (Dollar amounts in thousands)	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
Long-term first mortgage loan:			Payable in monthly installments of interest plus principal payable in full at maturity				
Desert Valley Hospital	10.1%	2022		(1)	\$ 70,000	\$ 70,000	(2)
Desert Valley Hospital	10.8%	2022		(1)	20,000	20,000	(2)
Chino Valley Medical Center	10.1%	2022		(1)	50,000	50,000	(2)
Paradise Valley Hospital	9.8%	2022		(1)	25,000	25,000	(2)
					\$ 165,000	\$ 165,000	

- (1) There were no prior liens on loans as of December 31, 2011.
- (2) The mortgage loan was not delinquent with respect to principal or interest.
- (3) The aggregate cost for Federal income tax purposes is \$165,000.

Changes in mortgage loans for the years ended December 31, 2011, 2010, and 2009 are summarized as follows:

	Year Ended December 31,		
	2011	2010	2009
	(Dollar amounts in thousands)		
Balance at beginning of year	\$ 165,000	\$ 200,164	\$ 185,000
Additions during year:			
New mortgage loans and additional advances on existing loans		7,836	15,164
	165,000	208,000	200,164
Deductions during year:			
Collection of principal		(43,000)	
		(43,000)	
Balance at end of year	\$ 165,000	\$ 165,000	\$ 200,164

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INDEX TO EXHIBITS

Exhibit	
Number	Exhibit Title
3.1(1)	Registrant's Second Articles of Amendment and Restatement
3.2(2)	Articles of Amendment of Registrant's Second Articles of Amendment and Restatement
3.3(3)	Registrant's Second Amended and Restated Bylaws
4.1(1)	Form of Common Stock Certificate
4.2(4)	Indenture, dated July 14, 2006, among Registrant, MPT Operating Partnership, L.P. and the Wilmington Trust Company, as trustee
4.5(13)	Indenture, dated as of March 26, 2008, among MPT Operating Partnership, L.P., as Issuer, Medical Properties Trust, Inc., as Guarantor, and Wilmington Trust Company, as Trustee.
4.4(9)	Indenture, dated as of April 26, 2011, Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust Company, as Trustee.
10.1(11)	Second Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.
10.2(6)	Amended and Restated 2004 Equity Incentive Plan
10.3(7)	Form of Stock Option Award
10.4(7)	Form of Restricted Stock Award
10.5(7)	Form of Deferred Stock Unit Award
10.6(1)	Employment Agreement between Registrant and Edward K. Aldag, Jr., dated September 10, 2003
10.7(1)	First Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated March 8, 2004
10.8(1)	Employment Agreement between Registrant and R. Steven Hamner, dated September 10, 2003
10.9	Not used
10.10(1)	Employment Agreement between Registrant and Emmett E. McLean, dated September 10, 2003
10.12(1)	Form of Indemnification Agreement between Registrant and executive officers and directors
10.13(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (LTIP Units)
10.14(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (Restricted Shares)
10.17(16)	Second Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated September 29, 2006
10.18(16)	First Amendment to Employment Agreement between Registrant and R. Steven Hamner, dated September 29, 2006
10.19(16)	First Amendment to Employment Agreement between Registrant and Emmett E. McLean, dated September 29, 2006
10.21(8)	Second Amended and Restated 2004 Equity Incentive Plan

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10.22(17)	Second Amendment to Employment Agreement between Registrant and William G. McKenzie, dated February 27, 2009
10.25(17)	Second Amendment to Employment Agreement between Registrant and Emmett E. McLean, dated January 1, 2008
10.26(17)	Third Amendment to Employment Agreement between Registrant and Emmett E. McLean, dated January 1, 2009
10.27(17)	Second Amendment to Employment Agreement between Registrant and Richard S. Hamner, dated January 1, 2008
10.28(17)	Third Amendment to Employment Agreement between Registrant and R. Steven Hamner, dated January 1, 2009
10.29(17)	Third Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated January 1, 2008
10.30(17)	Fourth Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated January 1, 2009
10.31(17)	Third Amendment to Employment Agreement between Registrant and William G. McKenzie, dated January 1, 2008
10.32(17)	Fourth Amendment to Employment Agreement between Registrant and William G. McKenzie, dated January 1, 2009
10.34(9)	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of April 26, 2011, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., KeyBank National Association, as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent
12.1(19)	Statement re Computation of Ratios
21.1(19)	Subsidiaries of Registrant
23.1(19)	Consent of PricewaterhouseCoopers LLP
31.1(19)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.2(19)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.3(19)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
31.4(19)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
32.1(19)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Medical Properties Trust, Inc.)
32.2(19)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (MPT Operating Partnership, L.P.)
99.1(20)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of December 31, 2010 and 2009
99.2(20)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of September 30, 2011

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The following materials from Medical Properties Trust, Inc.'s and MPT Operating Partnership, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows; and (v) related notes to these financial statements.

Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Incorporated by reference to Registrant's Registration Statement on Form S-11 filed with the Commission on October 26, 2004, as amended (File No. 333-119957).
- (2) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on November 24, 2009.
- (3) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2005, filed with the Commission on November 10, 2005.
- (4) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on July 20, 2006.
- (5) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on November 13, 2006.
- (6) Incorporated by reference to Registrant's definitive proxy statement on Schedule 14A, filed with the Commission on September 13, 2005.
- (7) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on October 18, 2005.
- (8) Incorporated by reference to Registrant's definitive proxy statement on Schedule 14A, filed with the Commission on April 14, 2007.
- (9) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on May 2, 2011.
- (10) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2007, filed with the Commission on November 9, 2007.
- (11) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on August 6, 2007.
- (12) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on August 15, 2007.
- (13) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on March 26, 2008.
- (14) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2008, filed with the Commission on May 9, 2008.
- (15) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2008, filed with the Commission on August 8, 2008.
- (16) Incorporated by reference to Registrant's annual report on Form 10-K/A for the period ended December 31, 2007, filed with the Commission on July 11, 2008.
- (17) Incorporated by reference to Registrant's annual report on Form 10-K for the period ended December 31, 2008, filed with the Commission on March 13, 2009.
- (18) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on June 11, 2010.

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(19) Included in this Form 10-K.

(20) Since affiliates of Prime Healthcare Services, Inc. lease more than 20% of our total assets under triple net leases, the financial status of Prime may be considered relevant to investors. Prime's most recently available audited consolidated financial statements (as of and for the years ended December 31, 2010 and 2009) and Prime's most recently available financial statements (unaudited, as of and for the period ended September 30, 2011) are incorporated by reference to Registrant's annual report on Form 10-K/A for the period ended December 31, 2010 filed with the Commission on April 12, 2011 and to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 9, 2011, respectively. We have not participated in the preparation of Prime's financial statements nor do we have the right to dictate the form of any financial statements provided to us by Prime.