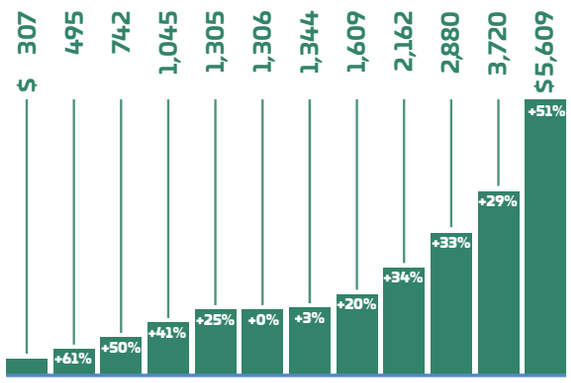
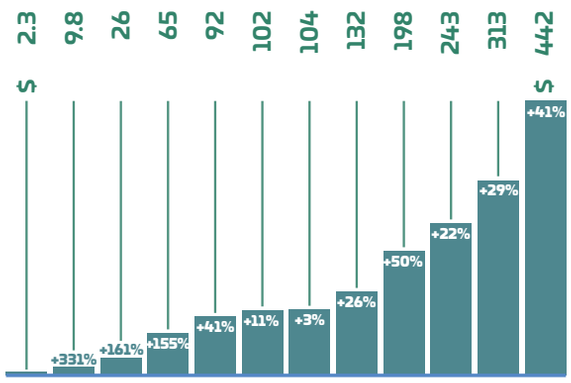
A POSITION OF STRENGTH

MPW CELEBRATES TEN YEARS ON THE NYSE

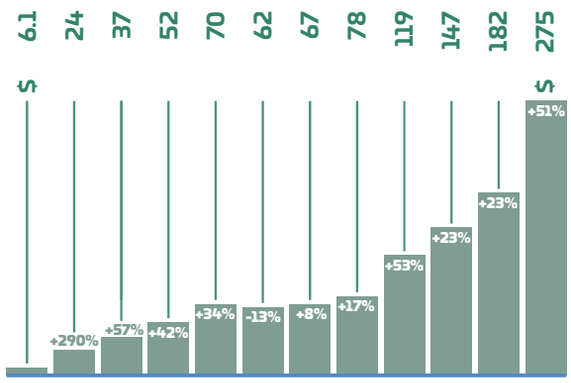
(IN MILLIONS)



TOTAL ASSETS
(2004 -2015)



TOTAL REVENUE
(2004 -2015)



NORMALIZED FUNDS FROM OPERATIONS
(2004 -2015)

BELLS SHOULD BE *RINGING...*

Medical Properties Trust (NYSE: MPW) celebrated a special milestone in 2015 as we completed our 10th year as a New York Stock Exchange listed company.

To mark the occasion, a group of our long tenured team members traveled to New York to ring the closing bell on July 8th, in recognition of the contributions each has made to establish MPT as the leading source of capital for hospitals around the world.

The event proved to be even more exciting than anticipated, as a major computer malfunction caused the Exchange to suspend trading that afternoon. For several hours, we weren't sure there was even going to *be* a closing bell.

And yet, with computer problems resolved, trading resumed. And at the end of the day – with what felt like *all of America* applauding – we rang an unusually historic closing bell.

In retrospect, the experience seems to reflect one of the values that define a very strong company – that no matter what external challenges may arise – we do our best to exceed objectives and trust the rest to our great good fortune.

Building on **Strength**

205
PROPERTIES

Medical Properties Trust (NYSE: MPW) took advantage of exceptional opportunities during 2015 to enhance its already strong position as the leading provider of real estate capital to hospital operators across the United States and Western Europe.

In a single transaction, the company grew its portfolio of high quality hospital real estate by almost 20 percent, adding seven acute care hospitals across five states operated by Franklin, Tennessee based Capella Healthcare, one of the 10 largest for-profit U.S. hospital operators – and one of the best.

We also established an innovative new relationship with AXA Real Estate Investment Managers, a global leader in real estate investment and portfolio management. In partnership with AXA REIM, we acquired the real

estate assets of eight acute care hospitals in Northern Italy operated by Policlinico di Monza, plus another hospital under development in Valencia, Spain, to be operated by IMED. Both are distinguished operators and we expect to continue to grow with AXA in Europe. We are pleased that AXA, one of the world's largest financial service firms, chose MPT as its partner, recognizing our in-depth hospital knowledge.

During the year, MPT invested a record $1.7 billion in new acquisitions, growing our total assets to nearly $6 billion. Total revenue for 2015 increased 41 percent, from $313 million to almost $442 million, and normalized FFO per share increased by almost 19 percent. This enabled us to increase our dividend while still improving the payout ratio to rank among the sector's best.

4TH
LARGEST U.S. BASED OWNER OF FOR-PROFIT HOSPITAL BEDS

MPT now stands out as the fourth largest U.S.-based owner of for-profit hospital beds, with more than 21,300, including 1,169 Capella beds. Over the past 13 years, our portfolio has grown from zero assets to more than 200 properties across 29 states and five countries. Throughout that time, and under our original founders, we have upheld the values and goals that we established in founding the company in 2003.

GROWING WITH HEALTHCARE LEADERS

With every acquisition, we strive to affilliate with premier, industry-leading hospital operators, carefully evaluating each opportunity for immediate positive financial impact and long-term value creation for our shareholders.

We acquired our first acute care hospital in 2005, beginning a relationship with Prime Healthcare, which now ranks as the fifth largest for-profit acute care hospital system in the U.S. (in number of hospitals). Since then,

we have grown with Prime, completing more than 20 additional transactions representing more than $1 billion in hospital real estate.

From that first investment, Prime has grown to include 42 facilities across 14 states, employing more than 42,000 people.

In 2012, we partnered with Ernest Health, a premier U.S. developer and operator of post-acute facilities, acquiring 16 hospitals. Ernest's rehab facilities consistently rank in the top 10 percent of nearly 800 rehabilitation hospitals in the U.S., as measured by the Uniform Data System for Medical Rehabilitation.

MPT has continued to invest in Ernest, which now operates 25 facilities in 11 states.

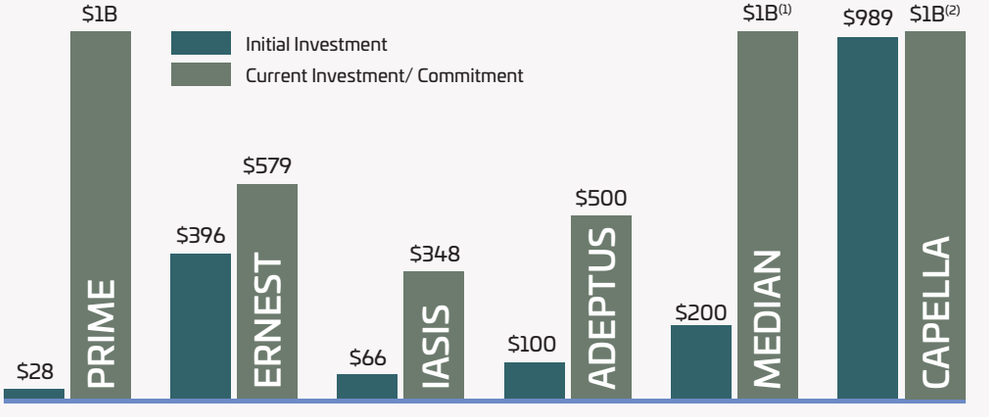
BUILDING ON THE STRENGTHS OF OUR OPERATORS

In this Annual Report, you will find stories about six of MPT's largest tenants (including Prime and Ernest), which collectively represent nearly 75 percent of our portfolio – and all are recognized leaders in the healthcare field.

The collective hospital knowledge that these tenants bring to our relationships only adds to MPT's own strength of knowledge. And that nuanced understanding not only grows every day as we deal with our tenants, but also stands out as the defining characteristic of our company as we talk with other potential tenants about the benefits of long-term relationships with MPT.

ENDURING RELATIONSHIPS:
TOTAL INVESTMENTS *(in millions)*

These six tenants represent 75 percent of MPT's portfolio, demonstrating that MPT builds relationships to grow.



(1) Based on EUR-USD exchange rate of 12/31/2015.
(2) Includes $79 million of cash on hand.

Since our initial public offering in 2005, MPT has demonstrated operational success year after year while delivering exceptional shareholder value. Total shareholder returns for that period have totaled 170 percent (including dividends and stock price appreciation) – compared to only 88 percent for the REIT index and 97 percent for the S&P 500. And we expect additional success in 2016 as we continue to grow our footprint and expand our global leadership.

MAINTAINING BALANCE SHEET STRENGTH

While achieving significant growth and delivering superior shareholder returns, MPT has maintained a very stable balance sheet. Our senior notes continue to hold the investment grade rating that we first achieved in 2014.

In February 2016, we completed an upsized $500 million bond offering that was used to repay a significant portion of the borrowings under our revolving credit facility. And, in March 2016, we announced a transaction that is expected to generate an additional $550 million in proceeds that will further reduce our debt, resulting in leverage metrics among the best of large healthcare REITs.

This transaction, which is expected to close in the second quarter of 2016, will merge Capella Healthcare and RegionalCare into one of the largest for-profit hospital companies in the United States, with benefits of the merger accruing to MPT over both the short and long term. We have always carefully managed our investments, our capital and our overall balance sheet for the long-term and we will continue to do so.

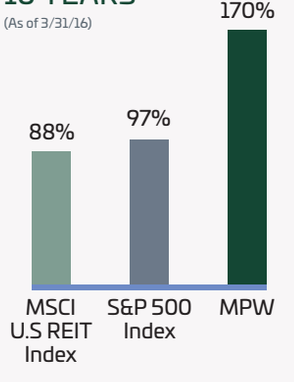
On behalf of the Board of Directors, as well as our senior management team and the dedicated employees of MPT, I want to thank you for your continued support. We are proud of what your company has accomplished in 2015 and we look

EXPANDING GLOBALLY

In 2015, MPT invested approximately $120 million in joint ventures with AXA Real Estate Investment Managers to acquire eight acute care hospitals in Northern Italy and one under development in Valencia, Spain.

TOTAL RETURN TO SHAREHOLDERS (1) 10 YEARS

(As of 3/31/16)



Source: (1) FactSet as of March 31, 2016.

forward to creating more value for all of our shareholders in 2016 and beyond, as we move forward from a position of strength.

Sincerely,

Edward K. Aldag, Jr.
Chairman, President and Chief Executive Officer

A Compelling Focus on **the Patient**

There are no 'insignificant' jobs in a community hospital, as Capella Healthcare's CEO learned early in a stellar career.

Michael Wiechart didn't make it to medical school.

Like many other pre-med students before him, he found his career path diverted by Chem 205 – otherwise known as organic chemistry – at the University of Kentucky.

Now, he spearheads Franklin, Tennessee based Capella Healthcare, one of the most respected hospital companies in the U.S.

With 10 hospital campuses spanning five states and annual revenues of $815 million, Capella is one of the fastest-growing for-profit hospital operators in the U.S., employing more than 6,500 people and providing career opportunities for more than 1,500 doctors – all of whom once managed to make it through organic.

Michael A. Wiechart
President & CEO
Capella Healthcare

"the closer you are to the patient, the more important you are."

Healthcare has always been in Wiechart's blood, and in his heart.

His mother is a nurse, now retired after nearly 40 years of caring for others. One sister is a nurse and midwife, another a dietician in a long-term care facility, and aunts and uncles on both sides have been nurses.

"In my family," Wiechart noted, "the clinical healthcare profession runs deep and wide."

EARLY LESSONS THAT STILL INFORM HIS THINKING

After earning a degree in accounting, Wiechart "stumbled" (as he described it) into accounting and healthcare finance, landing his first job as a staff accountant and materials stock clerk for a community hospital in Statesville, North Carolina.

Experiences there still shape his thinking today.

"I learned that even my 'insignificant' job in the stock room was important because the nurses were depending on me to deliver supplies to their floors, so they could take care of patients," Wiechart said.

"I also saw how hard everybody worked to meet patient needs. That's where it was drilled into me that the closer you are to the patient, the more important you are."

Wiechart kept learning, earning his CPA designation and rising through the ranks. At age 25, he was recruited by Dan Slipkovich to become the CFO of a hospital in Kentucky. (Slipkovich would later co-found Capella.)

INSPIRED BY A SPECIAL MENTOR

Slipkovich also became Wiechart's mentor.

"I later worked for Dan at two other companies," explained Wiechart, who also gained experience at Hospital Corporation of America (HCA) and then LifePoint Health, where he served as group president over 21 hospitals.

"When Dan started talking with me about coming to Capella, our conversations always centered on *what I could do* to improve the quality and service of our hospitals. That's what he most wanted to know."

Slipkovich led Capella's rapid growth, and was named to *Modern Healthcare*'s list of the "100 Most Powerful People in Healthcare."

Capella is one of the 10 largest for-profit acute care hospital operators in the U.S.

(based on revenue)

"When he asked me to assume the role of COO at Capella in 2009, it was a 'no brainer,'" Wiechart said.

Over the next seven years, Slipkovich and Wiechart proved to be a powerful duo sharing a single focus – *to improve patient care and patient satisfaction, as well as physician and employee satisfaction*, at community hospitals in non-urban markets where Capella could become a dominant provider.

FOLLOWING A DISCIPLINED APPROACH

"Capella carefully followed a disciplined approach to its growth, focusing on being the number one or number two player in each of its markets," said Frank R. Williams, Jr., Senior Vice President and Senior Managing Director of Acquisitions for Medical Properties Trust, Inc.

"Along the way, Capella has done a fantastic job of maintaining strong community ties, strengthening physician relationships and recruiting new physicians, as well as enhancing the overall healthcare in the communities," Williams said. "This is the value we saw in each of the Capella facilities when we underwrote them and in the broader Capella organization."

ACHIEVING HIGH MARKS

Capella has grown rapidly, but more importantly, its hospitals have experienced significant and sustained improvements in quality scores, patient and physician satisfaction.

A recent survey by HealthStream, an independent source that monitors more than 700 hospitals, revealed that nine out of 10 Capella physicians today are either "satisfied" or "very satisfied" with their hospital.

In addition, Capella's scores on employee satisfaction surveys outrank most of its competitors. And its composite scores on quality of care 'Core Measures' exceed the national average in every single category.

"We recognize that results like these are one of the main reasons hospitals look to join the Capella family," Wiechart said.

THE BEST HEALTHCARE IS LOCAL

Other key motivations can be found in Capella's long-standing belief that the best healthcare is local, and in its enduring commitment *to keep the community* in community hospitals. For example, you will never see the name Capella on one of its hospital buildings.

"Each community hospital has its own mission and vision, which we see ourselves supporting, but never supplanting," Wiechart explained.

"When a community hospital is looking to partner with us, they want to maintain their sense of ownership and play a significant role in the hospital's ongoing success."

Capella partners with communities to build strong local healthcare systems.

"Knowing that Capella's management approach is more decentralized than other systems, is very appealing to them – and it's part of our culture that draws us to them," Wiechart concluded.

"In essence, we provide the tools, resources and guidance to help community hospitals become an even better version of themselves."

LOOKING TO THE FUTURE WITH MPT

To support its continuing growth, Capella needed a new capital partner. After evaluating alternatives for more than a year, Capella chose Medical Properties Trust.

"As a healthcare REIT focused on the acute care space, MPT understands hospital operations and the overall marketplace.," Wiechart said. "And it became clear that MPT's culture and values are exceptionally compatible with Capella's."

"MPT's commitment and long-term investment perspective will be invaluable in helping us achieve our primary goals of excellence in patient care," he added, "and in partnering with new communities."

At the Very Heart of Community

Capella Healthcare, Inc. ***Franklin, TN***

Partners with communities to build strong local healthcare systems known for ***high-quality patient care*** and ***patient satisfaction***

Williamette Valley Medical Center recognized as a ***Top Performer on Joint Commission Key Quality Measures®*** (2011-2015)

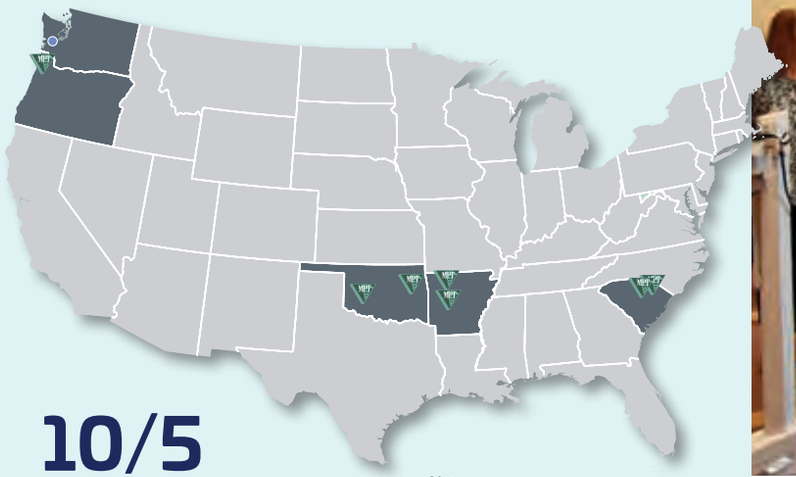
9th

The 9th ***largest*** U.S. for-profit acute care hospital operator
(Based on revenue)

Recognized by Modern Healthcare as one of the nation's fastest-growing healthcare companies
(2012 and 2013)

6,500
employees

800,000
patients/year



10/5
Capella operates 10 hospital campuses in 5 states

Note:
MPT locations may include more than one hospital.

ANOTHER REASON TO COME TO BIRMINGHAM

The connection also gives Wiechart another reason to come to Birmingham, Alabama, where both MPT and UAB (the University of Alabama at Birmingham) are located.

Wiechart is pursuing a doctorate in healthcare administration at UAB, where the health sciences program is rated #2 in the country.

"For me, it's about personal growth," Wiechart said. "I don't think you're ever too old or too accomplished to learn more and get better."

"The academic viewpoint I'm adding to my 'boots on the ground' perspective is making me a better leader. And I'm enjoying the exposure to other thought leaders."

Plus, who knows? After he finishes his dissertation in 2018, the folks at work in Capella hospitals across the country – including thousands of physicians who once passed organic chemistry – just might call him "*Doctor* Wiechart."

And that would make his mom even prouder.

Toward a More Collaborative Future

Collaboration has long been a part of the practice of medicine. Now it's moving to a higher level as hospitals align with new partners for specialties they lack.

Take KershawHealth, for example, a well respected community health system in Camden, South Carolina. Now part of Capella Healthcare, one of the top ten for-profit U.S. hospital operators, KershawHealth was named a *2015 Top Performer on Key Quality Measures* by The Joint Commission.

In January 2016, Kershaw's surgical teams were featured on the cover of *Modern Healthcare* for their leadership in using pre-operative checklists to improve patient safety.

And yet, as KershawHealth's CEO Terry Gunn noted, "We have no pulmonologists on staff."

Dee Ford, M.D., a pulmonary critical care physician and member of the faculty at the Medical University of South Carolina (MUSC) in Charleston for the past 10 years, is working with a team of specialists to remedy that.

INTENSIVE CARE FOR REMOTE LOCATIONS

Dr. Ford is spearheading the installation of a new "Tele-ICU" system to serve KershawHealth and its sister Capella facility, Carolina Pines Regional Medical Center in Hartsville.

Through a state-of-the-art system developed by Advanced ICU Care of St. Louis, physicians specializing in intensive care – known as "intensivists" – will soon be available to doctors, nurses, patients and their families at both of Capella's South Carolina facilities, for real time consults.

"Tele-ICU brings critical care expertise to our affiliated hospitals via two-way teleconference with specialists in our operations centers, who are available around the clock," Dr. Ford said.

TELE-HEALTH IS THE FUTURE

"Tele-health is the future," said Patrick J. Cawley, M.D. and the CEO of MUSC Health, which is the clinical enterprise of the Medical University of South Carolina, treating more than a million patients across the state each year. "Through this technology, we can deliver a lot of great care – and patients don't need to

leave their communities to get it. We can bring the specialty care to them."

"Two and a half years ago, we developed a new slogan for Carolina Pines – *'Caring for our own, right here at home,'*" said Tim Browne, CEO of the hospital, which became part of Capella Healthcare on January 1, 2015. "Now, through Tele-ICU or 'E-ICU,' we'll be able to provide a higher level of care right in our community."

"That means family members can still go to work and come check on a relative at lunchtime or after work," Browne explained. "If they had to go to Charleston and stay a week or two, they would, essentially, be out of work."

EXTENDING PHYSICIANS' PRACTICE LIFE

According to Dr. Tallulah Holmstrom, who serves as Chief Medical Officer for both KershawHealth and Carolina Pines, "Tele-ICU may well extend the practice life of some of our physicians, thanks to the additional specialty support it will give them."

Tele-ICU is only one of many tangible benefits growing out of the MUSC Health-Capella Healthcare network, which launched in November 2014.

"MUSC Health is not designed to handle just a simple pneumonia. It's designed to handle the most intense and challenging cases out there," said KershawHealth's Terry Gunn. "Our community hospitals *were created* to handle such pneumonias and COPDs (chronic obstructive pulmonary diseases) as well as arthroscopies and knee and hip replacements – that's community-based care."

"In the past, we got into a mindset of "one size (medicine) fits all" – and that's not what patients need," Gunn added. "What we are building through our collaboration with MUSC is really *a portfolio of hospitals* to address patients needs across the care continuum – and to better manage the health of the whole population."

"The network strengthens MUSC's name and brand in the communities," Dr. Cawley said, and the collaboration is raising awareness of the high-level specialty care that MUSC provides. The network also offers MUSC opportunities to set up training programs at these community hospitals.

"This will broaden our students' perspective by exposing them to diseases that they don't see routinely in the urban environment of Charleston," he added. "In the next couple of years, I suspect we'll establish family medicine programs in both of these communities, and that will help them recruit and retain physicians."

MEASURING QUALITY OF CARE OVER TIME

Collaboration will also help address cost containment goals of the Affordable Care Act and changing Medicare reimbursement rules.

"We get measured on quality care over a period of time – usually 30, 60 or 90 days – but patients don't stay in the hospital for 30 days," Dr. Cawley explained. "They stay only about five days and the rest of the time they're back at home. If we're going to get our arms around quality care, we need to be working together."

"Typically, we see patients who need higher acuity care, who get transferred to us from around the state," said Mark Lyles, M.D., Chief Strategy Officer for MUSC. "Now, the Centers for Medicare and Medicaid Services (CMS) and other payors are measuring our performance in managing care across the full continuum – even when a patient is transferred to us from a community hospital."

"If the patient has to be readmitted to the referring community hospital after returning home, Medicare penalizes us," Dr. Lyles noted. "So we realized we need partners with whom we can collaborate to deliver high value care – meaning better quality at equal or lower absolute cost. That's the driving force."

"In each of our affiliations, a major goal is to assist the hospital in identifying patients who can stay in their home community for treatment," Dr. Lyles said. "While we can handle those who are transferred to MUSC, we'd rather raise the level of care across the state through collaboration – and enable patients to be cared for in their own community."

Networking to improve South Carolina healthcare *are, from left, COO Sue Shugart and CEO Tim Browne of Carolina Pines Regional Medical Center in Hartsville; CEO Terry Gunn of KershawHealth in Camden; with Drs. Patrick Cawley, Mark Lyles and Dee Ford of the Medical University of South Carolina and MUSC Health in Charleston.*

A Clear **Advantage**

Tom Hall thinks everybody in America deserves convenient, high-quality emergency care.

Tom Hall has a powerful solution to a national crisis.

His company is opening a completely new freestanding emergency room every other week – that's 24 per year – and people love them.

They're convenient, accessible and efficient – and recent patient satisfaction scores are almost off the chart – better than 95 percent positive.

Did we mention high tech? Each facility is equipped with its own CT scanner, digital X-ray machine and a full laboratory. "Door-to-doc time" – meaning how quickly a patient can be seen by a physician – is running under five minutes, and a complete lab workup can be completed in about half an hour. So the board certified emergency physicians who staff the facilities can diagnose a patient's condition faster than many ER's can check a patient in.

95%+

Satisfaction rates in most of Adeptus' free-standing Emergency Rooms

Tom's company, Adeptus Health, was not the first to develop this innovative approach to emergency care, nor was it the first ER developer supported by Medical Properties Trust. But Tom and his experienced team grew Adeptus into the industry leader in less than five years. And they are continuing their tradition of growth and innovation with a complimentary concept.

QUICKLY GAINING SCALE

Adeptus' growth strategy involves building general hospitals that are designed to serve as the "hubs" of an innovative hub-and-spoke system – with the freestanding ERs as the "spokes."

Thomas S. Hall, Chairman & CEO, Adeptus Health

The concept captures substantially more patients than competitors, allows the ER to bill additional insurance companies and government programs, and provides patients requiring hospitalization with a complete range of services.

First Texas Hospital is the newest hub, which recently opened in a fast growing suburb of Dallas. And it offers a number of competitive advantages.

"Physicians and hospital operators are impressed by the simplicity of the new facility," explained Hall. "It's very sophisticated and well thought out – from the higher ceilings and the big windows that let in a lot of natural light, to the overall layout and flow of the place – it just makes people *feel* good."

First Texas is a full-service general hospital with a full emergency department, lab, pharmacy, diagnostic and imaging services, as well as inpatient rooms and surgery suites.

"That means if you're having an emergency and you come see us, we can provide the complete care necessary – including surgery," said Hall, who in an earlier life developed and operated surgery centers across 19 states. "But, if you need *heart* surgery, we're not going to do that at First Texas – instead we're going to stabilize you, monitor you and get you special access to the appropriate level of specialty care at another hospital."

PARTNERING WITH PREMIER HOSPITAL SYSTEMS

"We're not trying to be all things to all people," he explained. "We see ourselves as partnering

At the Very Heart of Emergency Medicine

Adeptus Health Lewisville, TX

Best Companies to Work for in Texas 2016

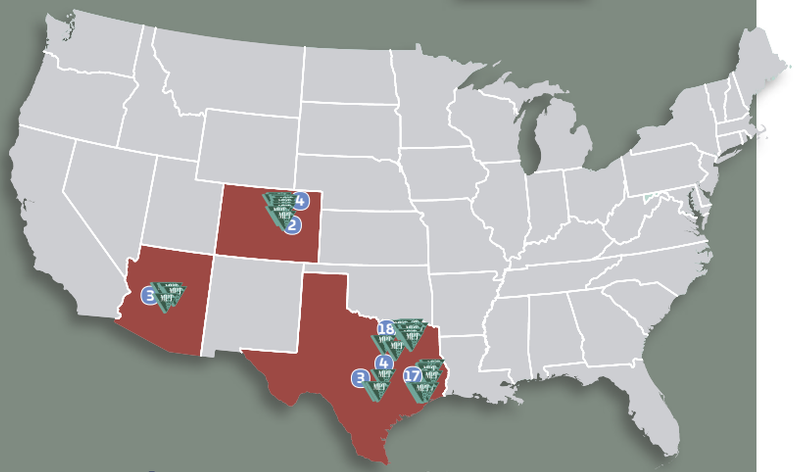
America's leading operator of freestanding emergency rooms
(85 open as of 3/10/16)

Also operates 2 general hospitals as ***"hubs"*** for the ER ***"spokes"***

Develops joint ventures with leading U.S. hospital systems

3,200
employees

$425 M
system-wide net revenue 2015



87/3

Adeptus operates
87 facilities in 3 states
(as of 3/10/16)

with hospital systems, rather than competing, to provide the high level of emergency care that people expect today, without the long waiting times."

Partnership is the operative word as Adeptus expands its innovative joint venture model, to accelerate its growth and new market presence.

Its first joint venture was with Dignity Health in Arizona, one of the largest healthcare systems in the country. A second followed with UCHealth, which is part of the University of Colorado Health System. Adeptus has since announced joint ventures with the Ochsner system in Louisiana and Mount Carmel Health System in Ohio.

"We try to partner with the premier systems in the country that share the same ideals about access to high quality care," Hall observed. "Each of them has a different view on what they want, but what they love is our facilities – the way they're set up and the way we run them."

EXECUTING ON PROMISES

"If you had to sum up in a single word what distinguishes Adeptus Health, it would be *execution*. We're really good at executing," he said.

"If we tell you we're going to open a facility in 10 months, it opens in 10 months. If we say we can build five or ten of them for you, we can build them."

"A lot of that has been made possible by Medical Properties Trust, which has been a great and incredibly supportive partner," Hall pointed out. "As of March 10th, 2016, MPT has funded 43 freestanding ERs and two acute hospitals for Adeptus."

"We've built a wonderful relationship – going well beyond partnership to friendship – and MPT has really helped fuel our growth," he concluded. "Through MPT's support, Adeptus has become the largest player in this market niche."

And that's a clear advantage.

Flexible **by Design**

One thing's for sure – healthcare is changing – especially in the way hospitals are reimbursed for their services. Some hospital executives are concerned.

Darby Brockette of Ernest Health, Inc. is excited.

"If you're in the business of healing people, it's a great time to be in healthcare," said Brockette, who co-founded Ernest with three partners in 2004.

"As the population ages, the sheer numbers of people who will need what we do is almost staggering," he added.

Ernest operates 25 post acute hospitals in 11 states, including 17 inpatient rehabilitation facilities and 8 long-term acute care hospitals, or LTACHs. Most were built from the ground up and, for Brockette, that presented an inspiring opportunity.

Darby Brockette
Chief Executive Officer
Ernest Health

"We brought a group of caregivers together – nurses, physicians, therapists – and said, 'Here's your dream of a lifetime – design your own hospital.'"

COLLABORATING ON A DREAM

The collaboration yielded, in Brockette's eyes, "the prettiest hospitals in the country" – clean, modern and efficient – and all designed with the patient's care and comfort in mind.

"We hired a young architect from Albuquerque, who got the vision," Brockette explained.

"We wanted natural light and nature in every room, so he included big picture windows. If you're in Idaho, Montana, Colorado or Utah, you want mountains in view – and they're there. Plus the gym space of our rehab hospitals, where the action is, always faces a beautiful scene."

Details that make the patient experience better have been completely thought through, like pocket doors on bathrooms to make it easier for patients in wheel chairs to get in and out, and

At the Very Heart of Healing Locally

Ernest Health, Inc. ***Albuquerque, NM***

Premier developer and operator of post-acute facilities

Leading or sole post-acute care provider in most of its markets

900+
licensed beds

$324 M
net revenue/2015

UDSMR TOP 10% RANKING

All Ernest IRFs rank among the ***Top 10%*** of 800 U.S. rehab hospitals

25/11

Ernest operates 25 hospitals in 11 states

cafeteria lines scaled so patients can handle their own trays if they don't want to order at the table.

Even the food stands out in the Ernest facilities, with a decided emphasis on fresh, local fare. "I don't want 'hospital food' in our hospitals," Brockette emphasized.

"It has to be better than that to make people comfortable. Patients get stressed every day, and this is one way to relieve some of that."

While the food and the ambiance are great, the most important things are patient outcomes and patient satisfaction, and Ernest facilities earn high marks on both.

CONSISTENTLY RANKING AT THE TOP

"For 2015, all of our rehab hospitals ranked in the top 7 percent among nearly 800 inpatient rehabilitation facilities in the United States," Brockette said. "Several achieved the 99th percentile and our facility in Casper, Wyoming attained the 100th percentile – the top score. An Ernest facility has been the top ranked hospital for three consecutive years."

Based on patient outcomes, patient satisfaction and discharge status, the rankings are compiled by the University of Buffalo under contract with the Centers for Medicare and Medicaid Services as the "Uniform Data System for Medical Rehabilitation."

"What this means is that better than 80 percent of our patients get to go home, while others usually go to a skilled nursing facility," Brockette added, "and that's important because it reduces costs."

"We maintain the lowest readmission rates to acute care hospitals in the business," he said. "That's why we rank in the top rung every year."

Better than 80 percent of Ernest's patients are also covered by Medicare, and Medicare reimbursement requirements are changing. While he sees this as a challenge, Brockette isn't worried.

RESPONDING TO REIMBURSEMENT CHANGES

"There will always be a need for healthcare and we've always survived," he said.

"It may take some time to figure out the most cost effective ways of moving the patients through the reimbursement system, whether that's through bundled payments for acute care or a pure bundle for diagnosis related groups," he noted, "but those patients are not going away just because the government changes the regs."

"We built our facilities to be payor neutral," Brockette said. "In other words, we believe that at some point, the different 'silos' or types of post-acute facilities will all be covered under a single post-acute payment or bundle. It may be three to five years out, but I don't think there's a post-acute provider in the country that's better prepared to offer that."

SEEING DOWN THE ROAD

"Ernest knew things were changing," said Frank R. Williams, Jr., MPT's Senior Vice President and Senior Managing Director of Acquisitions, "but the Ernest business model was structured to be flexible – it doesn't need to be changed to adapt."

"In many cases, Ernest has built freestanding rehabilitation facilities on the same campuses as its long-term acute care hospitals and, together, they can adjust to meet the needs of the community as reimbursement criteria change," Williams said. "By identifying the core level of demand for LTACH beds and attracting other types of patients that can be treated in the same facilities, Ernest can still maintain a significant census."

Saved in 2014

Saving **Grace**

There's *something special* about saving a life – especially the life of a hospital.

Launched in 2001, Prime Healthcare Services focused intently on rescuing an 83-bed community hospital in the High Desert country of Southern California.

Desert Valley Hospital, built by Prem Reddy, M.D. in 1994 and later sold, was threatened with closure as the new owners stumbled toward bankruptcy. But Dr. Reddy, a double board-certified cardiologist with an abiding commitment to patient care, was determined to make it thrive again.

Dr. Prem Reddy
Chairman, President & CEO
Prime Healthcare Services, Inc.

HE FORMED PRIME HEALTHCARE TO MAKE IT HAPPEN

The hospital needed an infusion of capital and Medical Properties Trust proved to be just what the doctor ordered – a $28 million shot in the arm – through a sale/leaseback transaction that would unlock

Saved in 2015

the value of Desert Valley's real estate assets. It was one of MPT's first investments. And it would prove to be historic.

Today, Prime Healthcare ranks as the fifth largest for-profit acute care hospital company in the U.S., with 42 hospitals across 14 states employing nearly 42,000 people. Since that first investment a decade ago, MPT has provided more than $1 billion in capital to support Prime's growth.

PROVIDING CAPITAL FOR PRIME'S FIRST HOSPITAL

"Without MPT, Prime Healthcare would not have had a chance," Dr. Reddy said. "MPT provided sale/leaseback financing for our very first hospital and enabled us to successfully turn it around."

"Dr. Reddy truly knows his business, and he fully appreciated my vision for MPT," said Edward K. Aldag, Jr., Chairman, President and CEO. "He saw that he could build his company with MPT's capital."

Over the next decade, Prime Healthcare did just that. And MPT continued to provide capital for the hospital system's expansion, first in California, from two to 14 hospitals. And, since 2012, to eight new states with the acquisition of 12 additional hospitals.

Seven came on board in 2015 with MPT's investment of $280 million – including two in Kansas City, one in Michigan and four in New Jersey.

PRIMING ITS OWN PUMP

True to its business model, Prime Healthcare continually invests in its facilities, including more than $31.5 million in the most recent acquisitions – including three linear accelerators costing $4 million each, as well as ultrasound, portable X-ray and other technology upgrades.

By focusing on patients, implementing best practices and striving for operational efficiencies, Prime established a methodology at Desert Valley it still follows today in saving and sustaining other underperforming facilities.

"We apply physician-driven, patient-focused strategies, starting with appointing a chief medical officer for each hospital," Dr. Reddy explained, "to keep communication channels open between the medical staff and management."

Prime also implemented evidence-based clinical protocols to address the most prevalent conditions, such as heart failure, heart attacks and pneumonia – continually perfecting them to improve outcomes, decrease costs and reduce hospital stays.

ORGANIZING OPERATIONS TO IMPROVE OUTCOMES

"We believe that if we improve clinical outcomes, the financial outcomes will follow," Dr. Reddy said, "and that the best quality care is always the most cost-effective care."

At the Very Heart of Hospital Turnarounds

Prime Healthcare Services Ontario, CA

Rescues financially struggling community hospitals ***and transforms*** them into thriving community assets.

TRUVEN HEALTH ANALYTICS
100 TOP HOSPITALS
2015

Awarded 36 times to Prime Healthcare facilities

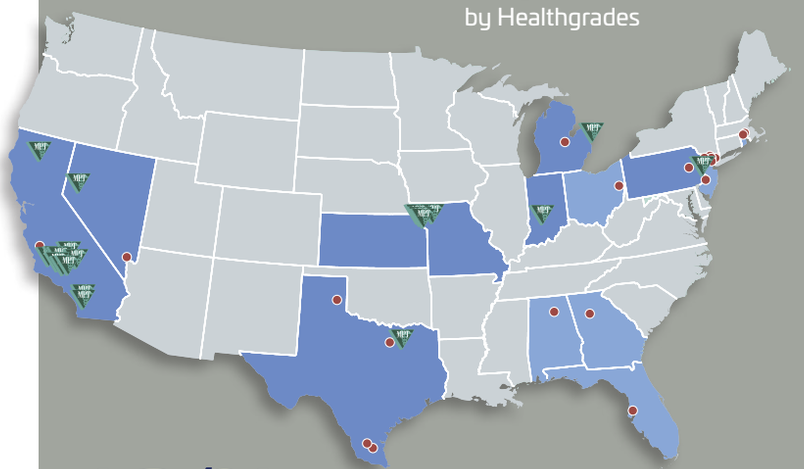
5th

The 5th ***largest*** U.S. for-profit acute care hospital operator
(Based on # of hospitals)

42,000
employees

$3.8 B
net revenue/2015

Recognized 100+ times by Healthgrades



42/14

Prime Healthcare operates 42 hospitals in 14 states

It's a philosophy that is serving Prime Healthcare well under the Affordable Care Act.

"Healthcare reform includes more positives than negatives for hospital providers," Dr. Reddy observed. "Seeing more insured patients in our 15 California facilities has reduced our uncompensated care and saved us $50 million, as enrollment has increased and federal poverty levels have expanded. We expect the long-term impact to remain positive."

Prime's Healthcare's historic emphasis on emergency rooms as critical access points continues to make healthcare available to all people, whether they have health insurance or not. The system's ER teams work hard to address patients' needs quickly and get them back home – or into a hospital bed – within two hours.

EXPANDING EMERGENCY ROOMS TO PROVIDE BETTER ACCESS

"We continue to expand our emergency rooms to meet community needs," Dr. Reddy said. "For example, at Centinela Hospital Medical Center in Inglewood, California, where we are averaging 200 patients a day, we are adding 25 beds as part of an $80 million expansion to improve healthcare for patients and the community."

Through its dedication to evidence-based best practices and value-based care, Prime has improved patient safety and satisfaction while decreasing complications, which has resulted in numerous quality and safety awards.

Truven Health Analytics (formerly Thomson Reuters) has bestowed its highly coveted "100 Top Hospitals®" recognition on Prime hospitals 36 times – including eight times to Desert Valley Hospital.

In March, three of Prime's California facilities received the award – Centinela Hospital Medical Center, Chino Valley Medical Center and Sherman Oaks Hospital.

MOVING BEYOND BANKRUPTCY

Situated in an underserved community where four other hospitals had been forced to close, Centinela Hospital teetered on the edge of bankruptcy in 2007 before Prime took it over. Since then, the now thriving community hospital has been recognized for quality care by numerous national organizations, including Healthgrades, the Leapfrog Group and Becker's Hospital Review. MPT first invested in Centinela in 2007.

Acquired in bankruptcy in 2005, Chino Valley was part of another sale/leaseback transaction with MPT. Today, the hospital is a top performing facility, providing robotic surgery and top-rated programs in orthopedics and gastrointestinal care.

Over the past three years, Sherman Oaks has consistently earned recognition, from U.S. News & World Report as a "Best Regional Hospital," as well as from Truven. MPT invested in the facility in 2005.

"Prime Healthcare has enhanced the quality of care in these facilities and many others," said Frank R. Williams Jr., MPT's Senior Vice President and Senior Managing Director of Acquisitions. "Without Prime's vision and support, most of them would probably have closed."

"Everyone has benefitted," he said, "including the communities, the healthcare system and MPT, as Prime Healthcare has lived up to its promise of *'Saving Hospitals. Saving Jobs. Saving Lives.'"*

Where There's Change, There's **Opportunity**

IASIS preps for the future with new access points and infrastructure.

Carl Whitmer wants to manage more of the premium dollar.

As the CEO of IASIS, the sixth-largest for-profit healthcare provider in the U.S., he sees that as a natural next step for his company.

"The government in particular is pushing hospital providers hard to take bundled payments – for certain 'episodes of care' – meaning not just the hospital encounter, but the pre-hospital and the post-hospital encounter," Whitmer said.

It's all part of the push to reduce healthcare costs, which everyone sees as desirable.

"Physicians are being asked to take more and more responsibility for the total cost of an episode of care," Whitmer continued. "To do that, both primary care doctors and specialists need new tools and more timely information about their patients – and we want to provide it."

Carl Whitmer
Chief Executive Officer
IASIS Healthcare

INVESTING IN A MAJOR NEW ELECTRONIC HEALTH RECORDS SYSTEM

That's a big motivator behind IASIS's decision to choose Cerner's platform for its new integrated electronic health record and revenue cycle system. Cerner is a global leader in healthcare technology and its system includes a number of advances that will help physicians better control healthcare costs under value-based reimbursement programs. Implementation of the system in all IASIS hospitals is expected to take approximately three years.

"It's a major step forward in strengthening IASIS's infrastructure," Whitmer explained, "and we believe it will enhance our efforts to provide high quality, cost-effective healthcare for patients in our acute care facilities and in our managed healthcare plans."

IASIS operates 17 acute care hospitals and one behavioral health hospital across six states, as well as Health Choice, a managed care risk platform serving more than 628,000 covered lives in Arizona, Utah and Florida. This makes IASIS both a healthcare provider and a payor, which gives the company special insights into controlling costs while keeping quality high.

The company also offers many other access points, including 141 physician clinics, as well as imaging centers, urgent care centers, outpatient surgery facilities and on-site workplace clinics.

EXPANDING ACCESS POINTS FOR PRIMARY CARE

"We've expanded our footprint and access points by focusing on these primary care settings, to be sure that we have our delivery system where patients need it," Whitmer said.

"We've also recently built a hospital in Lehi, Utah, with fewer inpatient beds than is typical but with a very significant capacity for ambulatory services, which is the right model for the demographics of that market," Whitmer noted, "and we opened a freestanding emergency room in a community that had been completely underserved."

Medical Properties Trust first invested in an IASIS facility in 2008, acquiring Pioneer Valley Hospital in West Valley City, Utah. Licensed for 139 beds, the facility has since been rebranded as Jordan Valley Medical Center's West Valley campus and significantly upgraded.

Over the past two years, MPT has invested $2 million in exterior renovations at this facility while IASIS has invested $4 million in upgrading the obstetrics department.

CONTINUALLY INVESTING IN FACILITIES

"Whenever I visit an IASIS facility, I'm always impressed with how good they look and how well they are maintained," said Rosa Hooper, MPT's Managing Director of Asset Management and Underwriting, whose teams visit every facility every year.

At the Very Heart of Integrated Care

IASIS Healthcare ***Franklin, TN***

Operates 17 acute care hospitals, one behavioral health hospital and 141 physician clinics.

13,000
employees

Also owns and operates a ***managed care platform*** serving ***628,000*** members.

1.1 M
patients/year

$2.9 B
net revenue/2015

6th

The 6th ***largest*** U.S. for-profit health system
(Based on revenue)

18/6

IASIS operates 18 hospitals in 6 states

"Capital dollars are always at a premium," she noted, "but Carl Whitmer and his management team clearly understand the benefits of continually making investments in facilities."

The relationship with IASIS deepened in 2013, when MPT acquired the real estate assets of three IASIS acute care hospitals – Mountain Vista Medical Center in Mesa, Arizona, Glenwood Regional Medical Center in West Monroe, Louisiana, and The Medical Center of Southeast Texas in Port Arthur, Texas – all award winning facilities known for delivering high quality patient care.

"IASIS understands its markets and its position in those markets," said Edward K. Aldag, Jr., MPT's Chairman, President

"Medical Properties Trust has a deep understanding of hospitals and what it takes not only to make them successful, but to keep them successful,"

and CEO. "They also understand their relationships with patients and physicians as well as anybody in the country."

DISTINGUISHED BY STRONG LEADERS AND STRONG RELATIONSHIPS

"Carl Whitmer is one of the best all-around leaders that I know," Aldag added. "He understands the big picture and does a wonderful job of relaying IASIS's corporate culture and ideas about hospital management to his people without micromanaging."

"IASIS is also distinguished by strong leadership at each of their hospitals," said Emmett McLean, MPT's Executive Vice President and Chief Operating Officer. "The standards that they have set for their own business can be viewed as a benchmark for others."

Clearly, the respect goes both ways.

"Medical Properties Trust has a deep understanding of hospitals and what it takes not only to make them successful, but to keep them successful," Whitmer said. "They understand that hospitals need to get into new services and out of others – and that we must be flexible and responsive to market conditions."

"It's a challenging time in our industry, with a lot of change and uncertainty," Whitmer reflected. "Where there's change, there's opportunity – and we're excited to have a partner like MPT."

"One thing that doesn't change is the passion to provide great care to patients. That's what makes you excited to be engaged in healthcare," he concluded.

"At the end of the day, it's all about the patients and the opportunity to help them."

Developing New **Medical Pathways**

Two years into a billion dollar deal, André Schmidt is proving that MPT's underwriting is rock solid.

André Schmidt is thinking big.

As the CEO of Median, the largest for-profit provider of rehabilitation care in Germany, he imagines the day when there's a Median facility within a one-hour's drive time of anyone in his country. And he's working hard to make it happen.

But that's only part of his plan.

"We're thinking of changing the rehab landscape by developing a new medical pathway that begins with inpatient rehab, includes outpatient rehab, and extends to IT-supported continuous medical services for our patients," Dr. Schmidt said.

He also wants to include large outpatient facilities so that Median can offer a combined product – of inpatient and outpatient care.

"This is something that is only possible because of the merger of RHM Kliniken and Median," he said.

ACHIEVING THE HIGHEST MARGINS

In 2013, Medical Properties Trust made its first foray into Europe through a transaction with Waterland Private Equity to purchase the real estate assets of 11 German hospitals managed by RHM Kliniken. Dr. Schmidt had been RHM's managing director since 2011, and had led the company to attain the highest EBITDA margins among all German rehab operators.

In 2014, MPT and Waterland/ RHM were on the winning side of a high level competition to acquire

Median Kliniken, which operates more than 40 rehab and acute care facilities.

"Together as a team, with RHM and MPT collaborating, we were faster in the bidding process than all the other competitors who were standing alone," Dr. Schmidt said, "and that should give you an idea of how well we work together."

After the team prevailed in its bid, Dr. Schmidt was named CEO of the now merged companies – and he's spent the past year combining and streamlining operations to achieve significant synergies.

APPLYING LESSONS LEARNED AT MCKINSEY & COMPANY

He has approached the task from the perspective of lessons learned years ago as a management consultant with McKinsey & Company, the firm that also gave him his first taste of the healthcare field – which proved to be his passion.

Dr. Schmidt set up a post-merger integration office with help from some of his former McKinsey colleagues, to examine processes in detail across the enterprise – an effort that continues today.

"In essence, we are defining a completely new company," Dr. Schmidt explained, even though he decided to retain the Median name. "We are changing every process that needs changing, to make sure we find the 'best of the best' solutions."

At the Very Heart of Thinking Ahead

MEDIAN ***Berlin, Germany***

Formed by the merger of ***RHM*** and ***Median Kliniken*** in 2014/15

Zertifizierte Qualitäts Rehabilitation ISO 9001:2008 plus DEGEMED

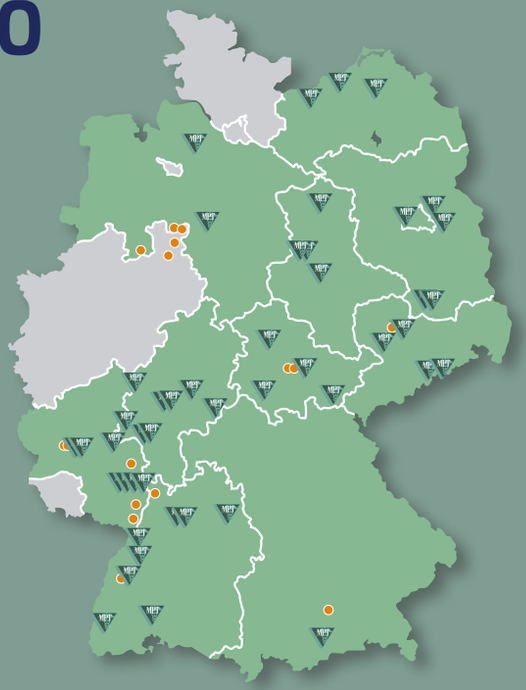
#1

The leading private ***post-acute care hospital group*** in Germany

IQMG INSTITUT FÜR QUALITÄTSMANAGEMENT IM GESUNDHEITSWESEN EXZELLENTE QUALITÄT EQR IN DER REHABILITATION

10,000
employees

3.7 M
days of patient care provided/year



78/12
MEDIAN operates 78 hospitals in 12 German states
(as of 4/01/16)

Notes:
(1) Map reflects portfolio as of 12/31/15.
(2) MPT locations may include more than one hospital.

"As a result of the merger, we expect to achieve synergies of almost €23 million, most of which are already defined," he noted. "Now, we're going through different measures to extract even higher synergies."

RHM's EBITDA margins, for example, were running about 50 percent higher than Median's – even though RHM's hospitals were smaller – and Dr. Schmidt is determined to increase margins for the now-combined companies.

"It's a matter of how well we manage our occupancy and how well we manage costs," he said, "and the foundation of all that is standardization."

CREATING A GERMAN-WIDE PLATFORM

His goal is to create a German-wide platform of standardized medical pathways. Following the merger, he set up six medical boards to consider different indications, such as hip surgery, knee surgery or stroke, and define the medical pathways to standardize quality.

"If rehabilitation can help people work four months longer, it's a 100 percent payback for the pension fund."

"The objective is to control the level of input, such as the number and type of therapies for a particular indication, to achieve the desired patient outcomes," Dr. Schmidt explained. "This will require planning on a more strategic level and support from an IT platform that is unparalleled in German medicine – precisely the kind of platform we developed at RHM," he added.

"Medical quality is, of course, the main driver of the platform," he noted, "but almost equally important to the patient are the level of service and the quality of the surroundings."

"That's why, starting this year, Median is investing €100 million over the next five years to make sure

Anatomy of a Logo Rebranding

1 2 3 4

we provide a four-star hotel environment for all our patients – not just for those paying a premium rate – but for everyone," he said.

Forty percent of Median's revenues come from pension funds, which seek to get patients back to work and help them avoid early retirement.

"It's an investment case," Dr. Schmidt noted, "with a four-month payback time. If rehabilitation can help people work four months longer, it's a 100 percent payback for the pension fund."

LOOKING AHEAD

As he looks down the road, Dr. Schmidt and his team are thinking about how IT can help not only in managing Median's processes, but in connecting with patients.

"How can we use IT to facilitate the stay of the patient – how they are invited, how they interact with our administration, how they select their menus and how they give us feedback," he asked.

"And how do we improve sustainability by keeping in touch with the patient and managing what they do after they have left the hospital?"

The trigger for Dr. Schmidt is modern apps you can use on a smartphone or computer to create a whole new level of sustainability, and it's all part of what he calls "the full circle of *ehealth*."

"I think we are talking about a completely different rehab in 10 years," he added. "Only through the support of Medical Properties Trust can we be seriously thinking about such innovations now."

"MPT is still the most important capital provider for Median's organic growth and for our expansion through acquisitions. As long as MPT is by our side and is willing to make sale/leaseback transactions with us, we expect to continue our thoughtful and profitable growth."

And these are big ideas.

5 6 7 MEDIAN

BENCH STRENGTH

The deals are impressive. The tenants always interesting. But if you're not careful, you might miss the essence of what makes the team, the team.

What sets MPT apart? According to R. Steven Hamner, the company's Executive Vice President and CFO, "It's the institutional knowledge and experience that comes from dealing with hospitals and nothing but hospitals. That's our specialized expertise," he said, "and that's what enables us to be successful."

It starts at the top, with Ed Aldag, the CEO. He's in healthcare because he loves it. Ed found it to be more interesting than anything he had ever done before in real estate finance. So, after selling his interest in two other companies, he had an idea about how to get back into healthcare. Because he had seen a need he thought he could fill.

He took his idea to "about a hundred" investment bankers – a simple idea with a lot of promise – to provide capital financing to hospitals though sale/leaseback transactions that would unlock the value of a facility's real estate assets.

It was a good idea, but no, said the bankers. Won't fly. But they didn't know Ed.

"We're *THE* hospital REIT company"

"Ed has such determination and persistence," said Charles Lambert, Managing Director of Capital Markets, who just marked his 10th anniversary with the company.

"When you think about his story about starting the company, a lot of people would have given up. But not Ed. And he's that way with everything. If something doesn't work the first time, he's going to find a different way to make it to work."

Steve Hamner didn't have any healthcare experience when he joined Ed Aldag and Emmett McLean to form the company. In fact, he didn't join them at first. He came as a consultant, bringing his expertise as a public company CFO under a contract. Yet, after working with them for only a few weeks, he tore up the consulting agreement in exchange for a partnership.

McLean had lots of healthcare experience. Now, thirteen years later, Hamner has amassed quite a bit, too.

"Steve is a very unique CFO – he truly sees the big picture and he's got the vision," Aldag reflected. "Plus, having a personality that's 180 degrees from mine, he does a wonderful job when he's out on the road with me telling the same story from a different perspective. Clearly, his knowledge of the financial markets, and the rules and regulations, is exceptional – he continues to amaze me with what he knows."

"Steve is just a wealth of knowledge – history of the company, history of REITs, history of this whole industry from a financing perspective," said J. Kevin Hanna, MPT's Chief Accounting Officer, Vice President and Controller – the newest member of MPT's officer group.

"Ed, Emmett and Steve have built a great platform – we're the place for people to come for capital because they know we know their business," Hanna said. "They trust us and believe in us and the three founders are the reason. But also people like Rosa Hooper and others who deal with the top operators day in and day out, who have gained the clients' trust. They know that we are here for them, too."

"MPT owns more than 21,000 hospital beds around the world today," said Frank R. Williams Jr., MPT's Senior Vice President and Senior Managing Director of Acquisitions, and another member of the executive team. "Monitoring and overseeing that portfolio provides an almost unending flow of information about hospitals, trends – everything in the industry. By the end of each day, we have strengthened our knowledge base even more."

"By the end of each day, we have strengthened our knowledge base even more."

"We have created a reputation based on a level of knowledge and expertise about the business that is incomparable," Hamner noted. "We're ***the*** hospital REIT company and, going forward, you should expect that we will continue to be that leader."

Making Play *Terrific!*

Giving *back* to the community takes on new meaning when you're mixing concrete and hauling mulch by hand.

After an F-5 tornado ripped through Pratt City on the north side of Birmingham in 2011, an army of volunteers stepped forward to help the community recover.

Five years later, Ann Gray Harvey is still volunteering – tutoring young children at South Hampton Elementary School and always thinking about new ways to help them.

When she heard Medical Properties Trust might be partnering with KaBOOM!, a national non-profit, to build a new playground in an economically challenged area of the city, she knew exactly where it should be.

Ann Gray's grapevine was her husband, Tom Schultz, MPT's Director of Healthcare and a member of the company's charity committee. After the committee recommended the project and MPT's executives approved the funding, she not only encouraged South Hampton to apply for the KaBOOM! project, but helped draft the application.

THE CHILDHOOD THEY DESERVE

Based in Washington, D.C., KaBOOM! is dedicated to *'giving all kids the childhood they deserve, filled with balanced and active play, so they can thrive.'* Since 1996, the organization has built more than 16,300 playgrounds across the U.S. through strong community partners like Medical Properties Trust.

KaBOOM! first appeared on MPT's radar thanks to Emmett McLean, the company's Executive Vice President and COO, whose daughter, Laura, works for KaBOOM!. He was so intrigued that he brought the idea to the charity committee.

The challenge was not just to sponsor a playground, but to recruit an army of MPT

employees, suppliers and friends to actually build it.

In one day. KaBOOM!

The entire charity committee loved the idea of building a playground. When the project was approved, Alison Schmidt, Managing Director of Financial Planning and an eight-year MPT veteran, was asked to take charge. Planning continued for months.

On August 24th, South Hampton students, teachers and parents met in the school library for **"Design Day,"** facilitated by KaBOOM!, with lots of MPT people on hand.

INVITING KIDS TO DESIGN THEIR DREAM PLAYGROUND

But the chief designers were the kids themselves, who drew what they envisioned on large sheets labeled "*My Dream Playground*" and shared them with the group.

"With KaBOOM!'s guidance, the adults interpreted the kids' drawings to develop three different playground designs," Schmidt explained. "Then the school picked 'the perfect one' to best fulfill the children's dreams."

Playground Build Day was October 17th, a beautiful Saturday that drew more than 150 volunteers to the school site by 8:30 a.m. to begin a hard day's work – mixing and hauling concrete, assembling slides, bridges and climbing walls, and literally moving mountains of mulch by hand to form the playground surface.

One team built an outdoor classroom while another assembled a gazebo filled with bright flowers. Others

painted checkerboard tops for picnic tables, or school emblems on big storage boxes.

Shortly before 2:30 p.m. – after a new playground sign had been erected acknowledging the partnership of KaBOOM!, South Hampton and MPT – the volunteer workers gathered for a group picture.

STORMING THEIR OWN CASTLE

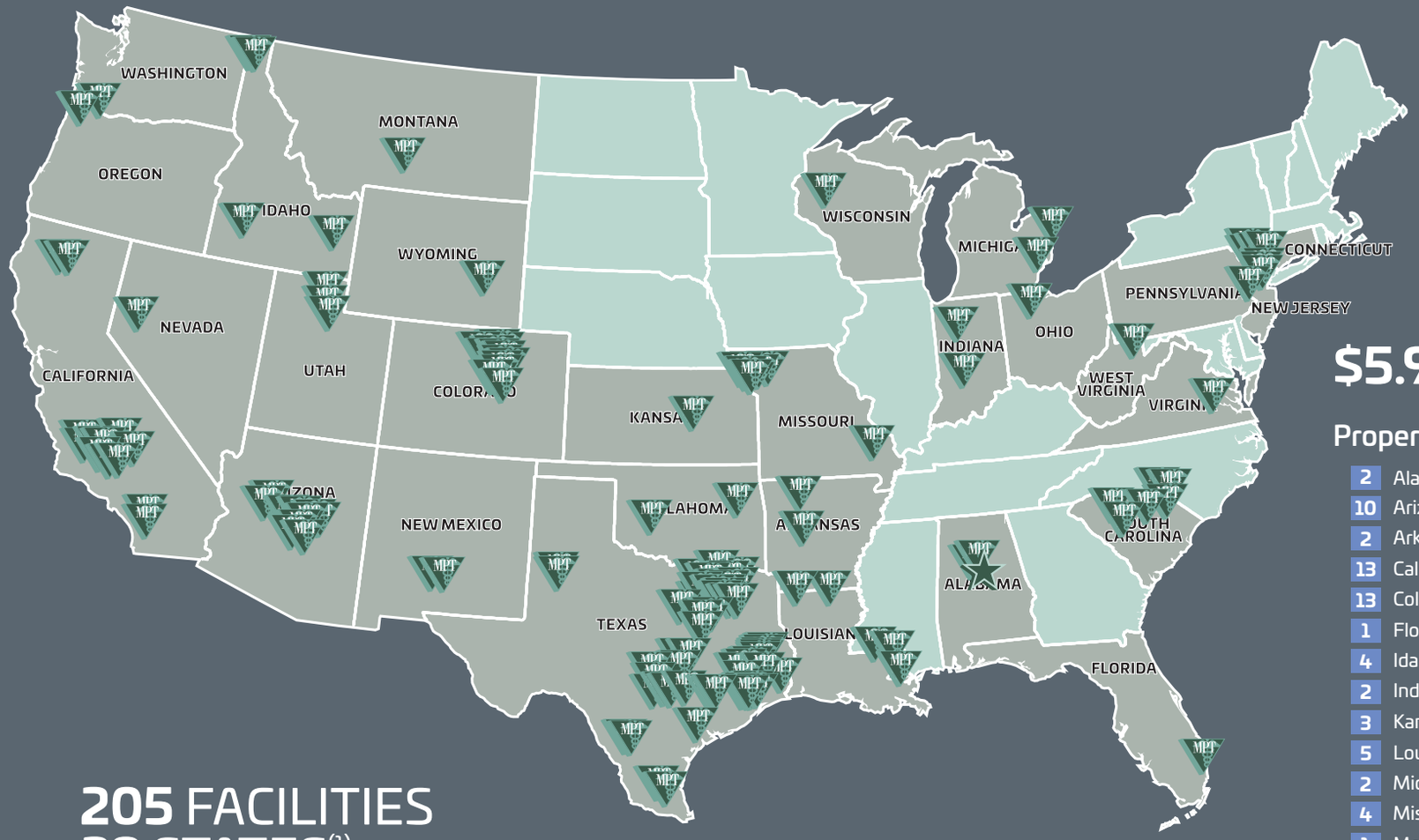
Three days later – after all the concrete footings had cured – the kids of South Hampton were paraded to the playground for their own group picture.

Momentarily, the air was filled with politeness...

"Yes, Sir," "Yes Ma'am," and "Thank you, Ma'am."

...before the kids were set free to storm the castle of their own perfect playground.

And then, the real fun began.



$5.9B INVESTED

Properties by State & Country

2	Alabama	1	Ohio
10	Arizona	2	Oklahoma
2	Arkansas	2	Oregon
13	California	1	Pennsylvania
13	Colorado	6	South Carolina
1	Florida	58	Texas
4	Idaho	3	Utah
2	Indiana	1	Virginia
3	Kansas	1	West Virginia
5	Louisiana	1	Wisconsin
2	Michigan	1	Wyoming
4	Missouri	8	Italy
1	Montana	46	Germany
1	Nevada	1	Spain
7	New Jersey	1	U.K.
2	New Mexico		

205 FACILITIES
29 STATES(1)
5 COUNTRIES

Portfolio statistics are as of February 26, 2016, and assume fully funded commitments.

(1) Includes investments in Washington and Connecticut related to properties in those states.

Properties by Facility Type

Current Portfolio

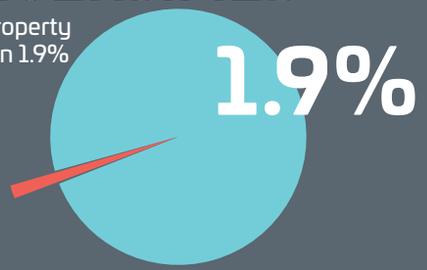
As of February 26, 2016, Medical Properties Trust's portfolio included 205 facilities – 149 across the United States, 46 in Germany, 8 in Italy, 1 in the U.K. and 1 in Spain – representing an investment of approximately $5.9 billion.

Western Europe

Medical Properties Trust provides stockholders an opportunity to earn attractive returns from profitable hospital facilities at home and abroad.

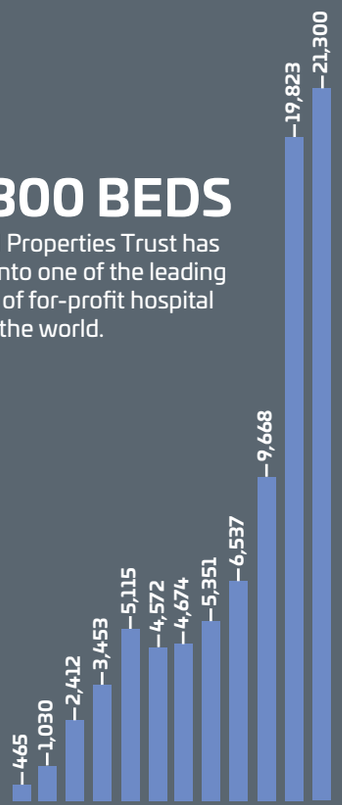
WELL DIVERSIFIED

No single hospital property represents more than 1.9% of MPT's portfolio.



21,300 BEDS

Medical Properties Trust has grown into one of the leading owners of for-profit hospital beds in the world.



HOSPITAL BEDS OWNED
(2004 – 2015)

SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information on a historical basis:

[In thousands, except per share amounts]	For the Year Ended December 31, 2015[1]	For the Year Ended December 31, 2014[1]	For the Year Ended December 31, 2013[1]	For the Year Ended December 31, 2012[1]	For the Year Ended December 31, 2011[1]
OPERATING DATA					
Total revenue	$ 441,878	$ 312,532	$ 242,523	$ 198,125	$ 132,322
Depreciation and amortization (expense)	(69,867)	(53,938)	(36,978)	(32,815)	(30,147)
Property-related and general and administrative (expenses)	(47,431)	(39,125)	(32,513)	(30,039)	(27,815)
Acquisition expenses [2]	(61,342)	(26,389)	(19,494)	(5,420)	(4,184)
Impairment (charge)	—	(50,128)	—	—	—
Interest and other income	3,444	8,040	3,235	1,281	96
Debt refinancing/unutilized financing (expense)	(4,368)	(1,698)	—	—	(14,214)
Interest (expense)	(120,884)	(98,156)	(66,746)	(58,243)	(43,810)
Income tax (expense)	(1,503)	(340)	(726)	(19)	(128)
Income from continuing operations	139,927	50,798	89,301	72,870	12,120
Income (loss) from discontinued operations	—	(2)	7,914	17,207	14,594
Net income	139,927	50,796	97,215	90,077	26,714
Net income attributable to non-controlling interests	(329)	(274)	(224)	(177)	(178)
Net income attributable to MPT common stockholders	$ 139,598	$ 50,522	$ 96,991	$ 89,900	$ 26,536
Income from continuing operations attributable to MPT common stockholders per diluted share	$ 0.63	$ 0.29	$ 0.58	$ 0.54	$ 0.10
Income from discontinued operations attributable to MPT common stockholders per diluted share	—	—	0.05	0.13	0.13
Net income, attributable to MPT common stockholders per diluted share	$ 0.63	$ 0.29	$ 0.63	$ 0.67	$ 0.23
Weighted average number of common shares — diluted	218,304	170,540	152,598	132,333	110,629
OTHER DATA					
Dividends declared per common share	**$ 0.88**	**$ 0.84**	**$ 0.81**	**$ 0.80**	**$ 0.80**
BALANCE SHEET DATA	**December 31, 2015[1]**	**December 31, 2014[1]**	**December 31, 2013[1]**	**December 31, 2012[1]**	**December 31, 2011[1]**
Real estate assets — at cost	$ 3,924,701	$ 2,612,291	$ 2,296,479	$ 1,591,189	$ 1,261,644
Real estate accumulated depreciation/amortization	(257,928)	(202,627)	(159,776)	(122,796)	(89,982)
Mortgage and other loans	1,422,403	970,761	549,746	527,893	239,839
Cash and equivalents	195,541	144,541	45,979	37,311	102,726
Other assets	324,634	195,364	147,915	128,393	94,462
Total assets	$ 5,609,351	$ 3,720,330	$ 2,880,343	$ 2,161,990	$ 1,608,689
Debt, net	$ 3,322,541	$ 2,174,648	$ 1,397,329	$ 1,008,264	$ 676,664
Other liabilities	179,545	163,635	138,806	103,912	103,210
Total Medical Properties Trust, Inc. Stockholders' Equity	2,102,268	1,382,047	1,344,208	1,049,814	828,815
Non-controlling interests	4,997	—	—	—	—
Total equity	2,107,265	1,382,047	1,344,208	1,049,814	828,815
Total liabilities and equity	$ 5,609,351	$ 3,720,330	$ 2,880,343	$ 2,161,990	$ 1,608,689

Footnotes to
Selected Financial Data:

(1) Cash paid for acquisitions and other related investments totaled $1.8 billion, $767.7 million, $654.9 million, $621.5 million, and $279.0 million in 2015, 2014, 2013, 2012, and 2011, respectively. The results of operations resulting from these investments are reflected in our consolidated financial statements from the dates invested. See Note 3 to the consolidated financial statements included in this Annual Report 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 this Annual Report for further information regarding our debt, common stock and discontinued operations, respectively.

(2) Includes $37.0 million, $5.8 million and $12.0 million in transfer taxes in 2015, 2014 and 2013, respectively, related to our property acquisitions in foreign jurisdictions.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following table presents a reconciliation of net income attributable to MPT common stockholders to FFO and normalized FFO for the years ended December 31, 2015, 2014, and 2013 (amounts in thousands except per share data):

FFO information:	For the Years Ended December 31,		
	2015	2014	2013
Net income attributable to MPT common stockholders	$ 139,598	$ 50,522	$ 96,991
Participating securities' share in earnings	(1,029)	(895)	(729)
Net income, less participating securities' share in earnings	$ 138,569	$ 49,627	$ 96,262
Depreciation and amortization:			
Continuing operations	69,867	53,938	36,978
Discontinued operations	—	—	708
Gain on sale of real estate	(3,268)	(2,857)	(7,659)
Real estate impairment charge	—	5,974	—
Funds from operations	$ 205,168	$ 106,682	$ 126,289
Write-off of straight line rent	3,928	2,818	1,457
Acquisition costs	61,342	26,389	19,494
Debt refinancing and unutilized financing expenses	4,367	1,698	—
Loan and other impairment charges	—	44,154	—
Normalized funds from operations attributable to MPT common stockholders	$ 274,805	$ 181,741	$ 147,240

Per diluted share data	2015	2014	2013
Net income, less participating securities' share in earnings	$ 0.63	$ 0.29	$ 0.63
Depreciation and amortization	0.32	0.31	0.24
Gain on sale of real estate	(0.01)	(0.01)	(0.04)
Real estate impairment charge	—	0.04	—
Funds from operations	$ 0.94	$ 0.63	$ 0.83
Write-off of straight line rent	0.02	0.02	0.01
Acquisition costs	0.28	0.15	0.12
Debt refinancing and unutilized financing expenses	0.02	—	—
Loan and other impairment charges	—	0.26	—
Normalized funds from operations	$ 1.26	$ 1.06	$ 0.96

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. 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. We compute FFO in accordance with the definition provided by the National Association of Real Estate Investment Trusts, or NAREIT, which 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 depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures.

In addition to presenting FFO in accordance with the NAREIT definition, we also disclose normalized FFO, which adjusts FFO for items that relate to unanticipated or non-core events or activities or accounting changes that, if not noted, would make comparison to prior period results and market expectations potentially less meaningful to investors and analysts.

We believe that the use of FFO, combined with the required GAAP presentations, improves the understanding of our operating results among investors and the use of normalized FFO makes comparisons of our operating results with prior periods and other companies more meaningful. While FFO and normalized FFO are relevant and widely used supplemental measures of operating and financial performance of REITs, they should not be viewed as a substitute measure of our operating performance since the measures do 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 can be significant economic costs that could materially impact our results of operations. FFO and normalized FFO should not be considered 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.

Strength in Numbers... At the Very Heart of Healthcare.

Now in its 13th year of operations, Medical Properties Trust is still guided by the active involvement and passion of its founders, now augmented by two newer company veterans.

Edward K. Aldag, Jr., Founder, Chairman, President and CEO (center)
R. Steven Hamner, Founder, Executive Vice President and CFO (second from right)
Emmett E. McLean, Founder, Executive Vice President and COO (second from left)
Frank R. Williams, Jr., Senior Vice President and Senior Managing Director - Acquisitions (right)
J. Kevin Hanna, Vice President, Controller and Chief Accounting Officer (left)

FINANCIAL REVIEW

FORWARD-LOOKING STATEMENTS

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

- our business strategy;
- our projected operating results;
- our ability to acquire or develop additional facilities in the United States or Europe;
- 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 debt and equity securities and/or property disposals;
- our ability to obtain future financing arrangements;
- estimates relating to, and our ability to pay, future distributions;
- our ability to service our debt and comply with all of our debt covenants;
- 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 factors referenced in the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business;" in our Form 10-K for the year ended December 31, 2015;
- U.S. (both national and local) and European (in particular Germany, the United Kingdom, Spain and Italy) economic, business, real estate, and other market conditions;
- 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 U.S. federal and state income tax purposes;
- our ability to attract and retain qualified personnel;
- changes in foreign currency exchange rates;
- U.S. (both federal and state) and European (in particular Germany, the United Kingdom, Spain and Italy) healthcare and other regulatory requirements; and
- U.S. national and local economic conditions, as well as conditions in Europe and any other foreign jurisdictions where we own or will own healthcare facilities, which may have a negative effect on the following, among other things:
    - the financial condition of our tenants, our lenders, counterparties to our interest rate swaps and other hedged transactions 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, refinance existing debt, comply with debt covenants, 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 identifying 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 to reflect future events or developments.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Medical Properties Trust, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of net income, comprehensive income, equity and cash flows present fairly, in all material respects, the financial position of Medical Properties Trust, Inc. and its subsidiaries at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, 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. Our responsibility is to express opinions on these financial statements 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.

Birmingham, Alabama
February 29, 2016

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
	(Amounts in thousands, except for per share data)	
ASSETS		
Real estate assets		
Land	$ 315,787	$ 192,551
Buildings and improvements	2,675,803	1,848,176
Construction in progress and other	49,165	23,163
Intangible lease assets	256,950	108,885
Net investment in direct financing leases	626,996	439,516
Mortgage loans	757,581	397,594
Gross investment in real estate assets	4,682,282	3,009,885
Accumulated depreciation	(232,675)	(181,441)
Accumulated amortization	(25,253)	(21,186)
Net investment in real estate assets	4,424,354	2,807,258
Cash and cash equivalents	195,541	144,541
Interest and rent receivables	46,939	41,137
Straight-line rent receivables	82,155	59,128
Other loans	664,822	573,167
Other assets	195,540	95,099
Total Assets	**$ 5,609,351**	**$ 3,720,330**
LIABILITIES AND EQUITY		
Liabilities		
Debt, net	$ 3,322,541	$ 2,174,648
Accounts payable and accrued expenses	137,356	112,623
Deferred revenue	29,358	27,207
Lease deposits and other obligations to tenants	12,831	23,805
Total liabilities	3,502,086	2,338,283
Commitments and Contingencies		
Equity		
Preferred stock, $0.001 par value. Authorized 10,000 shares; no shares outstanding	—	—
Common stock, $0.001 par value. Authorized 500,000 shares; issued and outstanding — 236,744 shares at December 31, 2015 and 172,743 shares at December 31, 2014	237	172
Additional paid-in capital	2,593,827	1,765,381
Distributions in excess of net income	(418,650)	(361,330)
Accumulated other comprehensive loss	(72,884)	(21,914)
Treasury shares, at cost	(262)	(262)
Total Medical Properties Trust, Inc. Stockholders' Equity	2,102,268	1,382,047
Non-controlling interests	4,997	—
Total Equity	2,107,265	1,382,047
Total Liabilities and Equity	**$ 5,609,351**	**$ 3,720,330**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2015	2014	2013
	(Amounts in thousands, except for per share data)		
Revenues			
Rent billed	$ 247,604	$ 187,018	$ 132,578
Straight-line rent	23,375	13,507	10,706
Income from direct financing leases	58,715	49,155	40,830
Interest and fee income	112,184	62,852	58,409
Total revenues	441,878	312,532	242,523
Expenses			
Real estate depreciation and amortization	69,867	53,938	36,978
Impairment charges	—	50,128	—
Property-related	3,792	1,851	2,450
Acquisition expenses	61,342	26,389	19,494
General and administrative	43,639	37,274	30,063
Total operating expenses	178,640	169,580	88,985
Operating income	263,238	142,952	153,538
Other income (expense)			
Interest and other income (expense)	595	5,481	(319)
Earnings from equity and other interests	2,849	2,559	3,554
Debt refinancing and unutilized financings expense	(4,368)	(1,698)	—
Interest expense	(120,884)	(98,156)	(66,746)
Income tax expense	(1,503)	(340)	(726)
Net other expenses	(123,311)	(92,154)	(64,237)
Income from continuing operations	139,927	50,798	89,301
Income (loss) from discontinued operations	—	(2)	7,914
Net income	139,927	50,796	97,215
Net income attributable to non-controlling interests	(329)	(274)	(224)
Net income attributable to MPT common stockholders	**$ 139,598**	**$ 50,522**	**$ 96,991**
Earnings per share — basic			
Income from continuing operations attributable to MPT common stockholders	$ 0.64	$ 0.29	$ 0.59
Income from discontinued operations attributable to MPT common stockholders	—	—	0.05
Net income attributable to MPT common stockholders	**$ 0.64**	**$ 0.29**	**$ 0.64**
Weighted average shares outstanding — basic	**217,997**	**169,999**	**151,439**
Earnings per share — diluted			
Income from continuing operations attributable to MPT common stockholders	$ 0.63	$ 0.29	$ 0.58
Income from discontinued operations attributable to MPT common stockholders	—	—	0.05
Net income attributable to MPT common stockholders	**$ 0.63**	**$ 0.29**	**$ 0.63**
Weighted average shares outstanding — diluted	**218,304**	**170,540**	**152,598**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2015	2014	2013
	(Amounts in thousands)		
Net income	$ 139,927	$ 50,796	$ 97,215
Other comprehensive income (loss):			
Unrealized gain on interest rate swap	3,139	2,964	3,474
Foreign currency translation (loss) gain	(54,109)	(15,937)	67
Total comprehensive income	88,957	37,823	100,756
Comprehensive income attributable to non-controlling interests	(329)	(274)	(224)
Comprehensive income attributable to MPT common stockholders	$ 88,628	$ 37,549	$ 100,532

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Preferred		Common		Additional	Distributions in	Accumulated Other	Treasury	Non-Controlling	
	Shares	Par Value	Shares	Par Value	Paid-in Capital	Excess of Net Income	Comprehensive Loss	Stock	Interests	Total Equity
	(Amounts in thousands, except for per share data)									
Balance at December 31, 2012	—	$ —	136,335	$ 136	$ 1,295,916	$ (233,494)	$ (12,482)	$ (262)	$ —	$ 1,049,814
Net income	—	—	—	—	—	96,991	—	—	224	97,215
Unrealized gain on interest rate swaps	—	—	—	—	—	—	3,474	—	—	3,474
Foreign currency translation gain	—	—	—	—	—	—	67	—	—	67
Stock vesting and amortization of stock-based compensation	—	—	811	1	8,832	—	—	—	—	8,833
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(224)	(224)
Proceeds from offering (net of offering costs)	—	—	24,164	24	313,306	—	—	—	—	313,330
Dividends declared ($0.81 per common share)	—	—	—	—	—	(128,301)	—	—	—	(128,301)
Balance at December 31, 2013	—	$ —	161,310	$ 161	$ 1,618,054	$ (264,804)	$ (8,941)	$ (262)	$ —	$ 1,344,208
Net income	—	—	—	—	—	50,522	—	—	274	50,796
Unrealized gain on interest rate swaps	—	—	—	—	—	—	2,964	—	—	2,964
Foreign currency translation loss	—	—	—	—	—	—	(15,937)	—	—	(15,937)
Stock vesting and amortization of stock-based compensation	—	—	777	—	9,165	—	—	—	—	9,165
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(274)	(274)
Proceeds from offering (net of offering costs)	—	—	10,656	11	138,162	—	—	—	—	138,173
Dividends declared ($0.84 per common share)	—	—	—	—	—	(147,048)	—	—	—	(147,048)
Balance at December 31, 2014	—	$ —	172,743	$ 172	$ 1,765,381	$ (361,330)	$ (21,914)	$ (262)	$ —	$ 1,382,047
Net income	—	—	—	—	—	139,598	—	—	329	139,927
Sale of non-controlling interests	—	—	—	—	—	—	—	—	5,000	5,000
Unrealized gain on interest rate swaps	—	—	—	—	—	—	3,139	—	—	3,139
Foreign currency translation loss	—	—	—	—	—	—	(54,109)	—	—	(54,109)
Stock vesting and amortization of stock-based compensation	—	—	751	2	11,120	—	—	—	—	11,122
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(332)	(332)
Proceeds from offering (net of offering costs)	—	—	63,250	63	817,326	—	—	—	—	817,389
Dividends declared ($0.88 per common share)	—	—	—	—	—	(196,918)	—	—	—	(196,918)
Balance at December 31, 2015	—	$ —	236,744	$ 237	$ 2,593,827	$ (418,650)	$ (72,884)	$ (262)	$ 4,997	$ 2,107,265

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2015	2014	2013
	(Amounts in thousands)		
Operating activities			
Net income	$ 139,927	$ 50,796	$ 97,215
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	71,827	55,162	38,818
Amortization and write-off of deferred financing costs and debt discount	6,085	5,105	3,559
Direct financing lease accretion	(8,032)	(6,701)	(5,774)
Straight-line rent revenue	(26,187)	(16,325)	(11,265)
Share-based compensation expense	11,122	9,165	8,833
Gain from sale of real estate	(3,268)	(2,857)	(7,659)
Impairment charges	—	50,128	—
Straight-line rent write-off	2,812	2,818	1,457
Other adjustments	(1,967)	520	(70)
Decrease (increase) in:			
Interest and rent receivable	(5,599)	(3,856)	(13,211)
Other assets	(8,297)	764	1,855
Accounts payable and accrued expenses	26,540	6,209	23,867
Deferred revenue	2,033	(485)	3,177
Net cash provided by operating activities	206,996	150,443	140,802
Investing activities			
Cash paid for acquisitions and other related investments	(2,218,869)	(767,696)	(654,922)
Net proceeds from sale of real estate	19,175	34,649	32,409
Principal received on loans receivable	771,785	11,265	7,249
Investment in loans receivable	(354,001)	(12,782)	(3,746)
Construction in progress	(146,372)	(102,333)	(41,452)
Other investments, net	(17,339)	(13,126)	(52,115)
Net cash used for investing activities	(1,945,621)	(850,023)	(712,577)

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the Years Ended December 31,		
	2015	2014	2013
	(Amounts in thousands)		
Financing activities			
Additions to term debt	681,000	425,000	424,580
Payments of term debt	(283)	(100,266)	(11,249)
Payment of deferred financing costs	(7,686)	(14,496)	(9,760)
Revolving credit facilities, net	509,415	490,625	(20,000)
Distributions paid	(182,980)	(144,365)	(120,309)
Lease deposits and other obligations to tenants	(10,839)	7,892	3,231
Proceeds from sale of common shares, net of offering costs	817,389	138,173	313,330
Other financing activities	(5,326)	—	—
Net cash provided by financing activities	1,800,690	802,563	579,823
Increase in cash and cash equivalents for the year	62,065	102,983	8,048
Effect of exchange rate changes	(11,065)	(4,421)	620
Cash and cash equivalents at beginning of year	144,541	45,979	37,311
Cash and cash equivalents at end of year	**$ 195,541**	**$ 144,541**	**$ 45,979**
Interest paid, including capitalized interest of $1,425 in 2015, $1,860 in 2014, and $1,729 in 2013	$ 107,228	$ 91,890	$ 58,110
Supplemental schedule of non-cash investing activities:			
Mortgage loan issued from sale of real estate	$ —	$ 12,500	$ —
Supplemental schedule of non-cash financing activities:			
Dividends declared, not paid	$ 52,402	$ 38,461	$ 35,778

See accompanying 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 healthcare 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.

We have operated as a real estate investment trust ("REIT") since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of the calendar year 2004 federal income tax return. Accordingly, we will generally not be subject to U.S. federal income tax, provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income.

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 or equity interests in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment. All of our properties are located in the United States and Europe.

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.

At December 31, 2015, we had loans and/or equity investments in certain VIEs, which are also tenants of our facilities (including but not limited to Ernest, Capella 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, 2015 (in thousands):

VIE Type	Maximum Loss Exposure(1)	Asset Type Classification	Carrying Amount(2)
Loans, net	$ 984,512	Mortgage and other loans	$ 921,930
Equity investments	$ 54,033	Other assets	$ 6,232

(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 borrowers or investees) that most significantly impact the VIE's economic performance. As of December 31, 2015, 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 typically 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 statements of net income, and we have elected to record our share of such investee's earnings or losses on a 90-day lag basis. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the interest in the investee entity. Subsequently, our investments are increased/decreased by our share in the investees' earnings and decreased by cash distributions from our investees. 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 those acquired as part of a property acquisition. 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 net income is presented as two amounts: rent billed and straight-line revenue. Rent billed 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 rent billed 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 may provide for additional rents contingent upon a percentage of the tenant's 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 also receive additional rent (contingent rent) under some leases based on increases in the consumer price index or when the consumer price index exceeds the annual minimum percentage increase in the lease. Contingent rents are recorded as rent billed revenue in the period earned.

We use direct financing lease ("DFL") accounting to record rent on certain leases deemed to be financing leases, per accounting rules, rather than operating leases. For leases accounted for as DFLs, the future minimum lease payments are recorded as a receivable. The difference between the future minimum lease payments and the estimated residual values less the cost of the properties is recorded as unearned income. Unearned income is deferred and amortized to income over the lease terms to provide a constant yield when collectability of the lease payments is reasonably assured. Investments in DFLs are presented net of unamortized and unearned income.

In instances where we have a profits or equity interest in our tenant's operations, we record income 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 with a corresponding offset to deferred revenue during the construction period. When the lessee takes physical possession of the facility, we begin recognizing the deferred construction period revenue 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 a lease to produce a constant effective yield on the lease (interest method). Commitment and origination fees from lending services are also recorded as deferred revenue initially 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 appropriate third party 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: : For existing properties acquired for leasing purposes, we account for such acquisitions based on business combination accounting rules. 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 may utilize a number of sources, from time to time, including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, 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 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 lease term. We amortize any resulting capitalized below-market lease values as an increase to rental income over the lease term.

We measure the aggregate value of 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 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 these intangible assets to expense over the initial term of the respective leases. If a lease is terminated, the unamortized portion of the lease intangibles are charged to expense.

Goodwill: Goodwill is deemed to have an indefinite economic life and is not subject to amortization. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. The impairment testing involves a two-step approach. The first step determines if goodwill is impaired by comparing the fair value of the reporting unit as a whole to its book value. If a deficiency exists, the second step measures the amount of the impairment loss as the difference between the implied fair value of goodwill and its carrying value. We have not had any goodwill impairments.

Real Estate and Depreciation: Real estate, consisting of land, buildings and improvements, are maintained at cost. Although typically paid by our tenants, any expenditure 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 the 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.

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. We commence capitalization of costs associated with a development project when the development of the future asset is probable and activities necessary to get the underlying property ready for its intended use have been initiated. We stop the capitalization of costs when the property is substantially complete and ready for its intended use.

Depreciation is calculated on the straight-line method over the useful lives of the related real estate and other assets. Our weighted-average useful lives at December 31, 2015 are as follows:

Buildings and improvements	38.9 years
Tenant lease intangibles	25.6 years
Leasehold improvements	22.1 years
Furniture, equipment and other	9.3 years

Losses from Rent Receivables: For all leases, 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.

Losses from Operating Lease Receivables: We utilize the information above 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 existing collateral, if any.

Losses on DFL Receivables: Allowances are established for DFLs based upon an estimate of probable losses for the individual DFLs deemed to be impaired. DFLs are impaired when it is deemed probable that we will be unable to collect all amounts due in accordance with the contractual terms of the lease. Like operating lease receivables, the need for an allowance is based upon our assessment of the lessee's overall financial condition; economic resources and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. These estimates consider all available evidence including the expected future cash flows discounted at the DFL's effective interest rate, fair value of collateral, and other relevant factors, as appropriate. DFLs are placed on non-accrual status when we determine that the collectability of contractual amounts is not reasonably assured. While on non-accrual status, we generally account for the DFLs on a cash basis, in which income is recognized only upon receipt of cash.

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

Our unvested restricted stock 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.

Income Taxes: We conduct our business as a 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 REIT's ordinary taxable income. As a REIT, we generally pay little federal and state income tax because of the dividends paid deduction that we are allowed to take. 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 ("IRS") 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.

Our financial statements include the operations of taxable REIT subsidiaries ("TRS"), including MPT Development Services, Inc. ("MDS") and MPT Covington TRS, Inc. ("CVT"), along with many other entities, 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.

With the property acquisitions and investments in Europe, we are subject to income taxes internationally. However, we do not expect to incur any additional income taxes in the United States as such income from our international properties will flow through our REIT income tax returns. For our TRS and international subsidiaries, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in our deferred tax receivables/liabilities that results from a change in circumstances and that causes us to change our judgment about expected future tax consequences of events, is reflected in our tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes us to change our judgment about the realizability of the related deferred tax asset, is reflected in our tax provision when such changes occur.

Stock-Based Compensation: We adopted the 2013 Equity Incentive Plan (the "Equity Incentive Plan") during the second quarter of 2013. Awards of restricted stock, stock options and other equity-based awards with service conditions are amortized to compensation expense over the vesting periods (typically three 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 five 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 debt that directly relate to the offerings are deferred and netted against proceeds received from the offering. 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.

Deferred Financing Costs: We amortize deferred financing costs incurred in connection with anticipated financings and refinancings of debt. These costs are amortized over the lives of the related debt 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 debt (interest method) and are included within Debt, net on our consolidated balance sheets. 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 and are included as a component of Other Assets on our consolidated balance sheets.

Foreign Currency Translation and Transactions: Certain of our international subsidiaries' functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, and we translate balance sheet accounts using exchange rates in effect at the end of the period. We record resulting currency translation adjustments in accumulated other comprehensive income (loss), a component of stockholders' equity on our consolidated balance sheets.

Certain of our U.S. subsidiaries will enter into short-term and long-term transactions denominated in foreign currency from time to time. Gains or losses resulting from these foreign currency transactions are translated into U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effects of transaction gains or losses on our short-term transactions are included in other income in the consolidated statements of income, while the translation effects on our long-term investments are recorded in accumulated other comprehensive income (loss) on our consolidated balance sheets.

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

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

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 classify 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 Monte Carlo valuation models. We also consider our counterparty's and own credit risk on derivatives and other liabilities measured at their estimated fair value.

Fair Value Option Election: For our equity interest in Ernest and Capella along with any related loans (as more fully described in Note 3 and 10), we have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interest or loans.

RECENT ACCOUNTING DEVELOPMENTS:

PRESENTATION OF DEBT ISSUANCE COSTS

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. Also in August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated With Line-of-Credit Arrangements" which clarifies the SEC staff's position not objecting to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing such costs, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We adopted these standards for the quarter ended December 31, 2015. There were deferred financing costs of $28.4 million and $27.0 million as of December 31, 2015 and 2014, respectively that are now classified within Debt, net on our consolidated balance sheets.

MEASUREMENT-PERIOD ADJUSTMENTS FOR BUSINESS COMBINATIONS

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" to simplify the accounting for business combinations, specifically as it relates to measurement-period adjustments. Acquiring entities in a business combination must recognize measurement-period adjustments in the reporting period in which the adjustment amounts are determined. Also, ASU 2015-16 requires entities to present separately on the face of the income statement (or disclose in the notes to the financial statements) the portion of the amount recorded in the current period earnings, by line item, that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for us beginning in the 2015 fourth quarter and is to be applied prospectively to measurement-period adjustments that occur after the effective date. We do not expect the adoption of this ASU to have a significant impact on our consolidated financial statements.

REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." Under the new standard, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration received for that specific good or service. Entities may use a full retrospective approach or report the cumulative effect as of the date of adoption. On April 1, 2015, the FASB proposed deferring the effective date of this standard by one year to December 15, 2017, for annual reporting periods beginning after that date. The FASB also proposed permitting early adoption of the standard, but not before the original effective date of December 15, 2016. We do not expect this standard to have a significant impact on our financial results, as a substantial portion of our revenue consists of rental income from leasing arrangements, which are specifically excluded from ASU No. 2014-09.

AMENDMENTS TO THE CONSOLIDATION ANALYSIS

In February 2015, the FASB issued ASU 2015-02 that modifies the evaluation of whether limited partnerships and similar legal entities are VIEs, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. We do not believe this proposed standard will have a significant impact on us. This ASU is effective for fiscal years beginning after December 15, 2015.

LEASES

In February 2016, the FASB issued ASU 2016-02 - Leases (Accounting Standards Codification 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact our consolidated financial statements as we have certain operating and land lease arrangements for which we are the lessee.

3. REAL ESTATE AND LOANS RECEIVABLE

ACQUISITIONS

We acquired the following assets:

	2015	2014	2013
Assets Acquired	(Amounts in thousands)		
Land	$ 126,336	$ 22,569	$ 41,473
Building	758,009	241,242	439,030
Intangible lease assets – subject to amortization (weighted average useful life of 30.4 years in 2015, 18.2 years in 2014 and 21.0 years in 2013)	154,719	22,513	38,589
Net investments in direct financing leases	174,801	–	110,580
Mortgage loans	380,000	–	20,000
Other loans	523,605	447,664	5,250
Equity investments and other assets	101,716	33,708	–
Liabilities	(317)	–	–
Total assets acquired	$2,218,869	$767,696	$ 654,922
Loans repaid (1)	(385,851)	–	–
Total assets acquired	$1,833,018	$767,696	$ 654,922

(1) Loans advanced to MEDIAN in 2014 and repaid in 2015 as part of step 2 of the MEDIAN transaction. See below for details.

2015 ACTIVITY

ACQUISITION OF CAPELLA HEALTHCARE HOSPITAL PORTFOLIO

In July 2015, we entered into definitive agreements to acquire a portfolio of seven acute care hospitals owned and operated by Capella for a combined purchase price and investment of approximately $900 million, adjusted for any cash on hand. The transaction includes our investments in seven acute care hospitals (two of which are in the form of mortgage loans) for an

aggregate investment of approximately $600 million, an acquisition loan for approximately $290 million and a 49% equity interest in the ongoing operator of the facilities.

In conjunction with the acquisition, MPT Camaro Opco, LLC, a wholly-owned subsidiary of MDS, formed a joint venture limited liability company, Capella Health Holdings, LLC ("Capella Holdings"), with an entity affiliated with the current senior management of Capella ("ManageCo"). MPT Camaro Opco, LLC holds 49% of the equity interests in Capella Holdings and the ManageCo holds the remaining 51%. Capella and its operating subsidiaries are managed and operated by ManageCo pursuant to the terms of one or more management agreements, the terms of which include base management fees payable to ManageCo and incentive payments tied to agreed benchmarks. Pursuant to the limited liability company agreement of Capella Holdings, ManageCo and MPT Camaro Opco, LLC will share profits and distributions from Capella Holdings according to a distribution waterfall under which, if certain benchmarks are met, after taking into account interest paid on the acquisition loan, ManageCo and MPT Camaro Opco, LLC will share in cash generated by Capella Holdings in a ratio of 35% to ManageCo and 65% to MPT Camaro Opco, LLC. The limited liability company agreement provides that ManageCo will manage Capella Holdings and MPT Camaro Opco, LLC will have no management authority or control except for certain protective rights consistent with a passive ownership interest, such as a limited right to approve certain components of the annual budgets and the right to approve extraordinary transactions.

On August 31, 2015, we closed on six of the seven Capella properties, two of which were in the form of mortgage loans, and expect to close on the seventh property in 2016. We entered into a master lease and mortgage loans for the acquired properties providing for 15-year terms with four 5-year extension options, plus consumer price-indexed increases, limited to a 2% floor and a 4% ceiling annually. The acquisition loan has a 15-year term and carries a fixed interest rate of 8%.

On October 30, 2015, we acquired an additional acute hospital in Camden, South Carolina for an aggregate purchase price of $25.8 million. We leased this hospital to Capella pursuant to the 2015 master lease. In connection with the transaction, we funded an additional acquisition loan to Capella of $9.2 million.

As of December 31, 2015, our acquisition loan is $487.7 million, of which $100 million is related to the funding of a property that is expected to close in 2016.

MEDIAN TRANSACTION UPDATE

During early 2015, we made additional loans of approximately €240 million on behalf of MEDIAN, a German provider of post-acute and acute rehabilitation services, to complete step one of a two step process to acquire the healthcare real estate of MEDIAN. On April 29, 2015, we entered into a series of definitive agreements with MEDIAN to complete the acquisition of the real estate assets of 32 hospitals owned by MEDIAN for an aggregate purchase price of approximately €688 million. Upon acquisition, each property became subject to a master lease between us and MEDIAN providing for the leaseback of the property to MEDIAN. The master lease has an initial term of 27 years and provides for annual escalations of rent at the greater of one percent or 70% of the German consumer price index.

MEDIAN is owned by an affiliate of Waterland Private Equity Fund V C.V. ("Waterland"), which acquired 94.9% of the outstanding equity interests in MEDIAN, and by a subsidiary of our Operating Partnership, which acquired the remaining 5.1% of the outstanding equity interests in MEDIAN, each in December 2014. See "2014 Activity" for further details of our 2014 activity with MEDIAN.

At each closing, the purchase price for each facility has been reduced and offset against the interim loans made to affiliates of Waterland and MEDIAN and against the amount of any debt assumed or repaid by us in connection with the closing. As part of this transaction, we incurred approximately $37 million of real estate transfer tax in 2015. As of December 31, 2015, we have closed on 31 of the 32 properties for an aggregate amount of €646 million. As of December 31, 2015, we have no loans outstanding to MEDIAN.

An affiliate of Waterland controls RHM Klinik-und Altenheimbetriebe GmbH & Co. KG ("RHM"), the operator and lessee of the other German facilities that we own. MEDIAN and RHM merged in December 2015. For concentration disclosures that follow in this Note 3, we will show MEDIAN and RHM on a combined basis as MEDIAN.

OTHER ACQUISITIONS

On December 3, 2015, we acquired a 266-bed outpatient rehabilitation clinic located in Hannover, Germany from RHM for €18.7 million. Upon acquisition, the facility was leased back under our existing master lease with RHM, providing for a remaining term of 25 years and annual rent increases of 2.0% in 2017 and 0.5% thereafter. On December 31, 2020 and every three years thereafter, rent will also be increased to reflect 70% of cumulative increases in the German consumer price index.

On November 18, 2015, we acquired seven acute care hospitals and a freestanding clinic in northern Italy for an aggregate purchase price to us of approximately €90 million. The acquisition was effected through a newly-formed joint venture between us and affiliates of AXA Real Estate,

in which we own a 50% interest. The facilities are leased to an Italian acute care hospital operator, pursuant to a long-term master lease. We are accounting for our 50% interest in this joint venture under the equity method.

On September 30, 2015, we provided a $100 million mortgage financing to Prime for three general acute care hospitals and one free-standing emergency department and health center in New Jersey. The loan has a five-year term and provides for consumer-priced indexed interest increases, subject to a floor.

On September 9, 2015, we acquired the real estate of a general acute care hospital under development located in Valencia, Spain. The acquisition was effected through a newly-formed joint venture between us and clients of AXA Real Estate, in which we will own a 50% interest. Our expected share of the aggregate purchase and development price is €21.4 million. Upon completion, the facility will be leased to a Spanish operator of acute care hospitals, pursuant to a long-term lease. We are accounting for our 50% interest in this joint venture under the equity method.

On August 31, 2015, we closed on a $30 million mortgage loan transaction with Prime for the acquisition of Lake Huron Medical Center, a 144-bed general acute care hospital located in Port Huron, Michigan. The loan provides for consumer-priced indexed interest increases, subject to a floor. On December 31, 2015, we acquired the real estate of Lake Huron Medical Center for $20 million, which reduced the mortgage loan accordingly. The facility is being leased to Prime under our master lease agreement.

On June 16, 2015, we acquired the real estate of two facilities in Lubbock, Texas, a 60-bed inpatient rehabilitation hospital and a 37-bed long-term acute care hospital, for an aggregate purchase price of $31.5 million. We entered into a 20-year lease with Ernest for the rehabilitation hospital, which provides for three five-year extension options, and separately entered into a lease with Ernest for the long-term acute care hospital that has a final term ending December 31, 2034. In connection with the transaction, we funded an acquisition loan to Ernest of approximately $12.0 million. Ernest will operate the rehabilitation hospital in a joint venture with Covenant Health System, while the long-term acute care hospital will continue to be operated by Fundamental Health under a new sublease with Ernest.

On February 27, 2015, we acquired an inpatient rehabilitation hospital in Weslaco, Texas for $10.7 million. We have leased this hospital to Ernest pursuant to the 2012 master lease, which has a remaining 17-year fixed term and three extension options of five years each. This lease provides for consumer-priced-indexed annual rent increases, subject to a floor and a cap. In addition, we funded an acquisition loan in the amount of $5 million.

On February 13, 2015, we acquired two general acute care hospitals in the Kansas City area for $110 million. Prime is the tenant and operator pursuant to a new master lease that has similar terms and security enhancements as the other master lease agreements entered into in 2013. This master lease has a 10-year initial fixed term with two extension options of five years each. The lease provides for consumer-price-indexed annual rent increases, subject to a specified floor. In addition, we funded a mortgage loan in the amount of $40 million, which has a 10-year term.

From the respective acquisition dates, the properties and mortgage loans acquired in 2015 contributed $102.4 million and $69.3 million of revenue and income (excluding related acquisition expenses), respectively, for the year ended December 31, 2015. In addition, we incurred $58 million of acquisition related costs on the 2015 acquisitions for the year ended December 31, 2015.

The majority of the purchase price allocations attributable to the 2015 acquisitions are preliminary. When all relevant information is obtained, resulting changes, if any, to our provisional purchase price allocation will be adjusted to reflect new information obtained about the facts and circumstances that existed as of the respective acquisition dates that, if known, would have affected the measurement of the amounts recognized as of those dates.

2014 ACTIVITY

MEDIAN TRANSACTION

On October 15, 2014, we entered into definitive agreements pursuant to which we would acquire substantially all the real estate assets of MEDIAN. The transaction was structured using a two step process in partnership with affiliates of Waterland. In the first step, an affiliate of Waterland acquired 94.9% of the outstanding equity interest in MEDIAN pursuant to a stock purchase agreement with MEDIAN's current owners. We indirectly acquired the remaining 5.1% of the outstanding equity interest and provided or committed to provide interim acquisition loans to Waterland and MEDIAN in aggregate amounts of approximately €425 million, of which €349 million had been advanced at December 31, 2014. These interim loans bore interest at a rate similar to the initial lease rate under the planned sale and leaseback transactions. See "2015 Activity" for an update on the second step of this transaction — the sale-leaseback of the real estate.

OTHER ACQUISITIONS

In the fourth quarter of 2014, we acquired three RHM rehabilitation facilities in Germany for an aggregate purchase price of €63.6 million (approximately $81 million) including approximately €3.0 million (or approximately $3.6 million) of transfer and other taxes that have been expensed as acquisition costs. These facilities include: Bad Mergentheim (211 beds), Bad Tolz (248 beds), and Bad Liebenstein (271 beds). All three properties are included under our 2013 master lease agreement with RHM as described below.

On October 31, 2014, we acquired a 237-bed acute care hospital, associated medical office buildings, and a behavioral health facility in Sherman, Texas for $32.5 million. Alecto is the tenant and operator pursuant to a 15-year lease agreement with three five-year extension options. In addition, we funded a working capital loan of $7.5 million, and we obtained a 20% interest in the operator of the facility.

On September 19, 2014, we acquired an acute care hospital in Fairmont, West Virginia for an aggregate purchase price of $15 million from Alecto. The facility was simultaneously leased back to the seller under a 15-year initial term with three five-year extension options. In addition, we made a $5 million working capital loan to the tenant with a five-year term and a commitment to fund up to $5 million in capital improvements. Finally, we obtained a 20% interest in the operator of this facility.

On July 1, 2014, we acquired an acute care hospital in Peasedown St. John, United Kingdom from Circle Health Ltd., through its subsidiary Circle Hospital (Bath) Ltd. The sale/leaseback transaction, excluding any transfer taxes, is valued at approximately £28.3 million (or approximately $48.0 million based on exchange rates at that time). The lease has an initial term of 15-years with a tenant option to extend the lease for an additional 15 years. The lease includes annual rent increases, which will equal the year-over-year change in the retail price index with a floor of 2% and a cap of 5%. With the transaction, we incurred approximately £1.1 million (approximately $1.9 million) of transfer and other taxes that have been expensed as acquisition costs.

On March 31, 2014, we acquired a general acute care hospital and an adjacent parcel of land for an aggregate purchase price of $115 million from a joint venture of LHP Hospital Group, Inc. and Hackensack University Medical Center Mountainside. The facility was simultaneously leased back to the seller under a lease with a 15-year initial term with a three-year extension option, followed by a further 12-year extension option at fair market value. The lease provides for consumer price-indexed annual rent increases, subject to a specified floor and ceiling. The lease includes a customary right of first refusal with respect to a subsequent proposed sale of the facility.

From the respective acquisition dates in 2014 through that year end, the 2014 acquisitions contributed $12.4 million and $8.7 million of revenue and income (excluding related acquisition and financing expenses) for the period ended December 31, 2014. In addition, we incurred $26.4 million of acquisition related expenses in 2014, of which $25.2 million (including $5.8 million in transfer taxes as part of our RHM, Circle, and MEDIAN transactions) related to acquisitions consummated as of December 31, 2014.

2013 ACTIVITY

RHM PORTFOLIO ACQUISITION

On November 29, 2013, we acquired 11 rehabilitation facilities in the Federal Republic of Germany from RHM for an aggregate purchase price, excluding €9 million applicable transfer taxes, of €175 million (or $237.8 million based on exchange rates at that time). Each of the facilities are leased to RHM under a master lease providing for a term of 27 years and for annual rent increases of 2.0% from 2015 through 2017, and of 0.5% thereafter. On December 31, 2020 and every three years thereafter, rent will be increased to reflect 70% of cumulative increases in the German consumer price index.

OTHER ACQUISITIONS

On December 12, 2013, we acquired the real estate of Dallas Medical Center in Dallas, Texas from affiliates of Prime for a purchase price of $25 million and leased the facility to Prime with an initial 10-year lease term under the master lease agreement, plus two renewal options of five years each. This lease is accounted for as a direct financing lease.

On September 26, 2013, we acquired three general acute care hospitals from affiliates of IASIS for a combined purchase price of $281.3 million. Each of the facilities were leased back to IASIS under leases with initial 15-year terms plus two renewal options of five years each, and consumer price-indexed rent increases limited to a 2.5% ceiling annually. The lessees have a right of first refusal option with respect to subsequent proposed sales of the facilities. All of our leases with affiliates of IASIS are cross-defaulted with each other. In addition to the IASIS acquisitions transactions, we amended our lease with IASIS for the Pioneer Valley Hospital in West Valley City, Utah, which extended the lease to 2028 from 2019 and adjusted the rent.

On July 18, 2013, we acquired the real estate of Esplanade Rehab Hospital in Corpus Christi, Texas (now operating as Corpus Christi Rehabilitation Hospital). The total purchase price was $10.5 million including $0.5 million for adjacent land. The facility is leased to an affiliate of Ernest under the master lease agreement entered into in 2012 that initially provided for a 20-year term with three five-year extension options, plus consumer price-indexed rent increases, limited to a

2% floor and 5% ceiling annually. This lease is accounted for as a DFL. In addition, we made a $5.3 million loan on this property with terms similar to the lease terms.

On June 11, 2013, we acquired the real estate of two acute care hospitals in Kansas from affiliates of Prime for a combined purchase price of $75 million and leased the facilities to the operator under a master lease agreement. The master lease is for 10 years and contains two renewal options of five years each, and the rent increases annually based on the greater of the consumer price-index or 2%. This lease is accounted for as a DFL.

On December 31, 2013, we provided a $20 million mortgage financing to Alecto for the 204-bed Olympia Medical Center.

From the respective acquisition dates, in 2013 through that year-end, the 2013 acquisitions contributed $13.6 million and $10.6 million of revenue and income (excluding related acquisition and financing expenses) for the period ended December 31, 2013. In addition, we incurred $19.5 million of acquisition related expenses in 2013, of which $18.0 million (including $12 million in transfer taxes as a part of the RHM acquisition) related to acquisitions consummated as of December 31, 2013.

PRO FORMA INFORMATION

The following unaudited supplemental pro forma operating data is presented below as if each acquisition was completed on January 1, 2014 and January 1, 2013 for the year ended December 31, 2015 and 2014, respectively. The unaudited supplemental pro forma operating data is not necessarily indicative of what the actual results of operations would have been assuming the transactions had been completed as set forth above, nor do they purport to represent our results of operations for future periods (in thousands, except per share amounts).

	For the Year Ended December 31, (unaudited)	
	2015	2014
Total revenues	$ 542,763	$ 531,549
Net income	240,783	220,181
Net income per share	$ 1.02	$ 0.93

DEVELOPMENT ACTIVITIES

2015 ACTIVITY

During 2015, we completed construction and began recording rental income on the following facilities:

- First Choice ER (a subsidiary of Adeptus Health) – We completed 17 acute care facilities for this tenant during 2015 totaling $102.6 million. Fourteen of these facilities are leased pursuant to the master lease entered into in 2014 and are cross-defaulted with the original master lease executed with First Choice ER in 2013. Three properties are leased pursuant to the master lease entered into in 2015 and are cross-defaulted with the master leases entered into in 2014 and 2013.

- UAB Medical West — This $8.6 million acute care facility and medical office building located in Birmingham, Alabama is leased to Medical West, an affiliate of The University of Alabama at Birmingham, for 15 years and contains four renewal options of five years each. The rent increases 2% annually.

On May 5, 2015, we entered into an agreement to finance the development of and lease an inpatient rehabilitation facility in Toledo, Ohio for $19.2 million, which will be leased to Ernest under the 2012 master lease. The facility is expected to be completed in the second quarter of 2016.

In April 2015, we executed an agreement with Adeptus Health that provides for the acquisition and development of general acute care hospitals and free standing emergency facilities with an aggregate commitment of $250 million. These facilities will be leased to Adeptus Health pursuant to the terms of the 2014 master lease agreement that has a 15-year initial term with three extension options of five years each that provides for annual rent increases based on changes in the consumer price index with a 2% minimum. With this commitment, along with similar agreements entered into in 2014 and 2013, we have committed to fund up to $500 million in acute care facilities with Adeptus Health. At December 31, 2015, we have funded $217.5 million that includes 35 completed and open facilities and 8 still under construction.

2014 ACTIVITY

During 2014, we completed construction and began recording rental income on the following facilities:

- Northern Utah Rehabilitation Hospital — This $19 million inpatient rehabilitation facility located in South Ogden, Utah is leased to Ernest pursuant to the 2012 master lease.

- Oakleaf Surgical Hospital — This approximately $30 million acute care facility located in Altoona, Wisconsin. This facility is leased to National Surgical Hospitals for 15 years and contains two renewal options of five years each plus an additional option for nearly another five years, and the rent increases annually based on changes in the consumer price-index.

- First Choice ER (a subsidiary of Adeptus Health) — We completed 17 acute care facilities for this tenant during 2014 totaling approximately $83.0 million. These facilities are leased pursuant to the master lease entered into in 2013.

See table below for a status update on our current development projects (in thousands):

Property	Location	Property Type	Operator	Commitment	Costs Incurred as of 12/31/15	Estimated Completion Date
First Choice ER - Houston (2)	Houston, TX	Acute Care Hospital	Adeptus Health	$ 5,257	$ 2,535	1Q 2016
First Choice ER - Denver (2)	Denver, CO	Acute Care Hospital	Adeptus Health	5,300	2,435	2Q 2016
First Choice ER - Phoenix (2)	Phoenix, AZ	Acute Care Hospital	Adeptus Health	6,728	3,275	2Q 2016
First Choice ER - San Antonio (2)	San Antonio, TX	Acute Care Hospital	Adeptus Health	7,530	3,690	2Q 2016
First Choice ER - Texas (1)(2)	Texas	Acute Care Hospital	Adeptus Health	16,422	3,924	2Q 2016
Rehabilitation Hospital of Northwestern Ohio	Toledo, OH	Inpatient Rehabilitation Hospital	Ernest Health	19,212	13,693	2Q 2016
First Choice ER - Houston	Houston, TX	Acute Care Hospital	Adeptus Health	45,961	19,613	3Q 2016
First Choice Emergency Rooms	Various	Acute Care Hospital	Adeptus Health	200,090	—	Various
				$ 306,500	$ 49,165	

(1) Includes three acute care facilities.
(2) Freestanding emergency room.

DISPOSALS

2015 ACTIVITY

On July 30, 2015, we sold a long-term acute care facility in Luling, Texas for approximately $9.7 million, resulting in a gain of $1.5 million. Due to this sale, we wrote off $0.9 million of straight-line receivables. On August 5, 2015, we sold six wellness centers in the United States for total proceeds of approximately $9.5 million (of which $1.5 million is in the form of a promissory note), resulting in a gain of $1.7 million. Due to this sale, we wrote off $0.9 million of billed rent receivables. With these disposals, we accelerated the amortization of the related lease intangible assets resulting in approximately $0.7 million of additional expense.

The sale of the Luling facility and the six wellness centers were not strategic shifts in our operations, and therefore the results of operations related to these facilities have not been reclassified as discontinued operations.

2014 ACTIVITY

On December 31, 2014, we sold our La Palma facility for $12.5 million, resulting in a gain of $2.9 million. Due to this sale, we wrote-off $1.3 million of straight-line rent receivables.

On May 20, 2014, the tenant of our Bucks facility gave notice of their intent to exercise the lease's purchase option. Pursuant to this purchase option, the tenant acquired the facility on August 6, 2014 for $35 million. We wrote down this facility to fair market value less cost to sell, resulting in a $3.1 million real estate impairment charge in the 2014 second quarter.

The sale of the Bucks and La Palma facilities was not a strategic shift in our operations, and therefore the results of the Bucks and La Palma operations have not been reclassified as discontinued operations.

2013 ACTIVITY

On November 27, 2013, we sold the real estate of an inpatient rehabilitation facility, Warm Springs Rehabilitation Hospital of San Antonio, for $14 million, resulting in a gain on sale of $5.6 million.

On April 17, 2013, we sold two long-term acute care hospitals, Summit Hospital of Southeast Arizona and Summit Hospital of Southeast Texas, for total proceeds of $18.5 million, resulting in a gain of $2.1 million.

INTANGIBLE ASSETS

At December 31, 2015 and 2014, our intangible lease assets were $257.0 million ($231.7

million, net of accumulated amortization) and $108.9 million ($87.7 million, net of accumulated amortization), respectively.

We recorded amortization expense related to intangible lease assets of $9.1 million, $7.0 million, and $4.0 million in 2015, 2014, and 2013, respectively, and expect to recognize amortization expense from existing lease intangible assets as follows: (amounts in thousands)

For the Year Ended December 31:	
2016	$ 10,204
2017	10,194
2018	10,133
2019	10,085
2020	9,882

As of December 31, 2015, capitalized lease intangibles have a weighted average remaining life of 24.0 years.

LEASING OPERATIONS

All of our leases are accounted for as operating leases except we are accounting for 15 Ernest facilities, five Prime facilities, and four Capella facilities as DFLs. The components of our net investment in DFLs consisted of the following (dollars in thousands):

	As of December 31, 2015	As of December 31, 2014
Minimum lease payments receivable	$ 2,587,912	$ 1,607,024
Estimated residual values	393,097	211,888
Less unearned income	(2,354,013)	(1,379,396)
Net investment in direct financing leases	$ 626,996	$ 439,516

Minimum rental payments due to us in future periods under operating leases and DFLs, which have non-cancelable terms extending beyond one year at December 31, 2015, are as follows: (amounts in thousands)

	Total Under Operating Leases	Total Under DFLs	Total
2016	$ 295,839	$ 65,097	$ 360,936
2017	297,671	66,399	364,070
2018	299,662	67,727	367,389
2019	301,040	69,081	370,121
2020	301,460	70,463	371,923
Thereafter	4,847,165	2,039,146	6,886,311
	$ 6,342,837	$ 2,377,913	$ 8,720,750

HOBOKEN FACILITY

In the 2015 third quarter, a subsidiary of the operator of our Hoboken facility acquired 10% of our subsidiary that owns the real estate for $5 million, which is reflected in the non-controlling interest line of our consolidated balance sheet at December 31, 2015.

TWELVE OAKS FACILITY

In the third quarter of 2015, we sent notice of termination of the lease to the tenant at our Twelve Oaks facility. As a result of the lease terminating, we recorded a charge of $1.9 million to reserve against the straight-line rent receivables. In addition, we accelerated the amortization of the related lease intangible asset resulting in $0.5 million of additional expense during 2015. At December 31, 2015, we have approximately $1 million of exposure outstanding with this tenant, but we received $0.8 million in payments subsequent to year-end. In addition, we have a letter of credit for approximately $0.5 million to cover any rent and other monetary payments not paid. Although no assurances can be made that we will not have any impairment charges or write-offs of receivables in the future, we believe our investment in Twelve Oaks at December 31, 2015 is fully recoverable.

MONROE FACILITY

During 2014, the previous operator of our Monroe facility continued to underperform and became further behind on payments to us as required by the real estate lease agreement and working capital loan agreement. In August 2014, this operator filed for bankruptcy. Based on these developments and the fair value of our real estate and the underlying collateral of our loan (using Level 2 inputs), we recorded a $47.0 million impairment charge in 2014.

Effective December 31, 2014, the bankruptcy court approved the purchase by Prime of the assets of the prior operator. Prime leases the facility from us pursuant to terms under an existing master lease. The initial annual lease payment was approximately $2.5 million, and Prime has been current on its rent since lease inception. At December 31, 2015, our investment in Monroe is approximately $36 million, which we believe is fully recoverable.

FLORENCE FACILITY

On March 6, 2013, the tenant of our facility in Phoenix, Arizona filed for Chapter 11 bankruptcy. At December 31, 2015, we have approximately $0.9 million of receivables outstanding, but the tenant continues to pay us in accordance with bankruptcy orders. In addition, we have a letter of credit for approximately $1.2 million to cover any rent and other monetary payments not paid. Although no assurances can be made that we will not have any impairment charges in the future, we believe our investment in Florence of $26.7 million at December 31, 2015, is fully recoverable.

LOANS

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

	As of December 31, 2015		As of December 31, 2014	
	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate
Mortgage loans	$ 757,581	9.5%	$ 397,594	10.5%
Acquisition loans	610,469	9.1%	525,136	9.3%
Working capital and other loans	54,353	10.2%	48,031	10.4%
	$ 1,422,403		$ 970,761	

Our mortgage loans cover 14 of our properties with four operators. The increase in mortgage loans relates to the two loans for $210 million made to Capella with the remainder to Prime — See "2015 Activity" under the Acquisition section for more details.

Other loans typically consist of loans to our tenants for acquisitions and working capital purposes. At December 31, 2015, acquisition loans include our $114.4 million of loans to Ernest plus $487.7 million related to the Capella transaction. The new Capella acquisition loans more than offset the MEDIAN loans that were converted to real estate in 2015 — See "2015 Activity" under the Acquisition section for more details.

On March 1, 2012, pursuant to our convertible note agreement, we converted $1.7 million of our $5.0 million convertible note into a 9.9% equity interest in the operator of our Hoboken University Medical Center facility. At December 31, 2015, $3.3 million remains outstanding on the convertible note, and we retain the option to convert this remainder into an additional 15.1% equity interest in the operator.

CONCENTRATION OF CREDIT RISKS

INVESTMENTS AND REVENUE BY OPERATOR

As of December 31, 2015: ($ amounts in thousands)

Operators	Total Assets	Percentage of Total Assets	Total Revenue	Percentage of Total Revenue
Prime	$ 1,032,353	18.4%	$ 104,325	23.6%
Capella	1,015,914	18.1%	28,567	6.4%
MEDIAN	978,529	17.4%	78,540	17.8%
Ernest	569,375	10.2%	61,988	14.0%

As of December 31, 2014: ($ amounts in thousands)

Operators	Total Assets	Percentage of Total Assets	Total Revenue	Percentage of Total Revenue
Prime	$ 749,553	20.1%	$ 84,038	26.9%
MEDIAN	707,437	19.0%	23,663	7.6%
Ernest	486,758	13.1%	57,315	18.3%

INVESTMENTS AND REVENUE BY U.S. STATE AND COUNTRY

As of December 31, 2015: ($ amounts in thousands)

U.S. States and Other Countries	Total Assets	Percentage of Total Assets	Total Revenue	Percentage of Total Revenue
Texas	$ 917,314	16.4%	$ 87,541	19.8%
California	547,085	9.8%	66,120	15.0%
Germany	978,529	17.4%	78,540	17.8%
Italy, Spain, and the U.K.	152,661	2.7%	4,476	1.0%

As of December 31, 2014: ($ amounts in thousands)

U.S. States and Other Countries	Total Assets	Percentage of Total Assets	Total Revenue	Percentage of Total Revenue
Texas	$ 776,017	20.9%	$ 74,044	23.7%
California	547,098	14.7%	64,268	20.5%
Germany	707,437	19.0%	23,663	7.6%
U.K.	44,005	1.2%	2,322	0.7%

On an individual property basis, we had no investment of any single property greater than 2% of our total assets as of December 31, 2015.

From a global geographic perspective, approximately 80% of our total assets are in the United States while 20% reside in Europe as of December 31, 2015 and 2014. Revenue from our European investments was $83.0 million and $26.0 million in 2015 and 2014, respectively.

RELATED PARTY TRANSACTIONS

Lease and interest revenue earned from tenants in which we have an equity interest in were $215.4 million, $101.8 million and $70.0 million in 2015, 2014 and 2013, respectively.

4. DEBT

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

	As of December 31, 2015		As of December 31, 2014	
	Balance	Interest Rate	Balance	Interest Rate
Revolving credit facility	$ 1,100,000	Variable	$ 593,490	Variable
2006 Senior Unsecured Notes	125,000	Various	125,000	Various
2011 Senior Unsecured Notes	450,000	6.875%	450,000	6.875%
2012 Senior Unsecured Notes:				
Principal amount	350,000	6.375%	350,000	6.375%
Unamortized premium	2,168		2,522	
	352,168		352,522	
2013 Senior Unsecured Notes(A)	217,240	5.75%	241,960	5.75%
2014 Senior Unsecured Notes	300,000	5.50%	300,000	5.50%
2015 Senior Unsecured Notes(A)	543,100	4.00%	—	—
Term loans	263,400	Various	138,682	Various
	$ 3,350,908		$2,201,654	
Debt issue costs, net	(28,367)		(27,006)	
	$ 3,322,541		$2,174,648	

As of December 31, 2015, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows:

2016	$ 125,299
2017	320
2018	1,112,781
2019	250,000
2020	217,240
Thereafter	1,643,100
Total	$ 3,348,740

(A) These notes are Euro-denominated and reflect the exchange rates at December 31, 2015 and 2014, respectively.

REVOLVING CREDIT FACILITY

On June 19, 2014, we closed on a $900 million senior unsecured credit facility (the "Credit Facility"). The Credit Facility was comprised of a $775 million senior unsecured revolving credit facility (the "Revolving credit facility") and a $125 million senior unsecured term loan facility (the "Term Loan"). The Credit Facility had an accordion feature that allowed us to expand the size of the facility by up to $250 million through increases to the Revolving credit facility, Term Loan, both or as a separate term loan tranche. The Credit Facility replaced our previous $400 million unsecured revolving credit facility and $100 million unsecured term loan. This transaction resulted in a refinancing charge of approximately $0.3 million in the 2014 second quarter.

On October 17, 2014, we entered into an amendment to our Credit Facility to exercise the $250 million accordion on the Revolving credit facility. This amendment increased the Credit Facility to $1.15 billion and added a new accordion feature that allowed us to expand our Credit Facility by another $400 million.

On August 4, 2015, we entered into an amendment to our Revolving credit facility and Term Loan agreement to increase the current aggregate committed size to $1.25 billion and amend certain covenants in order to permit us to consummate and finance the acquisition of Capella.

On September 30, 2015, we further amended our Credit Facility to, among other things, increase the aggregate commitment under our Revolving credit facility to $1.3 billion and increase the Term Loan portion to $250 million. In addition, this amendment includes a new accordion feature that allows us to expand our Credit Facility by another $400 million for a total commitment of $1.95 billion. This amendment resulted in a $0.1 million expense in the 2015 third quarter.

The Revolving credit facility matures in June 2018 and can be extended for an additional 12 months at our option. The Revolving credit facility's interest rate was originally set as (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Eurodollar rate plus 1.00%, plus a spread that was adjustable from 0.70% to 1.25% based on current total leverage, or (2) LIBOR plus a spread that was adjustable from 1.70% to 2.25% based on current total leverage. In addition to interest expense, we were required to pay a quarterly commitment fee on the undrawn portion of the Revolving credit facility, ranging from 0.25% to 0.35% per year.

In November 2014, we received an upgrade to our credit rating resulting in an improvement in our interest rate spreads and commitment fee rates. Effective December 10, 2014, the Revolving credit facility's interest rate is (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Eurodollar rate plus 1.00% plus a fixed spread of 0.40% or (2) LIBOR plus a fixed spread of 1.40%. In regards to commitment fees, we now pay based on the total facility at a rate of 0.30% per year.

At December 31, 2015 and 2014, we had $1.1 billion and $593.5 million, respectively, outstanding on the Revolving credit facility.

At December 31, 2015, our availability under our Revolving credit facility was $200 million. The weighted average interest rate on this facility was 1.7% and 2.2% for 2015 and 2014, respectively.

2015 SENIOR UNSECURED NOTES

On August 19, 2015, we completed a €500 million senior unsecured notes offering ("2015 Senior

Unsecured Notes"), proceeds of which were used to repay Euro-denominated borrowings under our Revolving credit facility and to fund our European investments. Interest on the notes will be payable annually on August 19 of each year, commencing on August 19, 2016. The 2015 Senior Unsecured Notes will pay interest in cash at a rate of 4.00% per year. The notes mature on August 19, 2022. We may redeem some or all of the 2015 Senior Unsecured Notes at any time. If the notes are redeemed prior to 90 days before maturity, the redemption price will be 100% of their principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. Within the period beginning on or after 90 days before maturity, the notes may be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 2015 Senior Unsecured Notes are fully and unconditionally guaranteed on an unsecured basis by the Company. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

2014 SENIOR UNSECURED NOTES

On April 17, 2014, we completed a $300 million senior unsecured notes offering ("2014 Senior Unsecured Notes"). Interest on the notes is payable semi-annually on May 1 and November 1 of each year. The 2014 Senior Unsecured Notes pay interest in cash at a rate of 5.50% per year. The notes mature on May 1, 2024. We may redeem some or all of the 2014 Senior Unsecured Notes at any time prior to May 1, 2019 at a "make-whole" redemption price. On or after May 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to May 1, 2017, we may redeem up to 35% of the aggregate principal amount of the 2014 Senior Unsecured Notes using the proceeds of one or more equity offerings. In the event of a change of control, each holder of the 2014 Senior Unsecured Notes may require us to repurchase some or all of our 2014 Senior Unsecured Notes at a repurchase price equal to 101% of the aggregate principal amount of the 2014 Senior Unsecured Notes plus accrued and unpaid interest to the date of purchase.

2013 SENIOR UNSECURED NOTES

On October 10, 2013, we completed the 2013 Senior Unsecured Notes offering for €200 million. Interest on the notes is payable semi-annually on April 1 and October 1 of each year. The 2013 Senior Unsecured Notes pay interest in cash at a rate of 5.750% per year. The notes mature on October 1, 2020. We may redeem some or all of the 2013 Senior Unsecured Notes at any time prior to October 1, 2016 at a "make-whole" redemption price. On or after October 1, 2016, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to October 1, 2016, we may redeem up to 35% of the aggregate principal amount of the 2013 Senior Unsecured Notes using the proceeds of one or more equity offerings. In the event of a change of control, each holder of the 2013 Senior Unsecured Notes may require us to repurchase some or all of our 2013 Senior Unsecured Notes at a repurchase price equal to 101% of the aggregate principal amount of the 2013 Senior Unsecured Notes plus accrued and unpaid interest to the date of purchase.

2012 SENIOR UNSECURED NOTES

On February 17, 2012, we completed a $200 million offering of senior unsecured notes ("2012 Senior Unsecured Notes") (resulting in net proceeds of $196.5 million, after underwriting discount). On August 20, 2013, we completed a $150 million tack on to the notes (resulting in net proceeds of $150.4 million, after underwriting discount). These 2012 Senior Unsecured Notes accrue interest at a fixed rate of 6.375% per year and mature on February 15, 2022. The 2013 tack on offering, was issued at a premium (price of 102%), resulting in an effective rate of 5.998%. Interest on these notes is payable semi-annually on February 15 and August 15 of each year. We may redeem some or all of the 2012 Senior Unsecured Notes at any time prior to February 15, 2017 at a "make-whole" redemption price. On or after February 15, 2017, we may redeem some or all of the 2012 Senior Unsecured Notes at a premium that will decrease over time, plus accrued and unpaid interest to, but not including, the redemption date. In the event of a change of control, each holder of the 2012 Senior Unsecured Notes may require us to repurchase some or all of its 2012 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.

2011 SENIOR UNSECURED NOTES

On April 26, 2011, we closed on a private placement of $450 million senior notes (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. 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.

2006 SENIOR UNSECURED NOTES

During 2006, we issued $125.0 million of Senior Unsecured Notes (the "2006 Senior Unsecured Notes"). The 2006 Senior Unsecured Notes were placed in private transactions exempt from registration under the Securities Act. One of the issuances of the 2006 Senior Unsecured Notes totaling $65.0 million pays interest quarterly at a floating annual rate of three-month LIBOR plus 2.30% and can be called at par value by us at any time. This portion of the 2006 Senior Unsecured Notes matures in July 2016. The remaining issuances of 2006 Senior Unsecured Notes pays interest quarterly at a floating annual rate of three-month LIBOR plus 2.30% and can also be called at par value by us at any time. These remaining notes mature in October 2016.

During the second quarter 2010, we entered into an interest rate swap to manage our exposure to variable interest rates by fixing $65 million of our $125 million 2006 Senior Unsecured 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 2006 Senior Unsecured 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, 2015 and 2014, the fair value of the interest rate swaps was $2.9 million and $6.0 million, respectively, which is reflected in accounts payable and accrued expenses on the consolidated balance sheets.

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, 2015 and therefore, there was no income statement effect recorded during the years ended December 31, 2015, 2014, and 2013. We do expect the current losses included in accumulated other comprehensive loss to be reclassified into earnings between now and the maturity of the related debt in July and October 2016. At December 31, 2015 and 2014, we have posted $1.7 million and $3.3 million of collateral related to our interest rate swaps, respectively, which is reflected in other assets on our consolidated balance sheets.

TERM LOANS

As noted previously under the Revolving Credit Facility section, we closed on the Term Loan for $125 million in the second quarter of 2014. Furthermore, as noted above, we amended the credit facility to increase the Term Loan portion to $250 million in the third quarter of 2015. The Term Loan matures in June 2019. The Term Loan's initial interest rate was (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Eurodollar rate plus 1.00%, plus a spread that was adjustable from 0.60% to 1.20% based on current total leverage, or (2) LIBOR plus a spread that was adjustable from 1.60% to 2.20% based on current total leverage. With the upgrade to our credit rating as discussed above, the Term Loan's interest rate, effective December 10, 2014, improved to (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Euro dollar rate plus 1.00% plus a fixed spread of 0.65%, or (2) LIBOR plus a fixed spread of 1.65%. At December 31, 2015 and 2014, the interest rate in effect on the Term Loan was 2.05% and 1.82%, respectively.

In connection with our acquisition of the Northland LTACH Hospital on February 14, 2011, we assumed a $14.6 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, subject to a certain prepayment premium. At December 31, 2015, the remaining balance on this term loan was $13.4 million. The loan is collateralized by the real estate of the Northland LTACH Hospital, which had a net book value of $16.9 million and $17.5 million at December 31, 2015 and 2014, respectively.

OTHER FINANCING

On July 27, 2015, we received a commitment to provide a senior unsecured bridge loan facility in the original principal amount of $1.0 billion to fund the acquisition of Capella pursuant to a commitment letter from JPMorgan Chase Bank, N.A. and Goldman, Sachs & Co. Funding under the bridge facility was not necessary as we funded the acquisition through a combination of an equity issuance and other borrowings. We incurred and expensed certain customary structuring and underwriting fees of $3.9 million in the 2015 third quarter related to the bridge commitment.

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 agreements governing our Credit Facility limit the amount of dividends we can pay as a percentage of normalized adjusted funds from operations, as defined in the agreements, on a rolling four quarter basis. At December 31, 2015, the dividend restriction was 95% of normalized adjusted FFO. The indentures governing our senior unsecured notes also limit 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 senior unsecured notes 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 Credit Facility contains customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, secured leverage ratio, consolidated adjusted net worth, unsecured leverage ratio, and unsecured interest coverage ratio. This Credit 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 Credit Facility, the entire outstanding balance may become immediately due and payable. At December 31, 2015, we were in compliance with all such financial and operating covenants.

At December 31, 2015, the total leverage ratio covenant in our Credit Facility was 70% and the unsecured leverage ratio covenant was 77.5%. In June 2016, the total leverage ratio will reset to 60%, and in September 2016, the unsecured leverage ratio will reset to 65%. We expect to comply with these reset leverage requirements by reducing debt through asset sales, retention of cash generated from our monthly rent and interest receipts, and other access to capital through joint ventures, our at-the-market equity offering program and equity offerings. We may also seek to extend the covenant reset dates; however, no assurances can be made that such extensions will be approved by our lenders. If an event of default occurs and is continuing under the Credit Facility, the entire outstanding balance may become immediately due and payable which could have a material adverse impact to the Company.

5. INCOME TAXES

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 United States federal, state and local income taxes. Our international subsidiaries are also subject to income taxes in the jurisdictions in which they operate.

From our taxable REIT subsidiaries and our foreign operations, we incurred income tax expenses as follows (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Current income tax expense:			
Domestic	$ 147	$ 114	$ 358
Foreign	1,614	225	158
	1,761	339	516
Deferred income tax (benefit) expense:			
Domestic	(360)	(23)	210
Foreign	102	24	—
	(258)	1	210
Income tax expense	$ 1,503	$ 340	$ 726

The foreign provision (benefit) for income taxes is based on foreign loss before income taxes of $29.4 million in 2015 as compared with foreign loss before income taxes of $7.5 million in 2014, and foreign loss before income taxes of $12.9 million in 2013.

The domestic provision (benefit) for income taxes is based on income before income taxes of $7.1 million in 2015 from our taxable REIT subsidiaries as compared with loss before income taxes of $20.9 million in 2014 from our taxable REIT subsidiaries, and income before income taxes of $7.6 million in 2013 from our taxable REIT subsidiaries.

At December 31, 2015 and 2014, components of our deferred tax assets and liabilities were as follows (in thousands):

	2015	2014
Deferred tax liabilities:		
Property and equipment	$ (1,636)	$ —
Unbilled rent	(4,495)	(2,070)
Partnership investments	(3,362)	(3,468)
Other	(6,141)	(3,759)
Total deferred tax liabilities	(15,634)	(9,297)
Deferred tax assets:		
Operating loss and interest deduction carry forwards	19,016	19,546
Property and equipment	—	2,373
Other	10,314	3,971
Total deferred tax assets	29,330	25,890
Valuation allowance	(23,005)	(16,831)
Total net deferred tax assets	$ 6,325	$ 9,059
Net deferred tax (liability)	$ (9,309)	$ (238)

At December 31, 2015, we had U.S. federal and state NOLs of $41.4 million and $107.7 million, respectively, that expire in 2021 through 2034. At December 31, 2015, we had foreign NOLs of $10.8 million that may be carried forward indefinitely.

At December 31, 2015, we had U.S. federal alternative minimum tax credits of $0.3 million that may be carried forward indefinitely. At December 31, 2015, we had U.S. federal foreign tax credits of $0.6 million that expire in 2025.

In 2015, our valuation allowance increased by $6.2 million as a result of book losses sustained by our foreign subsidiaries as the result of significant acquisition expenses incurred. We believe (based on cumulative losses and potential of future taxable income) that we should reserve for our net deferred tax assets. We will continue to monitor this valuation allowance and, if circumstances change (such as entering into new transactions including working capital loans, equity investments, etc.), we will adjust this valuation allowance accordingly.

A reconciliation of the income tax expense at the statutory income tax rate and the effective tax rate for income from continuing operations before income taxes for the years ended December 31, 2015, 2014, and 2013 is as follows (in thousands):

	2015	2014	2013
Income from continuing operations (before-tax)	$ 141,430	$ 51,138	$ 90,027
Income tax at the US statutory federal rate (35%)	49,501	17,898	31,509
Increase (decrease) resulting from:			
Rate differential	5,047	1,145	2,380
State income taxes, net of federal benefit	(601)	(337)	271
Dividends paid deduction	(57,109)	(27,873)	(33,345)
Change in valuation allowance	6,174	8,988	(697)
Other items, net	(1,509)	519	608
Total income tax expense	$ 1,503	$ 340	$ 726

We have met the annual REIT distribution requirements by payment of at least 90% of our estimated taxable income in 2015, 2014, and 2013. Earnings and profits, which determine the taxability of such distributions, 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,		
	2015	2014	2013
Common share distribution	$ 0.870000	$ 0.840000	$ 0.800000
Ordinary income	0.769535	0.520692	0.599384
Capital gains (1)	—	0.000276	0.046380
Unrecaptured Sec. 1250 gain	—	0.000276	0.026512
Return of capital	0.100465	0.319032	0.154236
Allocable to next year	—	—	—

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

6. EARNINGS PER SHARE

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

	For the Years Ended December 31,		
	2015	2014	2013
Numerator:			
Income from continuing operations	$ 139,927	$ 50,798	$ 89,301
Non-controlling interests' share in continuing operations	(329)	(274)	(224)
Participating securities' share in earnings	(1,029)	(894)	(729)
Income from continuing operations, less participating securities' share in earnings	138,569	49,630	88,348
Income (loss) from discontinued operations attributable to MPT common stockholders	—	(2)	7,914
Net income, less participating securities' share in earnings	$ 138,569	$ 49,628	$ 96,262
Denominator:			
Basic weighted-average common shares	217,997	169,999	151,439
Dilutive potential common shares	307	541	1,159
Diluted weighted-average common shares	218,304	170,540	152,598

7. STOCK AWARDS

STOCK AWARDS

Our Equity Incentive Plan 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. Our Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. We have reserved 8,196,770 shares of common stock for awards under the Equity Incentive Plan and 5,605,272 shares remain available for future stock awards as of December 31, 2015. The Equity Incentive Plan contains a limit of 5,000,000 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.

The following awards have been granted pursuant to our Equity Incentive Plan (and its predecessor plan):

RESTRICTED EQUITY AWARDS

These 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 (typically three to five years). Service based awards are valued at the average price per share of common stock on the date of grant. In 2015, 2014, and 2013, the Compensation Committee granted performance – based awards to employees which vest based on us achieving certain total shareholder returns or comparisons of our total shareholder returns 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:

2015 performance awards — The 2015 performance awards were granted in three parts:

1) Approximately 40% of the 2015 performance awards were based on us achieving a simple 9.0% annual total shareholder return. For the three-year period from January 1, 2015 through December 31, 2017, one-third of the awards will be earned annually if a 9.0% total shareholder return is achieved. If total shareholder return does not reach 9.0% in a particular year, shares for that year can be earned in a future period (during the three-year period) if the cumulative total shareholder return is equal to or greater than a 9.0% annual return for such cumulative period. 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 1.1%; expected volatility of 20%; expected dividend yield of 7.2%; and expected service period of 3 years.

2) Approximately 30% of the 2015 performance awards were based on us achieving a cumulative total shareholder return from January 1, 2015 to December 31, 2017. The minimum total shareholder return needed to earn a portion of this award is 27.0% with 100% of the award earned if our total shareholder return reaches 35.0%. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2017, 2018 and 2019. 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 1.1%; expected volatility of 20%; expected dividend yield of 7.2%; and expected service period of 5 years.

3) The remainder of the 2015 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, 2015 to December 31, 2017. 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 6% to earn 100% of the award. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2017, 2018 and 2019. 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 1.1%; expected volatility of 20%; expected dividend yield of 7.2%; and expected service period of 5 years.

No 2015 performance awards were earned and vested in 2015; 4,500 performance awards were forfeited in 2015. At December 31, 2015, we have 867,388 of 2015 performance awards remaining to be earned.

2014 performance awards — The 2014 performance awards were granted in three parts:

1) Approximately 40% of the 2014 performance awards were based on us achieving a simple 9.0% annual total shareholder return. For the five-year period from January 1, 2014 through December 31, 2018, one-third of the awards will be earned annually (until the award is fully earned) if a 9.0% total shareholder return is achieved. If total shareholder return does not reach 9.0% in a particular year, shares for that year can be earned in a future period (during the five-year period) if the cumulative total shareholder return is equal to or greater than a 9.0% annual return for such cumulative period. 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 1.7%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 3 years.

2) Approximately 30% of the 2014 performance awards were based on us achieving a cumulative total shareholder return from January 1, 2014 to December 31, 2016. The minimum total shareholder return needed to earn a portion of this award is 27.0% with 100% of the award earned if our total shareholder return reaches 35.0%. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2016, 2017 and 2018. 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 0.8%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 5 years.

3) The remainder of the 2014 performance awards will be earned if our total shareholder return outpaces that of the Index over the cumulative period from January 1, 2014 to December 31, 2016. 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 6% to earn 100% of the award. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2016, 2017 and 2018. 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 0.8%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 5 years.

There were 108,261 of the 2014 performance awards earned and vested in 2014, but none in 2015. At December 31, 2015, we have 771,897 of the 2014 performance awards remaining to be earned.

2013 performance awards — The 2013 performance awards were granted in three parts:

1) Approximately 27% of the 2013 performance awards were based on us achieving a simple 8.5% annual total shareholder return. For the five-year period from January 1, 2013 through December 31, 2017, one-third of the awards will be earned annually (until the award is fully earned) if an 8.5% total shareholder return is achieved. If total shareholder return does not reach 8.5% in a particular year, shares for that year can be earned in a future period (during the five-year period) if the cumulative total shareholder return is equal to or greater than an 8.5% annual return for such cumulative period. None of these shares may be sold for two years after they have vested. 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 0.72%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 3 years.

2) Approximately 36% of the 2013 performance awards were based on us achieving a cumulative total shareholder return from January 1, 2013 to December 31, 2015. The minimum total shareholder return needed to earn a portion of this award is 25.5% with 100% of the award earned if our total shareholder return reaches 33.5%. If any shares were earned from this award, the shares were to vest in equal annual amounts on December 31, 2015, 2016 and 2017. 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 0.38%; expected volatility of 28%; expected dividend yield of 8.0%; and expected service period of 5 years.

3) The remainder of the 2013 performance awards were to be earned if our total shareholder return outpaced that of the Index over the cumulative period from January 1, 2013 to December 31, 2015. 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 6% to earn 100% of the award. If any shares were earned from this award, the shares would vest in equal annual amounts on December 31, 2015, 2016 and 2017. 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 0.38%; expected volatility of 28%; expected dividend yield of 8.0%; and expected service period of 5 years.

In 2014 and 2013, 80,293 and 68,086 shares, respectively, under the 2013 performance awards were earned and vested. No performance awards were earned in 2015, and 550,000 shares were forfeited as the three-year cumulative hurdle from January 1, 2013 to December 31, 2015 was not met. At December 31, 2015, we have 74,187 of 2013 performance awards remaining to be earned.

The following summarizes restricted equity award activity in 2015 and 2014 (which includes awards granted in 2015, 2014, 2013, and any applicable prior years), respectively:

For the Year Ended December 31, 2015:

	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	452,263	$ 12.11	2,428,518	$ 5.81
Awarded	407,969	$ 13.94	871,888	$ 6.62
Vested	(343,904)	$ 12.56	(406,970)	$ 4.94
Forfeited	(6,694)	$ 13.08	(562,284)	$ 5.33
Nonvested awards at end of year	509,634	$ 13.25	2,331,152	$ 6.38

For the Year Ended December 31, 2014:

	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	325,999	$ 11.36	1,999,179	$ 5.44
Awarded	424,366	$ 12.21	903,134	$ 7.57
Vested	(298,102)	$ 11.43	(473,795)	$ 7.60
Forfeited	—	$ —	—	$ —
Nonvested awards at end of year	452,263	$ 12.11	2,428,518	$ 5.81

The value of stock-based awards is charged to compensation expense over the vesting periods. In the years ended December 31, 2015, 2014 and 2013, we recorded $11.1 million, $9.2 million, and $8.8 million, respectively, of non-cash compensation expense. The remaining unrecognized cost from restricted equity awards at December 31, 2015, is $12.8 million and will be recognized over a weighted average period of 2.3 years. Restricted equity awards which vested in 2015, 2014 and 2013 had a value of $10.2 million, $10.2 million, and $9.2 million, respectively.

8. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Operating leases, in which we are the lessee, primarily consist of ground leases on which certain of our facilities or other related property reside along with corporate office and equipment leases. The ground leases are long-term leases (almost all having terms for approximately 30 years or more), some of which 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 2015, 2014 and 2013, respectively, were $4.6 million, $2.3 million, and $2.3 million, which was offset by sublease rental income of $2.3 million, $0.3 million, and $0.5 million for 2015, 2014, and 2013, respectively.

Fixed minimum payments due under operating leases with non-cancelable terms of more than one year and amounts to be received in the future from non-cancelable subleases at December 31, 2015 are as follows: (amounts in thousands)

	Fixed Minimum Payments	Amounts to be Received from Subleases	Net Payments
2016	$ 5,119	$ (2,477)	$ 2,642
2017	5,157	(2,502)	2,655
2018	5,125	(2,504)	2,621
2019	4,803	(2,522)	2,281
2020	4,896	(2,621)	2,275
Thereafter	140,049	(130,819)	9,230
	$ 165,149	$ (143,445)	$ 21,704

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

2015 ACTIVITY

On August 11, 2015, we completed an underwritten public offering of 28.75 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 3.8 million shares) of our common stock, resulting in net proceeds of approximately $337 million, after deducting estimated offering expenses.

On August 4, 2015, 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 250,000,000 to 500,000,000.

On January 14, 2015, we completed an underwritten public offering of 34.5 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 4.5 million shares) of our common stock, resulting in net proceeds of approximately $480 million, after deducting estimated offering expenses.

2014 ACTIVITY

On March 11, 2014, we completed an underwritten public offering of 7.7 million shares of our common stock, resulting in net proceeds of $100.2 million, after deducting estimated offering expenses. We also granted the underwriters a 30-day option to purchase up to an additional 1.2 million shares of common stock. The option, which was exercised in full, closed on April 8, 2014 and resulted in additional net proceeds of approximately $16 million.

In January 2014, we put an at-the-market equity offering program in place, giving us the ability to sell up to $250 million of stock with a commission of 1.25%. During 2014, we sold 1.7 million shares of our common stock under our at-the-market equity offering program, at an average price of $13.56 per share resulting in total proceeds, net of commission, of $22.6 million.

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 approximate their fair values. Included in our 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 interest and rent receivables using Level 2 inputs such as 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. The fair value of our mortgage loans and working capital loans are estimated by using Level 2 inputs such as discounting the estimated future cash flows using the current rates which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. We determine the fair value of our senior unsecured notes (excluding the 2006 Senior Unsecured Notes), using Level 2 inputs such as quotes from securities dealers and market makers. We estimate the fair value of our 2006 Senior Unsecured Notes, revolving credit facility, and term loans using Level 2 inputs based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be possible and may not be a prudent management decision. The following table summarizes fair value estimates for our financial instruments (in thousands):

	December 31, 2015		December 31, 2014	
Asset (Liability)	Book Value	Fair Value	Book Value	Fair Value
Interest and rent receivables	$ 46,939	$ 46,858	$ 41,137	$ 41,005
Loans(1)	508,851	543,859	773,311	803,824
Debt, net(2)	(3,322,541)	(3,372,773)	(2,174,648)	(2,258,721)

(1) Excludes loans related to Ernest and Capella since they are recorded at fair value as discussed below.
(2) Includes debt issue costs.

ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Our equity interest in Ernest, Capella and related loans, as discussed in Note 2, are being measured at fair value on a recurring basis as we elected to account for these investments using the fair value option method. We have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interests or loans in or prior to 2015.

At December 31, 2015, the amounts recorded under the fair value option method were as follows (in thousands):

Asset (Liability)	Fair Value	Cost	Asset Type Classification
Mortgage loan	$ 310,000	$ 310,000	Mortgage loans
Acquisition loans	603,552	603,552	Other loans
Equity investment	7,349	7,349	Other assets
	$ 920,901	$ 920,901	

At December 31, 2014, the amounts recorded under the fair value option method were as follows (in thousands):

Asset (Liability)	Fair Value	Cost	Asset Type Classification
Mortgage loan	$ 100,000	$ 100,000	Mortgage loans
Acquisition loans	97,450	97,450	Other loans
Equity investment	3,300	3,300	Other assets
	$ 200,750	$ 200,750	

Our mortgage loans with Ernest and Capella are recorded at fair value based on Level 2 inputs by discounting the estimated cash flows using the market rates which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities. Our acquisition loans and equity investments in Ernest and Capella are recorded at fair value based on Level 3 inputs, by using a discounted cash flow model, which requires significant estimates of our investee such as projected revenue and expenses and appropriate consideration of the underlying risk profile of the forecast assumptions associated with the investee. We classify these loans and equity investments as Level 3, as we use certain unobservable inputs to the valuation methodology that are significant to the fair value measurement, and the valuation requires management judgment due to the absence of quoted market prices. For these cash flow models, our observable inputs include use of a capitalization rate, discount rate (which is based on a weighted-average cost of capital), and market interest rates, and our unobservable input includes an adjustment for a marketability discount ("DLOM") on our equity investment of 40% at December 31, 2015.

In regards to the underlying projection of revenues and expenses used in the discounted cash flow model, such projections are provided by Ernest and Capella, respectively. However, we will modify such projections (including underlying assumptions used) as needed based on our review and analysis of their historical results, meetings with key members of management, and our understanding of trends and developments within the healthcare industry.

In arriving at the DLOM, we started with a DLOM range based on the results of studies supporting valuation discounts for other transactions or structures without a public market. To select the appropriate DLOM within the range, we then considered many qualitative factors including the percent of control, the nature of the underlying investee's business along with our rights as an investor pursuant to the operating agreement, the size of investment, expected holding period, number of shareholders, access to capital marketplace, etc. To illustrate the effect of movements in the DLOM, we performed a sensitivity analysis below by using basis point variations (dollars in thousands):

Basis Point Change in Marketability Discount	Estimated Increase (Decrease) In Fair Value
+100 basis points	$ (122)
-100 basis points	122

Because the fair value of Ernest and Capella investments noted above approximate their original cost, we did not recognize any unrealized gains/losses during 2015, 2014, or 2013. To date, we have not received any distribution payments from our equity investment in Ernest or Capella.

11. DISCONTINUED OPERATIONS

The following table presents the results of discontinued operations, which include the revenue and expenses of facilities disposed of prior to 2014 for the year ended December 31, 2015, 2014, and 2013 (amounts in thousands except per share data):

	For the Years Ended December 31,		
	2015	2014	2013
Revenues	$ –	$ –	$ 988
Gain on sale	–	–	7,659
Income (loss) from discontinued operations	–	(2)	7,914
Income from discontinued operations — diluted per share	$ –	$ –	$ 0.05

12. OTHER ASSETS

The following is a summary of our other assets (in thousands):

	At December 31,	
	2015	2014
Debt issue costs, net (1)	$ 7,628	$ 8,318
Equity investments	129,337	47,451
Other corporate assets	31,547	28,197
Prepaids and other assets	27,028	11,133
Total other assets	$ 195,540	$ 95,099

(1) Relates to revolving credit facility

Equity investments have increased over the prior year primarily due to our new investments in the Italy and Spain joint ventures — see Note 3 for further details. Other corporate assets include leasehold improvements associated with our corporate office space, furniture and fixtures, equipment, software, deposits, etc. Included in prepaids and other assets is prepaid insurance, prepaid taxes, goodwill, and lease inducements made to tenants, among other items.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2015 and 2014: (amounts in thousands, except for per share data)

	For the Three Month Periods in 2015 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 95,961	$ 99,801	$ 114,570	$ 131,546
Income from continuing operations	35,976	22,489	23,123	58,339
Net income	35,976	22,489	23,123	58,339
Net income attributable to MPT common stockholders	35,897	22,407	23,057	58,237
Net income attributable to MPT common stockholders per share — basic	$ 0.18	$ 0.11	$ 0.10	$ 0.24
Weighted average shares outstanding — basic	202,958	208,071	223,948	237,011
Net income attributable to MPT common stockholders per share — diluted	$ 0.17	$ 0.11	$ 0.10	$ 0.24
Weighted average shares outstanding — diluted	203,615	208,640	223,948	237,011

	For the Three Month Periods in 2014 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 73,089	$ 76,560	$ 80,777	$ 82,106
Income (loss) from continuing operations	7,309	(203)	28,663	15,029
Income (loss) from discontinued operations	(2)	—	—	—
Net income	7,307	(203)	28,663	15,029
Net income attributable to MPT common stockholders	7,241	(203)	28,537	14,947
Net income attributable to MPT common stockholders per share — basic	$ 0.04	$ —	$ 0.16	$ 0.08
Weighted average shares outstanding — basic	163,973	171,718	171,893	172,411
Net income attributable to MPT common stockholders per share — diluted	$ 0.04	$ —	$ 0.16	$ 0.08
Weighted average shares outstanding — diluted	164,549	171,718	172,639	172,604

14. SUBSEQUENT EVENTS

On February 22, 2016, we completed a $500 million senior unsecured notes offering, proceeds of which were used to repay borrowings under our Revolving credit facility. Interest on the notes will be payable on March 1 and September 1 of each year, commencing on September 1, 2016. Interest on the notes will be paid in cash at a rate of 6.375% per year. The notes mature on March 1, 2024. We may redeem some or all of the notes at any time prior to March 1, 2019 at a "make whole" redemption price. On or after March 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to March 1, 2019, we may redeem up to 35% of the notes at a redemption price equal to 106.375% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and upaid interest to the date of purchase.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE 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.

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.

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, 2015. 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") based on criteria established in *Internal Control — Integrated Framework (2013).* 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 Directors.

Based on our assessment under the criteria set forth in COSO, management has concluded that, as of December 31, 2015, Medical Properties Trust, Inc. maintained effective internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2015, has been audited by PricewaterhouseCoopers LLP, an independant registered public accounting firm, as stated in their report which appears herein.

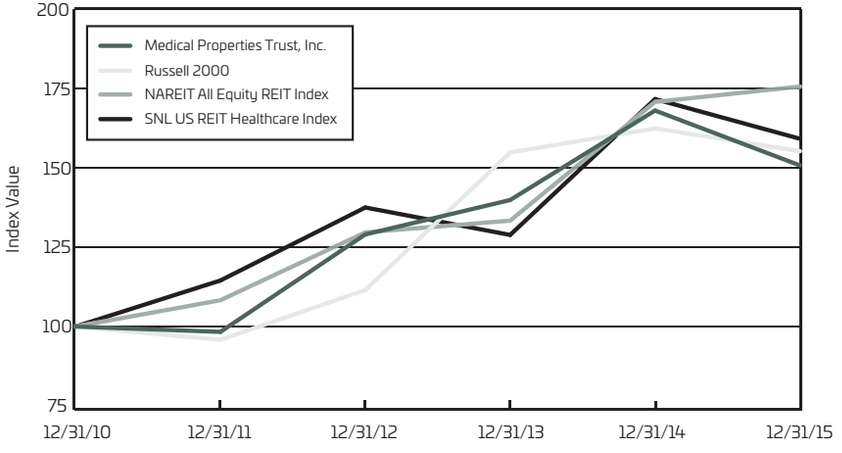
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There has been no change in Medical Properties Trust, Inc.'s 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.

PERFORMANCE GRAPH

The following graph provides comparison of cumulative total stockholder return for the period from December 31, 2010 through December 31, 2015, 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.

TOTAL RETURN PERFORMANCE



	Period Ending					
Index	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Medical Properties Trust, Inc	100.00	98.32	128.99	139.81	167.97	150.70
Russell 2000	100.00	95.82	111.49	154.78	162.35	155.18
NAREIT All Equity REIT Index ...	100.00	108.28	129.62	133.32	170.68	175.51
SNL US REIT Healthcare	100.00	114.49	137.46	128.83	171.57	159.09

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CORPORATE AND SHAREHOLDER INFORMATION

OFFICERS

Edward K. Aldag, Jr. – Chairman, President and Chief Executive Officer
R. Steven Hamner – Executive Vice President and Chief Financial Officer
Emmett E. McLean – Executive Vice President, Chief Operating Officer, Treasurer and Secretary
Frank R. Williams, Jr. – Senior Vice President, Senior Managing Director - Acquisitions
J. Kevin Hanna - Vice President, Controller and Chief Accounting Officer

DIRECTORS

Edward K. Aldag, Jr. – Chairman, President and Chief Executive Officer
G. Steven Dawson – Private Investor
Robert E. Holmes, PhD – Retired Dean, School of Business and Wachovia Chair of Business Administration at the University of Alabama at Birmingham School of Business
Sherry A. Kellett – Former Corporate Controller, BB&T Corporation
William G. McKenzie – President and Chief Executive Officer of Gilliard Health Services, Inc.
R. Steven Hamner – Executive Vice President and Chief Financial Officer
D. Paul Sparks – Retired Senior Vice President, Energen Corporation

LEGAL COUNSEL

Baker, Donelson, Bearman, Caldwell & Berkowitz, PC – Birmingham, AL
Goodwin Procter, LLP – New York, NY

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP – Birmingham, AL

ANNUAL MEETING

The Annual Meeting of Shareholders of Medical Properties Trust, Inc. is scheduled for May 19, 2016 at 10:30 am C.D.T. at The Summit Club, 1901 Sixth Avenue North, Suite 3100, Birmingham, AL 35203.

CERTIFICATIONS

Medical Properties Trust, Inc.'s Chief Executive Officer and Chief Financial Officer have filed their certifications required by the SEC regarding the quality of the company's public disclosure (these are included in the 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission). Further, the company's Chief Executive Officer has certified to the NYSE that he is not aware of any violation by Medical Properties Trust, Inc. of NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE listing standards.

TRANSFER AGENT AND REGISTRAR

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