

MEDICAL PROPERTIES TRUST INC  
Form DEF 14A  
April 23, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**SCHEDULE 14A**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

**MEDICAL PROPERTIES TRUST, INC.**  
(Name of Registrant as Specified in Its Charter)

**Not Applicable**  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date filed:



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1000 Urban Center Drive  
Suite 501  
Birmingham, Alabama 35242

April 23, 2012

Dear Fellow Stockholder,

I am honored to have you as one of our stockholders and hope that you will attend our 2012 annual stockholders meeting, to be held on May 17, 2012. Details of the business to be conducted at the meeting are set forth in the accompanying Proxy Statement. In the event that you are unable to attend, however, it is important that your shares are represented; therefore, please be sure to sign, date, and mail your proxy in the provided envelope, or vote your proxy by phone or internet as instructed, at your earliest convenience.

Best Regards,

Edward K. Aldag, Jr.

Chairman, President and CEO

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**NOTICE OF  
2012 ANNUAL MEETING OF STOCKHOLDERS**

**May 17, 2012**

To Our Stockholders:

The 2012 Annual Meeting of Stockholders of Medical Properties Trust, Inc. (the Company) will be held at The Summit Club, 1901 6th Avenue North, Birmingham, Alabama, on May 17, 2012, beginning at 10:30 a.m. Central Time, for the following purposes:

1. To elect the seven director nominees described in the enclosed Proxy Statement;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;
3. To hold an advisory vote on executive officer compensation; and
4. To transact any other business that properly comes before the meeting.

Attached you will find a notice of meeting and Proxy Statement that contain further information about these items and the meeting itself, including the different methods you can use to vote your proxy. Also enclosed are your proxy card, our 2011 Form 10-K, and our 2011 Annual Report to Stockholders. Only stockholders of record at the close of business on March 21, 2012 are entitled to receive notice of, to attend, and to vote at the meeting and any adjournment thereof.

**EVEN IF YOU PLAN TO ATTEND IN PERSON, YOU ARE REQUESTED TO SIGN, DATE, AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE, OR VOTE YOUR PROXY BY TELEPHONE OR INTERNET, AT YOUR EARLIEST CONVENIENCE.** This will not prevent you from voting your shares in person if you choose to attend the Annual Meeting.

Any proxy may be revoked at any time prior to its exercise at the Annual Meeting.

If any of your shares of common stock are held by a broker, bank or other nominee, please follow the instructions you receive from your broker, bank or other nominee to have your shares of common stock voted.

A list of the stockholders entitled to vote at the meeting will be open to examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting at the principal executive offices of the Company in Birmingham, Alabama.

By Order of the Board of Directors,

Emmett E. McLean  
Executive Vice President, Chief Operating Officer,  
Treasurer and Secretary

April 23, 2012

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**Important Notice Regarding the Availability of Proxy Materials**

**for the Stockholder Meeting To Be Held on May 17, 2012**

**This Proxy Statement, the form of Proxy Card, our 2011 Annual Report to Stockholders**

**and our 2011 Form 10-K are available at [www.medicalpropertiestrust.com](http://www.medicalpropertiestrust.com)**

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**PROXY STATEMENT**

**2012 ANNUAL MEETING OF STOCKHOLDERS**

**May 17, 2012**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 17, 2012**

**THIS PROXY STATEMENT, THE FORM OF PROXY CARD, OUR 2011 ANNUAL REPORT TO STOCKHOLDERS AND**

**OUR 2011 FORM 10-K ARE AVAILABLE AT [WWW.MEDICALPROPERTIESTRUST.COM](http://WWW.MEDICALPROPERTIESTRUST.COM)**

**GENERAL INFORMATION**

This Proxy Statement is being furnished to the stockholders of Medical Properties Trust, Inc. (the Company) in connection with the solicitation of proxies by the Board of Directors to be voted at the 2012 Annual Meeting of Stockholders to be held at The Summit Club, 1901 6th Avenue North, Birmingham, Alabama, on May 17, 2012, beginning at 10:30 a.m. Central Time, and at any adjournment thereof.

At the meeting, stockholders will be asked to vote on the following proposals:

1. To elect the seven director nominees described in this Proxy Statement;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;
3. To hold an advisory vote on executive officer compensation; and
4. To transact any other business that properly comes before the meeting.

As of the date of this Proxy Statement, the Board of Directors knows of no such other business to be presented. When you submit your proxy, by executing and returning the enclosed proxy card, or by voting by telephone or internet, you will authorize the persons named in the enclosed proxy to represent you and vote your shares of common stock on these proposals as specified by you. If no such specification is made, shares represented by your properly executed proxy will be voted:

FOR the election of each of the seven director nominees;

FOR Proposal 2; and

FOR Proposal 3

The proxy holders will also have discretionary authority to vote your shares on any other business that properly comes before the meeting.



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This Proxy Statement and the accompanying materials are first being sent or given to our stockholders on or about April 23, 2012.

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**INFORMATION ABOUT THE MEETING**

**What is the purpose of the meeting?**

At the meeting, our stockholders will vote on the following proposals:

1. To elect the seven director nominees described in this Proxy Statement;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;
3. To hold an advisory vote on executive officer compensation; and
4. To transact any other business that properly comes before the meeting.

In addition, our management will report on our performance at the meeting and respond to appropriate questions from stockholders.

**Who is entitled to vote?**

The record date for the meeting is March 21, 2012. Only stockholders of record at the close of business on March 21, 2012 are entitled to receive notice of the meeting and to vote at the meeting the shares of our common stock that they held of record on that date. Each outstanding share of common stock entitles its holder to one vote on each matter voted on at the meeting. At the close of business on March 21, 2012, there were 135,449,661 shares of common stock outstanding and entitled to vote.

**Am I entitled to vote if my shares are held in street name ?**

If you are the beneficial owner of shares held in street name by a brokerage firm, bank, or other nominee, your nominee is required to vote the shares in accordance with your instructions. If you do not give instructions to your nominee, it will nevertheless be entitled to vote your shares on routine items but will not be permitted to do so on non-routine items. Your nominee will have discretion to vote on Proposal 2 (ratification of auditors) without any instructions from you. Due to recent regulatory changes, however, your nominee will not have the ability to vote your uninstructed shares on Proposal 1 (election of directors) or Proposal 3 (advisory vote on executive compensation) on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your nominee how to vote on these proposals, your nominee cannot vote these shares and will report them as broker non-votes, and no votes will be cast on your behalf.

**How many shares must be present to conduct business at the meeting?**

A quorum must be present at the meeting in order for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date, or 67,724,831 shares, will constitute a quorum. Abstentions and broker non-votes will be included in the number of shares considered present at the meeting for the purpose of determining whether there is a quorum.

**What happens if a quorum is not present at the meeting?**

If a quorum is not present at the scheduled time of the meeting, the holders of a majority of the shares present in person or represented by proxy at the meeting may adjourn the meeting to another place, date, or time until a quorum is present. The place, date, and time of the adjourned meeting will be announced when the adjournment is taken, and no other notice will be given unless the adjournment is to a date more than 120 days after the original record date or if, after the adjournment, a new record date is fixed for the adjourned meeting.

**How do I vote my shares?**

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Voting by telephone or Internet. If you are a beneficial owner of shares held in street name, meaning your shares are held in the name of a brokerage firm, bank, or other nominee, you may be eligible to provide voting

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instructions to your nominee by telephone or on the Internet. A large number of brokerage firms, banks, and other nominees participate in a program provided through Broadridge Financial Solutions that offers telephone and Internet voting options. If your shares are held in street name by a brokerage firm, bank, or other nominee that participates in the Broadridge program, you may provide voting instructions to your nominee by telephone or on the Internet by following the instructions set forth on the voting instruction form provided to you.

**Voting by mail.** If you are a registered stockholder, you may vote by properly completing, signing, dating, and returning the accompanying proxy card. The enclosed postage-paid envelope requires no additional postage if it is mailed in the United States or Canada. If you are a beneficial owner of shares held in street name, you may provide voting instructions to the brokerage firm, bank, or other nominee that holds your shares by properly completing, signing, dating, and returning the voting instruction form provided to you by your nominee.

**You may vote in person at the meeting.** If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. In addition, we will make written ballots available to registered stockholders who wish to vote in person at the meeting. If you are a beneficial owner of shares held in street name and wish to vote at the meeting, you will need to obtain a proxy form from the brokerage firm, bank, or other nominee that holds your shares that authorizes you to vote those shares.

### **Can I change my vote after I submit my proxy?**

Yes, you may revoke your proxy and change your vote at any time before the polls are closed at the meeting in any of the following ways: (1) by properly completing, signing, dating, and returning another proxy card with a later date; (2) if you are a registered stockholder, by voting in person at the meeting; (3) if you are a registered stockholder, by giving written notice of such revocation to our Secretary prior to or at the meeting; or (4) if you are a beneficial owner of shares held in street name, by following the instructions given by the brokerage firm, bank, or other nominee that holds your shares. Your attendance at the meeting will not by itself revoke your proxy.

### **How does the Board of Directors recommend that I vote on the proposals?**

Your Board of Directors recommends that you vote:

1. FOR the election of the seven nominees to the Board of Directors;
2. FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012; and
3. FOR the approval of the compensation of our executive officers as disclosed in this Proxy Statement.

### **What happens if I do not specify on my proxy how my shares are to be voted?**

If you are a registered stockholder and submit a properly executed proxy but do not indicate any voting instructions, the proxy holders will vote as the Board of Directors recommends on each proposal.

### **Will any other business be conducted at the meeting?**

As of the date hereof, the Board of Directors knows of no business that will be presented at the meeting other than the proposals described in this Proxy Statement. However, if any other proposal properly comes before the stockholders for a vote at the meeting, the proxy holders will vote the shares represented by your proxy in accordance with their best judgment.

### **How many votes are required for action to be taken on each proposal?**

The seven director nominees will be elected to serve on the Board of Directors if they receive a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject



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matter. This means that the seven director nominees will be elected if they receive more votes than any other person receiving votes. If you vote to Withhold Authority with respect to the election of one or more director nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for the purpose of determining whether there is a quorum at the meeting. The affirmative vote of the holders of a majority of the shares of common stock represented in person or by proxy at the annual meeting and entitled to vote on the proposal is required for approval of each of Proposal 2 and Proposal 3.

### **How will abstentions and broker non-votes be treated?**

You do not have the option of abstaining from voting on Proposal 1. Broker non-votes will not affect the election of a nominee who receives a plurality of votes. With respect to Proposals 2 and 3, an abstention will have the effect of a vote against the proposal. Broker non-votes as to each of these proposals will be deemed shares not entitled to vote on the proposal, will not be counted as votes for or against the proposal, and will not be included in calculating the number of votes necessary for approval of the proposal.

### **How will proxies be solicited?**

We will solicit proxies on behalf of the Board of Directors by mail, telephone, facsimile, or other electronic means or in person. Certain of our directors, officers and other employees, without additional compensation, may participate in the solicitation of proxies. We will pay the cost of this solicitation. We will supply copies of the proxy solicitation materials to brokerage firms, banks, and other nominees for the purpose of soliciting proxies from the beneficial owners of the shares of common stock held of record by such nominees. We request that such brokerage firms, banks, and other nominees forward the proxy solicitation materials to the beneficial owners and will reimburse them for their reasonable expenses. In addition, we anticipate using MacKenzie Partners, Inc., 105 Madison Avenue New York, NY 10016 as a solicitor at an initial anticipated cost of \$7,500.

### **How can I obtain additional copies of the proxy materials?**

If you wish to request extra copies of our Form 10-K, Annual Report or Proxy Statement free of charge, please send your request to Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242 or visit our website at [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com).

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**PROPOSAL 1 ELECTION OF DIRECTORS**

**Director Nominees**

Our Bylaws provide for the election of directors at each annual meeting of stockholders. The Board of Directors, at the recommendation of the Ethics, Nominating and Corporate Governance Committee, proposes that the seven nominees listed below, all of whom are currently serving on our Board, be elected to serve as directors until the 2013 annual meeting of stockholders and until his or her successor is duly elected and qualified. The Board of Directors does not know of any reason why any nominee would not be able to serve as a director. However, if any nominee were to become unable to serve as a director, the Board of Directors may designate a substitute nominee, in which case the persons named as proxies will vote for such substitute nominee. Alternatively, the Board of Directors may reduce the number of directors to be elected at the annual meeting.

**Edward K. Aldag, Jr.** Mr. Aldag, age 48, is our founder and has served as our Chief Executive Officer and President since August 2003 and as Chairman of our Board of Directors since March 2004. Mr. Aldag served as Vice Chairman of our Board of Directors from August 2003 until March 2004 and as our Secretary from August 2003 until March 2005. Prior to that, Mr. Aldag served as an executive officer and director with our predecessor from its inception in August 2002 until August 2003. From 1986 to 2001, Mr. Aldag managed two private real estate companies, Guilford Capital Corporation and Guilford Medical Properties, Inc. Mr. Aldag served as President and a member of the board of directors of Guilford Medical Properties, Inc. Mr. Aldag was the President of Guilford Capital Corporation from 1998 to 2001, served as Executive Vice President and Chief Operating Officer from 1990 to 1998, and was a member of the board of directors from 1990 to 2001. Mr. Aldag received his B.S. in Commerce & Business from the University of Alabama with a major in corporate finance. The Board believes that Mr. Aldag's position as the founder of our Company and his extensive experience in the healthcare and REIT industry make him highly qualified to serve as Chairman of our Board of Directors.

**G. Steven Dawson.** Mr. Dawson, age 54, has served as a member of our Board of Directors and as Chairman of our Audit Committee since April 2004. From July 1990 to September 2003, he was Chief Financial Officer and Senior Vice President-Finance of Camden Property Trust (and its predecessors), a real estate investment trust specializing in apartment communities based in Houston, Texas. He is currently a private investor. Mr. Dawson serves on the board of directors and as nominating and corporate governance committee chairman for Institutional Financial Markets, Inc., an investment firm specializing in credit-related fixed income investments. Mr. Dawson also serves on the board of directors, as audit committee chairman and on the compensation committee of American Campus Communities, a developer, owner and manager of student housing communities. Mr. Dawson holds a degree in business from Texas A&M University and is a member of the Real Estate Roundtable at the Mays Graduate School of Business at Texas A&M University. The Board believes that Mr. Dawson's substantial experience as a board member and committee chairman at other public REITs, along with his strong skills in corporate finance, strategic planning, and public company oversight, make him a valued advisor and highly qualified to serve as a member of our Board of Directors and as Chairman of our Audit Committee.

**R. Steven Hamner.** Mr. Hamner, age 55, is one of our founders and has served as our Executive Vice President and Chief Financial Officer since September 2003 and as a member of our Board of Directors since February 2005. In August and September 2003, Mr. Hamner served as our Executive Vice President and Chief Accounting Officer. From October 2001 through March 2004, he was the Managing Director of Transaction Analysis LLC, a company that provided interim and project-oriented accounting and consulting services to commercial real estate owners and their advisors. From June 1998 to September 2001, he was Vice President and Chief Financial Officer of United Investors Realty Trust, a publicly traded REIT. For the ten years prior to becoming an officer of United Investors Realty Trust, he was employed by the accounting and consulting firm of Ernst & Young LLP and its predecessors. Mr. Hamner received a B.S. in Accounting from Louisiana State University. The Board believes that Mr. Hamner's position as a co-founder of our Company and his extensive experience in the real estate and healthcare industries and in the corporate finance sector make him highly qualified to serve as a member of our Board of Directors.

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**Robert E. Holmes, Ph.D.** Dr. Holmes, age 70, has served as a member of our Board of Directors since April 2004. Dr. Holmes, our lead independent director, retired in 2010 as Professor of Management, Dean, and Wachovia Chair of Business Administration at the University of Alabama at Birmingham School of Business, positions he held since 1999. From 1995 to 1999, he was Dean of the Olin Graduate School of Business at Babson College in Wellesley, Massachusetts. Prior to that, he was Dean of the James Madison University College of Business in Harrisonburg, Virginia for 12 years. He is the co-author of four management textbooks, numerous articles, papers, and cases, and has served as a board member or consultant to a variety of business firms and non-profit organizations. He is past president of the Southern Business Administration Association, is actively engaged in AACSB International – the Association to Advance Collegiate Schools of Business, and serves on the boards of the Entrepreneurial Center, Tech Birmingham, the Alabama Council on Economic Education, and other organizations. Dr. Holmes received a bachelor’s degree from the University of Texas at Austin, an MBA from University of North Texas, and a Ph.D. with an emphasis on management strategy from the University of Arkansas. The Board believes that Dr. Holmes’ position as a well-respected leader in the business community and his deep understanding of the corporate and economic challenges faced by public companies today make him a valued advisor and highly qualified to serve as a member of our Board of Directors and as Chairman of our Ethics, Nominating and Corporate Governance Committee.

**Sherry A. Kellett.** Ms. Kellett, age 67, has served as a member of our Board of Directors since February 2007. Ms. Kellett is a certified public accountant and served as Senior Executive Vice President and Corporate Controller of BB&T Corporation from 1995 until her retirement in August 2003. Ms. Kellett served as Corporate Controller of Southern National Corporation from 1991 until 1995, when it merged with BB&T Corporation. Ms. Kellett previously held several positions at Arthur Andersen & Co. She is currently a member of the board of directors and chair of the audit committee of Highwoods Properties, Inc., a self-administered REIT based in Raleigh, North Carolina. Ms. Kellett also serves on the board of directors, as chair of the audit committee and on the compensation committee of MidCountry Financial Corp., a privately-held financial institution based in Macon, Georgia. Ms. Kellett has also served on the boards of the North Carolina School of the Arts Foundation, Piedmont Kiwanis Club, Senior Services, Inc., The Winston-Salem Foundation, the Piedmont Club, and the N.C. Center for Character Education. The Board believes that Ms. Kellett’s experience as a board member and audit committee member at other public companies, along with her extensive experience in corporate finance and the financial sector generally, make her a valued advisor and highly qualified to serve as a member of our Board of Directors.

**William G. McKenzie.** Mr. McKenzie, age 53, is one of our founders and has served as a director since our formation. From September 2003 to January 2012, Mr. McKenzie served as the Vice Chairman of our Board of Directors, and he served as the Executive Chairman of our Board of Directors in August and September 2003. From May 2003 to August 2003, he was an executive officer and director of our predecessor. From 1998 to the present, Mr. McKenzie has served as President, Chief Executive Officer, and a board member of Gilliard Health Services, Inc., a privately-held owner and operator of acute care hospitals. From 1996 to 1998, he was Executive Vice President and Chief Operating Officer of the Mississippi Hospital Association/Diversified Services, Inc. and the Health Insurance Exchange, a mutual company and HMO. From 1994 to 1996, Mr. McKenzie was Senior Vice President of Managed Care and Executive Vice President of Physician Solutions, Inc., a subsidiary of Vaughan HealthCare, a private healthcare company in Alabama. From 1981 to 1994, Mr. McKenzie was Hospital Administrator and Chief Financial Officer and held other management positions with Gilliard Health Services, Inc. Mr. McKenzie received a Masters of Science in Health Administration from the University of Colorado and a B.S. in Business Administration from Troy University. He has served in numerous capacities with the Alabama Hospital Association. The Board believes that Mr. McKenzie’s position as a co-founder of our Company and his extensive experience in the healthcare industry make him a valued advisor and highly qualified to serve as a member of our Board of Directors.

**L. Glenn Orr, Jr.** Mr. Orr, age 71, has served as a member of our Board of Directors since February 2005. Mr. Orr is Chairman of Orr Holdings, LLC, previously The Orr Group, which has provided financial consulting services for middle-market companies since 1995. Prior to that, he was Chairman of the Board of Directors,



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President and Chief Executive Officer of Southern National Corporation from 1990 until its merger with Branch Banking & Trust in 1995. Mr. Orr is a member of the Board of Directors, chairman of the governance/compensation committee, and a member of the executive committee of Highwoods Properties, Inc. He is also a member of the Board of Directors of Broyhill Management Fund, Inc. and General Parts, Inc., where he also serves on the compensation committee. Mr. Orr previously served as President and Chief Executive Officer of Forsyth Bank and Trust Co., President of Community Bank in Greenville, South Carolina, and President of the North Carolina Bankers Association. He is a member, and the former Chairman, of the Board of Trustees of Wake Forest University. The Board believes that Mr. Orr's substantial experience as an executive and board member at other public companies, along with his strong skills in corporate finance, strategic planning, public company oversight and executive compensation make him a valued advisor and highly qualified to serve as a member of our Board of Directors and as Chairman of our Compensation Committee.

**Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* EACH OF THE SEVEN NOMINEES LISTED ABOVE FOR DIRECTOR.**

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**CERTAIN INFORMATION REGARDING**

**OUR BOARD OF DIRECTORS**

Our Board of Directors is comprised of seven members. Our current directors are Edward K. Aldag, Jr., G. Steven Dawson, R. Steven Hamner, Robert E. Holmes, Ph.D., Sherry A. Kellett, William G. McKenzie, and L. Glenn Orr, Jr. Our directors are elected at each annual meeting of stockholders and serve until the next annual meeting of stockholders and until their respective successors are elected and qualified, subject to their prior death, resignation, retirement, disqualification, or removal from office.

It is the policy of the Board of Directors that a majority of the directors be independent as defined in the listing standards of the New York Stock Exchange (the "NYSE"). The Board of Directors has determined that four directors—G. Steven Dawson, Robert E. Holmes, Ph.D., Sherry A. Kellett, and L. Glenn Orr, Jr.—are independent under the NYSE's listing standards.

Under our articles of incorporation and bylaws, the Board of Directors has discretion to determine whether the roles of Chief Executive Officer and the Chairman of the Board are to be separate or combined. Mr. Aldag has served as our Chief Executive Officer and Chairman of the Board since 2004, and the Board has determined that having Mr. Aldag continue to serve in this combined role is the most effective leadership structure for our Company. Mr. Aldag's detailed knowledge of the issues, opportunities and challenges facing us make him the best person to direct the agenda and discussion at meetings of our Board of Directors, and to ensure that the Board's time and attention are focused on the most critical matters. We further believe that Mr. Aldag's combined role provides strong leadership and enhances our ability to communicate on a consistent basis to the investing community.

Our Board of Directors plays a central role in overseeing and evaluating risk. While it is management's responsibility to identify and manage our exposure to risk on a day-to-day basis, the Board routinely discusses these risks with management and actively oversees our risk-management procedures and protocols. The Board regularly receives reports from senior management on areas of material risk to the Company, including operational, financial, legal, regulatory and strategic risks. In addition, each of the Audit Committee, the Compensation Committee and the Ethics, Nominating and Governance Committee exercises oversight and provides guidance relating to the particular risks within the purview of each committee, as well as making periodic reports to the full Board. Our Board of Directors also oversees risk by means of the required approval by our Board of significant transactions and other decisions, including material acquisitions or dispositions of property, material capital markets transactions, significant capital expenditures and important employment-related decisions.

The Board of Directors holds regular meetings on a quarterly basis and on other occasions as necessary or appropriate. The Board of Directors met four times in 2011. The Board of Directors has four standing committees: the Audit Committee, the Compensation Committee, the Ethics, Nominating, and Corporate Governance Committee, and the Investment Committee. The Audit Committee met eight times in 2011; the Ethics, Nominating, and Corporate Governance Committee met one time; the Compensation Committee met six times; and the Investment Committee met at each meeting of the Board of Directors. All directors attended at least 75% of the total number of meetings of the Board of Directors and of the committees on which he or she served in 2011.

The Board of Directors regularly meets in executive session in which management directors are not present. Dr. Holmes has been designated as the lead independent director and in that capacity presides at these executive sessions. Dr. Holmes may be contacted directly by stockholders at rholmes@medicalpropertytrust.com. The directors of the Company are encouraged to attend our annual meeting of stockholders absent cause. All directors of the Company attended the 2011 annual meeting of stockholders.

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**Committees of the Board of Directors**

The Board of Directors delegates certain of its functions to its standing Audit Committee, Compensation Committee, Ethics, Nominating, and Corporate Governance Committee, and Investment Committee.

*The Audit Committee* is comprised of three independent directors: Messrs. Dawson and Orr and Ms. Kellett. Mr. Dawson serves as chairman. The Board of Directors has determined that each member of the Audit Committee is financially literate and satisfies the additional NYSE independence requirements for audit committee members, and that each member of the Audit Committee qualifies as an audit committee financial expert under current Securities and Exchange Commission (SEC) regulations. The Board of Directors has also determined that service by Ms. Kellett and Mr. Dawson on other public companies' audit committees has not impaired their abilities to effectively serve on our Audit Committee.

The Audit Committee oversees (i) our accounting and financial reporting processes, (ii) the integrity and audits of our financial statements, (iii) our compliance with legal and regulatory requirements, (iv) the qualifications and independence of our independent auditors, and (v) the performance of our internal and independent auditors. The specific functions and responsibilities of the Audit Committee are set forth in the Audit Committee Charter, a copy of which is posted on our website at [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com). The information on our website is not part of this Proxy Statement. The report of the Audit Committee begins on page 15 of this Proxy Statement.

*The Compensation Committee* is comprised of three independent directors: Dr. Holmes, Ms. Kellett and Mr. Orr. Mr. Orr serves as chairman of the Compensation Committee.

The principal functions of the Compensation Committee are to evaluate the performance of our executive officers, review and approve the compensation for our executive officers, and review, administer and make recommendations to the full Board of Directors regarding our incentive compensation plans and equity-based plans. The Compensation Committee also reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance in light of those goals and objectives, and establishes the Chief Executive Officer's compensation levels. The Compensation Committee makes all compensation decisions with respect to the Chief Executive Officer and all other executive officers. The specific functions and responsibilities of the Compensation Committee are set forth in more detail in the Compensation Committee's Charter, a copy of which is posted on our website at [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com). The report of the Compensation Committee appears on page 26 of this Proxy Statement.

In 2011, the Compensation Committee continued its engagement of FTI Consulting, Inc., or FTI, a nationally recognized compensation consultant specializing in the real estate industry. FTI assisted the Compensation Committee in determining the amount and form of executive compensation. The Compensation Committee also considered information presented by FTI when reviewing the appropriate types and levels for the Company's non-employee director compensation program. Information concerning the nature and scope of FTI's assignments and related disclosure is included in Compensation Discussion and Analysis beginning on page 17 of this Proxy Statement.

*The Ethics, Nominating, and Corporate Governance Committee* is comprised of three independent directors: Dr. Holmes, Ms. Kellett and Mr. Orr. Dr. Holmes serves as chairman of the Committee. The Ethics, Nominating and Corporate Governance Committee is responsible for, among other things, recommending the nomination of qualified individuals to become directors to the full Board of Directors; recommending the composition of the Board's committees to the full Board of Directors; periodically reviewing the performance and effectiveness of the Board of Directors as a body; and periodically reviewing our corporate governance guidelines and policies. The specific functions and duties of the Committee are set forth in its charter, a copy of which is posted on our website at [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com).

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The Ethics, Nominating and Corporate Governance Committee will consider all potential candidates for nomination for election as directors who are recommended by the Company's stockholders, directors, officers, or employees. All director recommendations must be made during the time periods provided in and must provide the information required by Article II, Section 2.03 of the Company's Second Amended and Restated Bylaws. All director recommendations should be sent to the Ethics, Nominating and Corporate Governance Committee, c/o Secretary, Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242. The Committee will screen all potential director candidates in the same manner, regardless of the source of their recommendation. The Committee's review will typically be based on the written materials provided with respect to a potential director candidate. The Committee will evaluate and determine whether a potential candidate meets the Company's minimum qualifications and requirements, whether the candidate has the specific qualities and skills for directors, and whether requesting additional information or an interview is appropriate. While the Committee considers different perspectives and skill sets when evaluating potential director candidates, the Committee has not established a policy regarding diversity in identifying candidates. The Committee nevertheless regularly reviews the composition of the Board as part of the annual self-evaluation process and seeks nominees who, taken as a whole, possess the experience and skills necessary for the effective functioning of the Board.

The Board of Directors has adopted the following minimum qualifications and specific qualities and skills for the Company's directors, which will serve as the basis upon which potential director candidates are evaluated by the Ethics, Nominating and Corporate Governance Committee: (i) directors should possess the highest personal and professional ethics, integrity, and values; (ii) directors should have, or demonstrate an ability and willingness to acquire in short order, a clear understanding of the fundamental aspects of the Company's business; (iii) directors should be committed to representing the long-term interests of our stockholders; (iv) directors should be willing to devote sufficient time to carry out their duties and responsibilities effectively and should be committed to serving on the Board of Directors for an extended period of time; and (v) directors should not serve on more than five boards of public companies in addition to our Board of Directors.

The Ethics, Nominating and Corporate Governance Committee recommended the nomination of all seven of the incumbent directors for re-election to the Board of Directors. The entire Board of Directors approved such recommendation.

*The Investment Committee* is comprised of all of our current directors. Mr. Aldag serves as chairman of the committee. The Investment Committee has the authority to, among other things, consider and take action with respect to all acquisitions, developments, and leasing of healthcare facilities in which our aggregate investment will exceed \$10 million.

## **Governance, Ethics, and Stockholder Communications**

*Corporate Governance Guidelines.* In furtherance of its goal of providing effective governance of the Company's business and affairs for the long-term benefit of its stockholders, the Board of Directors has adopted Corporate Governance Guidelines. The Corporate Governance Guidelines are posted on our website at [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com).

*Code of Ethics and Business Conduct.* The Company has adopted a Code of Ethics and Business Conduct, as approved by the Board of Directors, which applies to all directors, officers, employees, and agents of the Company and its subsidiaries. The Code of Ethics and Business Conduct is posted on our website at [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com).

*Stockholder and Interested Party Communications with the Board.* Stockholders and all interested parties may communicate with the Board of Directors or any individual director regarding any matter that is within the responsibilities of the Board of Directors. Stockholders and interested parties should send their communications to the Board of Directors, or an individual director, c/o Secretary, Medical Properties Trust, Inc., 1000 Urban

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Center Drive, Suite 501, Birmingham, Alabama 35242. The Secretary will review the correspondence and forward any communication to the Board of Directors, or the individual director, if the Secretary determines that the communication deals with the functions of the Board of Directors or requires the attention of the Board of Directors or the individual director. The Secretary will maintain a log of all communications received from stockholders.

We will provide, free of charge, hard copies of our Annual Report to Stockholders, our Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Also available, free of charge, are hard copies of our Corporate Governance Guidelines, the charters of our Ethics, Nominating and Corporate Governance, Audit, and Compensation Committees, and our Code of Ethics and Business Conduct. All of these documents are also available on our website at [www.medicalpropertiestrust.com](http://www.medicalpropertiestrust.com).

### **PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of our Board of Directors has appointed PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm to audit our financial statements for the fiscal year ending December 31, 2012. PricewaterhouseCoopers LLP served as our independent registered public accounting firm during the year ended December 31, 2011.

#### **Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2012.**

### **PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Section 14A of the Exchange Act of 1934, as amended, or the Exchange Act to generally requires each public company to include in its proxy statement a separate resolution subject to a non-binding, advisory resolution to approve the compensation of its executive officers, as disclosed in its proxy statement pursuant to Item 402 of Regulation S-K not less frequently than once every three years. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our executive officers' compensation.

At our 2011 annual meeting of stockholders, our stockholders voted on, among other matters, a proposal regarding the frequency of holding a non-binding, advisory vote on the compensation of our named executive officers. A majority of the votes cast on the frequency proposal were cast in favor of holding a non-binding, advisory vote on the compensation of our named executive officers every year. Our Board of Directors considered the voting results with respect to the frequency proposal and other factors, and the Board of Directors determined that the Company will hold a non-binding, advisory vote on the compensation of our named executive officers every year until the next required advisory vote on the frequency of holding the non-binding, advisory vote on the compensation of our named executive officers.

The Company asks that you indicate your support for our executive compensation policies and practices as described in "Compensation Discussion and Analysis" and the accompanying tables and related disclosures beginning on page 17 of this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our executive officers, as defined herein, and the policies and practices described in this Proxy Statement. Your vote is advisory and so will not be binding on the Compensation Committee or the Board of Directors. However, the Board of Directors will review the voting results and take them into consideration when structuring future executive compensation arrangements. The affirmative vote of the holders of a majority of the shares of Common Stock represented in person or by proxy at the annual meeting and entitled to vote on the proposal will be required for approval.



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As we describe in further detail in Compensation Discussion and Analysis beginning on page 17 of this Proxy Statement, we believe that the experience, abilities and commitment of our executive officers are unique in the business of investing in hospital real estate, and are therefore critical to the long-term achievement of our investment goals. Accordingly, the primary objectives of our executive compensation program are to retain our key leaders, attract future leaders and align our executives' long-term interest with the interests of our stockholders. The Board of Directors encourages you to carefully review the information regarding our executive compensation program contained in this Proxy Statement.

**Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* THE FOLLOWING RESOLUTION:**

**RESOLVED, that the compensation paid to the Company's executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables and narrative discussion, is hereby APPROVED.**

**Table of Contents****SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS****Directors, Executive Officers, and Other Stockholders**

The following table provides information about the beneficial ownership of our common stock as of March 21, 2012, unless otherwise indicated, by each director of the Company, each executive officer, all directors and executive officers as a group, and each person known to management to be the beneficial owner of more than 5% of the outstanding shares of common stock.

Name of Beneficial Owner*	Number of Shares Beneficially Owned	Percentage of Shares Outstanding <sup>(1)</sup>
<b>Directors and Executive Officers:</b>		
Edward K. Aldag, Jr.	1,439,299 <sup>(2)</sup>	1.06%
Emmett E. McLean	621,673 <sup>(3)</sup>	**
R. Steven Hamner	732,207 <sup>(4)</sup>	**
William G. McKenzie	136,704 <sup>(5)</sup>	**
G. Steven Dawson	114,154 <sup>(7)</sup>	**
Robert E. Holmes, Ph.D.	99,003 <sup>(6)</sup>	**
Sherry A. Kellett	52,694 <sup>(8)</sup>	**
L. Glenn Orr, Jr.	108,281 <sup>(6)</sup>	**
All directors and executive officers as a group (8 persons)	3,304,015 <sup>(9)</sup>	2.44%
<b>Other Stockholders:</b>		
The Vanguard Group, Inc. 100 Vanguard Blvd.  Malvern, PA 19355	11,970,621 <sup>(10)</sup>	8.84%
BlackRock Inc. 40 East 52 <sup>nd</sup> Street  New York, NY 10022	9,368,852 <sup>(11)</sup>	6.92%

\* Unless otherwise indicated, the address is c/o Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242.

\*\* Less than 1% of the outstanding shares of common stock.

(1) Based on 135,449,661 shares of common stock outstanding as of March 21, 2012 and includes 110,000 vested common stock options and 150,712 vested operating partnership units (convertible into an equal number of shares of common stock). Shares of common stock that are deemed to be beneficially owned by a stockholder within 60 days after March 21, 2012 are deemed outstanding for purposes of computing such stockholder's percentage ownership but are not deemed outstanding for the purpose of computing the percentage outstanding of any other stockholder. Except as otherwise indicated in the notes to this table, beneficial ownership includes sole voting and investment power.

(2) Includes 554,256 shares of unvested restricted common stock, which the named officer has no right to sell or pledge. Separately, 362,003 shares are pledged as security.

(3) Includes 105,934 shares of unvested restricted common stock, which the named officer has no right to sell or pledge. Includes 4,200 shares held in a custodial account for one of his children.



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- (4) Includes 205,635 shares of unvested restricted common stock, which the named officer has no right to sell or pledge.
- (5) Includes 47,890 shares of unvested restricted common stock, which the named director has no right to sell or pledge.
- (6) Includes 20,000 shares of common stock issuable upon exercise of vested stock options and 16,666 shares of unvested restricted common stock. In addition, shares held by Mr. Orr include 700 shares held in a trust account and in accounts for his wife and daughter.
- (7) Includes 20,000 shares of common stock issuable upon exercise of vested stock options and 16,666 shares of unvested restricted common stock. Also includes 77,488 shares held by Corriente Partners L.P., which is wholly-owned by Corriente Private Trust. Mr. Dawson is the sole trustee and beneficiary of Corriente Private Trust. Mr. Dawson through Corriente Private Trust has voting and investment control with respect to the shares held by Corriente Partners, L.P.
- (8) Includes 16,666 shares of unvested restricted common stock.
- (9) See notes (1)-(8) above.

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(10) Share and beneficial ownership information was obtained from a Schedule 13G/A filed February 9, 2012 with the SEC. The Schedule 13G/A indicates that the reporting entity holds sole voting power with respect to 171,725 shares, sole dispositive power with respect to 11,798,896 shares and shared dispositive power with respect to 171,725 shares. The Schedule 13G/A also indicates that Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc. is the beneficial owner and directs the voting of 171,725 shares as a result of it serving as investment manager of collective trust accounts.

(11) Share and beneficial ownership information was obtained from a Schedule 13G/A filed February 10, 2012 with the SEC. According to the Schedule 13G/A, BlackRock has sole voting power and sole dispositive power over 9,368,852 shares. The Schedule 13G/A states that various persons have the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of the Company's common stock but that no one person's interest in the Company's common stock is more than five percent of the total outstanding common shares.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors and executive officers and the beneficial owners of more than 10% of our equity securities, or, collectively, reporting persons, file with the SEC and the NYSE initial reports of, and subsequent reports of changes in, their beneficial ownership of our equity securities. Based solely on a review of the reports furnished to us, we believe that all of the reporting persons timely filed all of the applicable SEC reports required for 2011.

**INDEPENDENT AUDITOR**

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP ( PwC ) as the independent auditor to perform the audit of our consolidated financial statements for the year ending December 31, 2012. PwC, an independent registered public accounting firm, also performed the audit of our consolidated financial statements for 2011.

Representatives of PwC are expected to be present at the meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions from our stockholders.

The Audit Committee is directly responsible for the appointment, compensation, and oversight of our independent auditor. In addition to retaining the independent auditor to audit our consolidated financial statements, the Audit Committee may retain the independent auditor to provide other auditing services. The Audit Committee understands the need for our independent auditor to maintain objectivity and independence in its audits of our financial statements.

To help ensure the independence of the independent auditor, the Audit Committee has adopted a policy for the pre-approval of all audit and non-audit services to be performed by its independent auditor. Pursuant to this policy, all audit and non-audit services to be performed by the independent auditor must be approved in advance by the Audit Committee. The Audit Committee approved all audit services provided to us by PwC during the 2011 and 2010 fiscal years.

The table below sets forth the aggregate fees billed by PwC for audit and non-audit services:

Fees	2011	2010
Audit Fees	\$ 662,223	\$ 494,412
Audit-Related Fees		
Tax Fees		
All Other Fees		
<b>Total</b>	<b>\$ 662,223</b>	<b>\$ 494,412</b>



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In the above table, in accordance with the SEC's definitions and rules, audit fees are fees for professional services for the audit of a company's financial statements included in the annual report on Form 10-K, for the review of a company's financial statements included in the quarterly reports on Form 10-Q, and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; audit-related fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of a company's financial statements; tax fees are fees for tax compliance, tax advice, and tax planning; and all other fees are fees for any services not included in the first three categories.

### **AUDIT COMMITTEE REPORT**

The Audit Committee is comprised of three independent directors and operates under a written charter adopted by the Board of Directors, a copy of which is available on our website. The Board of Directors has determined that each committee member is independent within the meaning of the NYSE listing standards.

Management is responsible for the Company's accounting and financial reporting processes, including its internal control over financial reporting, and for preparing the Company's consolidated financial statements. PwC, the Company's independent auditor, is responsible for performing an audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and for expressing an opinion as to whether the Company's consolidated financial statements are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America (GAAP). In this context, the responsibility of the Audit Committee is to oversee the Company's accounting and financial reporting processes and the audits of the Company's consolidated financial statements.

In the performance of its oversight function, the Audit Committee reviewed and discussed with management and PwC the Company's audited consolidated financial statements as of and for the year ended December 31, 2011. Management and PwC represented to the Audit Committee that the Company's audited consolidated financial statements as of and for the year ended December 31, 2011 were prepared in accordance with GAAP. The Audit Committee also discussed with PwC the matters required to be discussed by the Statement of Auditing Standards No. 61, as amended (SAS No. 61) as adopted by the PCAOB. SAS No. 61 sets forth requirements pertaining to the independent auditor's communications with the Audit Committee regarding the conduct of the audit.

The Audit Committee received the written disclosures and the letter from PwC required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence* (Rule 3526). Rule 3526 requires the independent auditor to provide written and oral communications prior to accepting an initial engagement conducted pursuant to the standards of the PCAOB and at least annually thereafter regarding all relationships between the auditor and the Company that, in the auditor's professional judgment, may reasonably be thought to bear on independence and to confirm that they are independent of the Company within the meaning of the securities acts administered by the SEC. The Audit Committee discussed with PwC any relationships that may impact their objectivity and independence and satisfied itself as to their independence.

The members of the Audit Committee are not professionally engaged in the practice of accounting or auditing and, as such, rely without independent verification on the information provided to them and on the representations made by management and PwC. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting processes or appropriate internal controls and procedures designed to assure compliance with the accounting standards and applicable laws and regulations. Furthermore, the reviews and discussions of the Audit Committee referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards, that the Company's audited consolidated financial statements are presented in accordance with generally accepted accounting principles, or that PwC is, in fact, independent.

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Based on the Audit Committee's review and the meetings described above, and subject to the limitations on its role and responsibilities described above and in the Audit Committee Charter, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements as of and for the year ended December 31, 2011 be included in our 2011 Annual Report on Form 10-K and in our 2011 Annual Report to Stockholders.

The foregoing report is provided by the undersigned members of the Audit Committee of the Board of Directors.

G. Steven Dawson (Chairman)  
Sherry A. Kellett  
L. Glenn Orr, Jr.

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### **EXECUTIVE OFFICERS**

For information regarding Messrs. Aldag and Hamner, please see Proposal 1 Election of Directors above.

**Emmett E. McLean.** Emmett E. McLean, age 56, is one of our founders and has served as our Executive Vice President, Chief Operating Officer and Treasurer since September 2003. Mr. McLean has served as our Secretary since June 2010, and served as our Assistant Secretary from April 2004 to June 2010. In August and September 2003, Mr. McLean also served as our Chief Financial Officer. Mr. McLean was one of our directors from September 2003 until April 2004. From June to September 2003, Mr. McLean served as Executive Vice President, Chief Financial Officer and Treasurer and as a director of our predecessor. From 2000 to 2003, Mr. McLean was a private investor and, for part of that period, served as a consultant to a privately held company. From 1995 to 2000, Mr. McLean served as Senior Vice President Development, Secretary and Treasurer and as a director of PsychPartners, L.L.C., a healthcare services and practice management company. Prior to 1992, Mr. McLean worked in the investment banking field. Mr. McLean received an MBA from the University of Virginia and a B.A. in Economics from The University of North Carolina.

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Introduction**

The Compensation Committee of our Board of Directors is responsible for establishing the underlying policies and principles of our compensation program. This Compensation Discussion and Analysis describes our executive compensation programs for our named executive officers (the NEOs) and describes how and why the Compensation Committee made its 2011 compensation decisions. Our NEOs for 2011 are:

Edward K. Aldag, Jr. Chairman of the Board, Chief Executive Officer and President;

R. Steven Hamner Executive Vice President and Chief Financial Officer; and

Emmett E. McLean Executive Vice President, Chief Operating Officer, Treasurer and Secretary.

#### **Executive Summary**

We believe that the experience, abilities and commitment of our NEOs provide the Company with a unique skill set in the business of investing in hospital real estate, and are therefore critical to the long-term achievement of our investment goals. We are the largest owner of hospital real estate investments in the country and the only publicly traded REIT that focuses solely on such investments. Accordingly, the primary objectives of our executive compensation program are to attract and retain the best executive talent for this highly specialized business and to align the interests of our executive officers with those of our stockholders. The Compensation Committee has adopted a compensation program designed to link financial and strategic results to executive rewards, reward favorable stockholder returns and enhance our competitive position within our segment of the healthcare industry. The majority of each executive's compensation is tied directly to the achievement of pre-established corporate and individual goals or is contingent upon the achievement of future performance, which we believe helps to ensure that the financial interests of our NEOs are aligned with those of our stockholders.

#### *2011 Business Highlights*

In 2011, the Compensation Committee took into account a number of strategic, operational and financial achievements in setting compensation, including the following:

As of the end of 2011, our total return to stockholders (TRS) placed us above the median of our executive compensation peer group, as defined below, over the one-, three- and five-year periods. As



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compared to the executive compensation peer group, the Company ranked at the 59<sup>th</sup> percentile over the one-year period, the 82<sup>nd</sup> percentile over the three-year period and the 69<sup>th</sup> percentile over the five-year period. The Company has also consistently outperformed the SNL Equity REIT Index, including outperforming the Index by a factor of almost 100% since the Company's IPO in July 2005 (i.e., the Company's TRS was equal to 66.71% over this time period versus 34.48% TRS for the SNL Equity REIT Index).

We strategically re-structured our debt and liquidity positions for both short- and long-term success, which was highlighted by the Company's S&P upgrade of our long-term credit rating and included issuing \$450 million of 6.875% ten-year notes and fixed \$125 million of previously issued term notes, thereby converting virtually all outstanding debt to fixed rates at historically low levels; repurchasing approximately 90% of our 9.25% convertible notes; and increasing our revolving credit facility.

We continue to operate a successful portfolio, while positioning ourselves for sustained growth. Over the past two years and through March 2012, the Company has grown its real estate assets by approximately 50%, including successfully closing on approximately \$311 million in investments in 2011 and significantly lowering the concentration of our two largest operators. Additionally, we have increased our current liquidity to approximately \$500 million, in order to position ourselves to capitalize on investment opportunities.

### *Three-Year Total Return to Stockholders*

The following chart shows how a \$100 investment in the Company on December 31, 2008 would have grown to \$211 on December 31, 2011 (i.e., over a three-year period). As illustrated below, such an investment in the Company would have performed 25% better than the same \$100 investment in the Company's executive compensation peer group and 14% better than a similar investment in the SNL Equity REIT Index over the same period.

\* Source: SNL Financial, Inc.

### *2011 Executive Compensation Highlights*

We believe that our current executive compensation program represents a balanced approach to compensation that includes the following key items:

***Continue to Utilize a Four-Pronged Compensation Program*** Compensation of our NEOs is comprised of four primary components: base salary, annual cash bonus (annual non-equity incentive program), annual grants of restricted stock (including both time- and performance-based awards), and the long-term incentive performance plan, which rewards executives only for superior TRS performance on both an absolute and relative basis. Only the base salary component, the smallest of all four, is not subject to performance criteria. Each of the four primary components of executive compensation is discussed in further detail in *Components of Executive Compensation* below.



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**Continue to Emphasize a Pay-for-Performance Structure** It is our underlying philosophy that pay be tied directly to performance. The majority of our executive compensation is earned by our NEOs based solely on the achievement of predetermined performance goals. We set clear financial and operating goals for corporate performance and individual achievement. The allocation of compensation across our four compensation elements for 2011 reflects our philosophy of maintaining a strong relationship between performance and pay by delivering the majority of each executive's compensation in the form of incentive compensation.

The allocation of compensation for our NEOs for 2011, based upon amounts included in the *Summary Compensation Table* below, was as follows:

Name	Salary	Performance-Based Annual Bonus	Time-Based Restricted Stock	Performance-Based Restricted Stock	Performance-Based LTIP Plan	Perquisites
<b>Edward K. Aldag, Jr.</b>	10.7%	29.1%	21.1%	18.2%	19.5%	1.4%
<b>R. Steven Hamner</b>	13.9%	26.9%	20.1%	17.3%	20.4%	1.4%
<b>Emmett E. McLean</b>	16.7%	32.3%	15.1%	13.0%	21.2%	1.7%

Based on the breakdown between each compensation component as described in the above table, for Messrs. Aldag, Hamner and McLean, performance-based compensation represents 87.9%, 84.7% and 81.6% of each NEO's respective 2011 total compensation. Of these amounts, only 21.1%, 20.1% and 15.1%, respectively, is represented by time-based restricted stock, which is based on the Compensation Committee's assessment of past performance. The remaining amount is earned by our NEOs only if future TRS targets are achieved.

**Continue to Award a Significant Portion of At-Risk Long-Term Incentive Awards** Since 2010, one-half of the annual grants of restricted stock vests only if we achieve a pre-determined TRS over the vesting period. In 2011, our Compensation Committee awarded annual grants of restricted stock that require us to achieve a TRS of at least 9% in order for our NEOs to realize one-half of such grants. Prior to 2010, such grants had been conditioned only on continued employment over the vesting periods. Upon the December 31, 2010 conclusion of the superior performance award portion of the 2007 Multi-Year Incentive Plan, the Compensation Committee adopted the 2011 Long-Term Incentive Performance Plan (2011 LTIP Plan), which represents a superior performance plan that will be earned based on the Company's absolute and relative TRS over a three-year period.

For 2011, the allocation of time-based restricted stock, which was granted based on past performance, and future performance-based restricted stock, which is still at-risk based on future TRS performance for our NEOs (using amounts from the *Summary Compensation Table* below) was as follows:

Name	Past Performance Awards	At-Risk Awards
<b>Edward K. Aldag, Jr.</b>	35.9%	64.1%
<b>R. Steven Hamner</b>	34.7%	65.3%
<b>Emmett E. McLean</b>	30.6%	69.4%

As of December 31, 2011, of the performance shares that have been granted to the Chairman, Chief Executive Officer and President since 2006, only 24% have been earned, while 26% have been forfeited and 50% are still within the performance period and are subject to forfeiture if the respective TRS targets are not achieved. Despite the Company's exceptional TRS performance described above, 26% of the shares granted to Mr. Aldag have been forfeited as a result of the Company utilizing a pay-for-performance model that requires management to create exceptional, above-market returns in order to earn 100% of the performance shares. However, accounting rules require that we record as compensation expense 100% of the grant date award value even if an NEO does not actually earn any of the awards.

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***Implementation of Equity Ownership Guidelines*** In February 2012, our Board implemented new equity ownership guidelines for key executive officers, including a multiple of six times current base salary for the Chairman, Chief Executive Officer and President. At that time, the Compensation Committee also increased the equity ownership guidelines for non-employee directors to require a three times multiple of base director fees.

***Ensure that Appropriate Consideration is Given to Compensation-Related Risk*** The Compensation Committee also evaluates our executive compensation programs to ensure that appropriate consideration is given to compensation risks including (i) compensation methods that may incentivize our executives to make decisions that, while creating apparent short term financial and operating success, may in the longer term result in future losses and other value depreciation; and (ii) compensation that is not competitive in the market, and does not adequately reward our executive officers for their specialized knowledge, expertise and historical achievements that may impact our ability to retain executives with such knowledge and expertise and adversely affect our growth, profitability and long term value.

***Limited Post-Retirement Benefits*** We believe that the total compensation paid to our NEOs is presently set at a level that accommodates prudent personal planning for certain post-retirement costs, including the costs of healthcare. Accordingly, with very limited exceptions related to the period of time after employment that we will pay for certain insurance coverage, we do not presently have any programs that provide post-retirement benefits or compensation.

***Limited Perquisites*** We provide to our NEOs certain other compensation that we believe is customary and is minor in relation to total compensation (and represents less than 2% of each NEO's total compensation). This includes the employer match to a portion of the executive's 401(k) contribution (our only retirement program and a perquisite available to all of our employees), reimbursement of certain limited amounts of disability and life insurance premiums, automobile allowances and certain limited professional fees. These are each described and quantified in the Summary Compensation Table below.

***Review of the Company's Clawback Policy*** We are currently considering the implementation of a clawback policy with regard to incentive-based compensation, but federal regulators have not yet implemented certain requirements as mandated by Section 954 of the Dodd-Frank Wall Street Reform and Customer Protection Act of 2010. We continue to track the progress of these rules, and expect to adopt a clawback policy subsequent to finalization of the regulations. In the interim, our Chief Executive Officer and Chief Financial Officer remain subject to the clawback provisions provided in Section 304 of the Sarbanes-Oxley Act of 2002.

***Review of the Employment Agreements*** All of our NEOs are also founders of our Company. In connection with our initial capital raising activities and our subsequent initial public offering, the founders entered into agreements with the Company to relinquish the substantial majority of their stock in the Company and other benefits in exchange for the opportunity to create future long term value and wealth for all stockholders. There have been no material amendments to these agreements since our IPO in July 2005. The substantive terms of these agreements are discussed further below.

### ***Stockholder advisory vote on compensation***

At our May 2011 annual meeting, we held a non-binding stockholder vote to approve the executive compensation of our NEOs. Approximately 83% of votes cast were in favor of the proposal. We believe that the overwhelming support of our stockholders for the 2011 say-on-pay vote proposal indicates that our stockholders are generally supportive of our approach to executive compensation.

### **Compensation Review Process**

#### ***Role of the Compensation Committee***

Pursuant to the Compensation Committee's charter, the Compensation Committee is responsible for designing our executive compensation plans, establishing compensation levels, and measuring the performance



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of our NEOs. The Compensation Committee, which consists of three independent trustees, is responsible for the review and approval of all aspects of our executive compensation program. Among other duties, the Compensation Committee is responsible for the following:

reviewing and approving, on an annual basis, the corporate incentive goals and objectives relevant to the annual cash incentive plan;

evaluating the performance of our executive officers in light of these goals and objectives;

evaluating the competitiveness of each executive officer's total compensation package relative to what other publicly traded and private equity-backed real estate investors may offer; and

approving any changes to our executives' total compensation package, including, but not limited to, base salary, annual and long-term incentive award opportunities and payouts, and retention programs.

In order to assist the Compensation Committee to design, establish and monitor our executive compensation plans, the Committee has engaged an executive compensation consultant, as described below.

### ***Role of the Chief Executive Officer and Chief Financial Officer***

Within the framework of the compensation programs approved by the Compensation Committee, our Chief Executive Officer and Chief Financial Officer discuss with the executive compensation consultant their assessment of the Company's overall performance, each executive officer's individual performance and employee retention considerations. Additionally, our Chief Executive Officer and Chief Financial Officer provide recommended corporate goals for the annual cash incentive plan based on the Company's strategic, financial and operational plans, as well as analyst and market expectations. However, the Compensation Committee, in its sole discretion, makes the final determination of all executive officer compensation.

### ***Role of the Compensation Consultant***

The Compensation Committee has retained FTI Consulting, Inc., a nationally recognized compensation consulting firm specializing in the real estate industry (the Compensation Consultant or FTI). The Compensation Consultant was engaged by and reports directly to the Compensation Committee. Upon the request of the Compensation Committee, a representative of FTI attends meetings of the Compensation Committee and communicates with the Chairman of the Compensation Committee between meetings; however, the Compensation Committee makes all decisions regarding the compensation of our executive officers.

The Compensation Consultant provides various executive compensation services to the Compensation Committee pursuant to a written consulting agreement between the Compensation Committee and the Compensation Consultant. Generally, these services include, among others, (i) advising the Compensation Committee on the principal aspects of our executive compensation program and director compensation program and evolving industry practices, (ii) presenting information to assist the Compensation Committee in determining the appropriate peer group to be used to evaluate the competitiveness of our compensation program; (iii) providing market information and analysis regarding the competitiveness of our program design and our award values in relationship to our performance; and (iv) preparing recommendations based on the Company's performance, current market trends and corporate governance matters.

The Compensation Committee recognizes that it is essential to receive objective advice from its outside compensation consultant. Historically, on an annual basis since 2007, FTI has been engaged by management to perform a variety of tax structuring and compliance services unrelated to executive compensation. Although these services were not formally approved in advance by the Compensation Committee, the Compensation Committee has been aware of and approved of FTI's role as a provider of non-executive compensation related services to us. FTI reports to the Compensation Committee any such services and fees annually, in connection with its retention, and upon the reasonable request of the Compensation Committee. The Compensation Committee has determined that FTI advice is objective and free from the influence of management. The



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Compensation Committee also closely examines the safeguards and steps that FTI takes to ensure that its executive compensation consulting services are objective. The Compensation Committee takes the following factors into consideration.

The Compensation Committee directly hired and has the authority to terminate FTI engagement for executive compensation related services.

The Compensation Committee solely determined the terms and conditions of FTI's engagement for compensation related services, including the fees charged.

FTI is engaged by and reports directly to the Compensation Committee for all executive compensation services.

FTI has direct access to members of the Compensation Committee during and between meetings. During 2011, we paid FTI \$86,985 in consulting fees directly related to executive, board and other compensation-related services performed for the Compensation Committee. During the same period, we paid FTI \$204,509 for its tax structuring and compliance consulting services unrelated to executive, Board and compensation matters.

***Peer Group Analysis***

The Committee relies on compensation information as prepared by the Compensation Consultant to determine the competitive market for our NEOs. The Committee uses compensation data compiled from a group of 17 publicly-traded REITs with a median equity market capitalization of \$1.8 billion (the Peer Group) and is comprised of those companies that have been historically utilized for performance measurement and compensation purposes, except for Nationwide Health Properties, Inc. and Kite Realty Group Trust, who were replaced with National HealthCare Corporation and DuPont Fabros Technology, Inc. We believe the Peer Group represents the companies with which we currently compete for executive talent, and includes our principal business competitors. For 2011, the Peer Group consisted of the following companies:

Alexandria Real Estate Equities, Inc.	Healthcare Realty Trust, Inc.
BioMed Realty Trust	LTC Properties, Inc.
Cogdell Spencer, Inc.	MPG Office Trust, Inc.
Colonial Properties Trust	National HealthCare Corporation
Corporate Office Properties Trust, Inc.	Omega Healthcare Investors, Inc.
Digital Realty Trust, Inc.	Parkway Properties, Inc.
DuPont Fabros Technology, Inc.	Ventas, Inc.
First Potomac Realty Trust	Washington Real Estate Investment Trust
Health Care REIT, Inc.	

To assess the competitiveness of our executive compensation program, FTI analyzes Peer Group proxy compensation data levels, as well as the mix of our compensation components with respect to fixed versus variable, short-term versus long-term, and cash versus equity-based pay. This information is then presented to the Compensation Committee for its review and use. The Compensation Committee takes into account various factors such as our performance within the Peer Group, scope of responsibilities for each individual executive, internal equity considerations, and any succession and retention considerations.

**Components of Executive Compensation**

The following is a summary of the elements and amounts of our compensation program for our NEOs in 2011. As noted above, a majority of our NEOs' total compensation is based on pre-established measures, the achievement of which we believe is correlated with long term creation and maintenance of stockholder value. Another significant portion of the value our NEOs are eligible to earn as compensation is represented by shares

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of restricted common stock that vest over multiple periods and materially impact the long term net worth of our NEOs. We believe these two key elements of our compensation strategy create incentives for our NEOs.

*Base Salaries*

The Compensation Committee has determined that base salaries should comprise a relatively minor portion of the total compensation that an executive is eligible to earn and has established base salary levels relative to the Peer Group. In 2011, each of our NEO's base salary was increased only by the approximate change in the consumer price index during 2010. In limiting base salary increases to inflation, the Compensation Committee considered the opportunities for our executive officers to earn incentive compensation based on their achievement of certain longer-term financial and operational targets as described below.

*Annual Cash Bonus (Non-Equity Incentive Plan Compensation)*

Our NEOs have opportunities to earn annual cash compensation of up to specified multiples of their base salaries if certain specified corporate goals are reached at the Threshold, Target, Superior and Outperformance levels as described below. The following table specifies the potential multiples for each NEO.

Executive Name	Threshold	Target	Superior	Outperformance
<i>Edward K. Aldag, Jr.</i>	100%	175%	250%	350%
<i>R. Steven Hamner</i>	75%	125%	175%	250%
<i>Emmett E. McLean</i>	75%	125%	175%	250%

The majority (generally, 65%) of the potential annual bonus for each NEO is based on quantifiable measures of performance that are established and discussed with each executive early in the fiscal year. In early 2011, the following goals, measurements and potential base salary multiples were established for calendar year 2011:

Corporate Goal	Weight	Threshold	Target	Superior	Outperformance
<i>Exposure by Tenant</i>	15.0%	30% max	27% max	25% max	23% max
<i>Acquisitions</i>	20.0%	\$250 million	\$300 million	\$350 million	\$400 million
<i>AFFO Payout</i>	20.0%	100.0%	95.0%	90.0%	85.0%
<i>Liquidity</i>	20.0%	\$50 million	\$60 million	\$70 million	\$80 million
<i>River Oaks Revenue</i>	5.0%	75.0%	85.0%	100.0%	110.0%
<i>Monroe Revenue or Sale</i>	5.0%	50.0%	75.0%	100.0%	110.0%
<i>Effective use of RIDEA</i>	15.0%	N/A	N/A	N/A	Yes
<b>TOTAL</b>	<b>100.0%</b>				

The following table shows the level of achievement for each of the 2011 goals:

Corporate Goal	2011 Achievement	Actual Achievement
<i>Exposure by Tenant</i>	Superior	25%
<i>Acquisitions</i>	Target	\$311 million
<i>AFFO Payout</i>	Target	95%
<i>Liquidity</i>	Outperformance	>\$80 million
<i>River Oaks Revenue</i>	Below Threshold	0%
<i>Monroe Revenue or Sale</i>	Below Threshold	0%
<i>Effective use of RIDEA</i>	Outperformance	Yes

The remaining 35% of the annual bonus potential is based on the respective performance of each NEO based on the Compensation Committee's consideration of various quantitative and qualitative factors. For 2011, the factors listed in the executive summary on page 17 were considered.





**Table of Contents***Annual Long-Term Incentive Awards*

The Compensation Committee may grant long-term, equity-based incentive awards to our executive officers under the Company's 2004 Equity Incentive Plan, as amended (the "2004 Equity Incentive Plan"). These awards may take the form of incentive stock options, nonqualified stock options, restricted common stock, restricted stock units, deferred stock units, stock appreciation rights, and performance share units. Based on an assessment of competitive factors and performance, the Compensation Committee determines an award that is sufficient to both properly reward, and provide future incentive for, each executive officer. The Compensation Committee generally considers the amount paid under the other components of the executives' compensation along with the market information related to compensation of Peer Group company executives in determining the value and character of long-term incentive awards. Further, the Compensation Committee intends to continue to closely align the interests of the executive officers with those of the stockholders generally by making such incentive awards in the form of restricted stock (both time-based and performance-based). Shares of restricted stock granted under the 2004 Equity Incentive Plan are designed to provide long-term performance incentives and rewards tied to the price of our common stock. In past years, to encourage retention, restricted stock awards have generally vested over periods of three to five years, and have sometimes required achievement of certain performance measures in order to vest.

To help determine the amount of long-term equity incentives to award our NEOs during 2011, the Compensation Committee considered the Company's overall performance along with the total compensation levels of the Company's NEOs and the Peer Group. Based on our 2010 performance, the Compensation Committee granted time-based and performance-based restricted shares to each of the NEOs. One-half of these restricted shares vest over a three-year period in equal quarterly amounts. The remaining one-half vest only if during the three year period, our TRS is equal to or exceeds 9% per year (with carry back and carry forward provisions through December 31, 2015). Moreover, dividends that accrue on the performance based restricted stock are not paid until and unless the requisite TRS performance requirements are achieved.

Based on these considerations, long-term incentive shares of restricted common stock (the "2011 Long-Term Incentive Awards") were awarded by the Compensation Committee to our NEOs as follows: Messrs. Aldag, Hamner and McLean: 210,372, 102,740, and 63,601, respectively. The amounts in the table below are based upon the grant date value of the 2011 Long-Term Incentive Awards.

<b>Executive Name</b>	<b>Time-Based Awards (\$)</b>	<b>Performance-Based Awards (\$)</b>	<b>Total Awards (\$)</b>
<b><i>Edward K. Aldag, Jr.</i></b>	\$ 1,138,112	\$ 980,334	\$ 2,118,446
<b><i>R. Steven Hamner</i></b>	555,823	478,768	1,034,591
<b><i>Emmett E. McLean</i></b>	344,076	296,385	640,461

*2011 Long-Term Incentive Performance Plan*

In January 2011, the Company implemented the 2011 LTIP Plan, in connection with the December 31, 2010 expiration of the superior performance component of the 2007 Multi-Year Incentive Plan. The 2011 LTIP Plan was designed to (i) motivate senior management to deliver superior return for market-based performance (TRS) in terms of both absolute and relative performance; (ii) align management's and stockholders' interests; and (iii) provide an additional retention tool for the Company's executives. The 2011 LTIP Plan is designed to be implemented on an annual basis in order to mitigate some of the potential timing issues often associated with larger, multi-year performance plans.

The 2011 LTIP Plan includes three years of performance and two years of additional time-based vesting (five years in the aggregate). The 2011 LTIP Plan utilizes notional LTIP units that may be earned based on the achievement of absolute TRS (25% weighting) and relative TRS (75% weighting), which was designed to be consistent with the preference of institutional stockholders that such awards be weighted more towards relative

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performance than absolute performance, in order to ensure that the Company must outperform the industry in order for participants to actually earn the shares.

The absolute and relative hurdles under the 2011 LTIP are as follows:

TRS Performance	Absolute TRS Award		Relative TRS Award	
	TRRS	% of Award Earned	MSCI US REIT Index Performance	% of Award Earned
27%		0%	=Index	0%
30%		25%	Index +3%	25%
33%		50%	Index +6%	50%
36%		75%	Index +9%	75%
39%		100%	Index +12% or greater	100%

For performance between the specified TRS Performance and MSCI US REIT Index Performance hurdles, the amount earned would be interpolated on a linear basis.

The Compensation Committee allocated LTIP units to our NEOs in 2011 as follows:

Executive Name	Notional LTIP	Grant Date Accounting
	Units (#)	Value (\$)
<b>Edward K. Aldag, Jr.</b>	250,000	\$ 1,048,125
<b>R. Steven Hamner</b>	135,000	565,988
<b>Emmett E. McLean</b>	115,000	482,138

Although the amounts above are reported in the *Summary Compensation Table* below, the compensation realized by the NEOs may be meaningfully different, as the number of actual shares earned will be ultimately dependent on the Company's long-term TRS performance.

*Other Benefits*

We maintain a 401(k) Retirement Savings plan and annually match 100% of the first three percent (3%) of pay contributed, plus fifty percent (50%) of the next two percent (2%) of pay contributed, to such plan by any employee (subject to certain tax limitations). We offer medical, dental, and vision plans, and pay the coverage cost under these plans for all employees. Each of our NEOs has employment agreements with us pursuant to which certain other benefits are provided to them. The financial terms of each such employment agreement are set forth in *Employment Agreements with Executive Officers* below.

*Practices with regard to dates and pricing of stock and option grants.*

The Compensation Committee determines the number of shares underlying grants of restricted stock awards and the executive officers who will receive such awards. The date of the award is the date of the meeting of the Compensation Committee at which the grant of restricted stock is approved. All NEOs must receive prior authorization for any purchase or sale of our common stock.

We have never granted stock options to our executive officers.

*Equity Ownership Guidelines*

We believe that equity ownership by our directors and officers can help align their interests with our stockholders' interests. To that end, we have adopted equity ownership guidelines applicable to our directors and to key executive officers. While there are no penalties for failure to meet the ownership levels discussed below, we will report ownership status to our Compensation Committee on an annual basis. Failure to meet the



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ownership levels, or show sustained progress towards meeting them, may result in payment to the directors and the key executive officers of future compensation in the form of equity rather than cash.

With respect to our key executive officers, the guidelines require ownership of shares of our common stock, including vested and unvested common stock, within five years of becoming an executive officer or from promotion to a new executive officer position, with a value equal to the following multiple of his or her base salary:

Title	Multiple of Base Salary
Chairman, Chief Executive Officer and President	6x
Executive Vice Presidents (including CFO and COO)	4x

Our ownership guidelines also require ownership by each non-employee director of shares of our common stock, including vested and unvested common stock, in an amount equal to at least three times the annual fee paid to such director. Non-employee directors must comply with the ownership requirement within a period of three years after he or she initially joins the Board, and must come back into compliance within three years in the event that he or she should fall short of this ownership requirement at any time.

All of our non-employee directors and NEOs met the equity ownership guidelines as of December 31, 2011.

**Section 162(m).** The SEC requires that this report comment upon the Company’s policy with respect to Section 162(m) of the Internal Revenue Code of 1986, as amended, which limits the deductibility on the Company’s tax return of compensation over \$1 million to any of the NEOs of the Company unless, in general, the compensation is paid pursuant to a plan which is performance-related, non-discretionary, and has been approved by the Company’s stockholders. The Company believes that, because it qualifies as a REIT under the Code and pays dividends sufficient to minimize federal income taxes, the payment of compensation that does not satisfy the requirements of Section 162(m) will generally not affect the Company’s net income. To the extent that compensation does not qualify for a deduction under Section 162(m), a larger portion of stockholder distributions may be subject to federal income taxation as dividend income rather than return of capital. The Company does not believe that Section 162(m) will materially affect the taxability of stockholder distributions, although no assurance can be given in this regard due to the variety of factors that affect the tax position of each stockholder. For these reasons, the Compensation Committee’s compensation policy and practices are not directly guided by considerations relating to Section 162(m).

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis beginning on page 17 of this Proxy Statement. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

L. Glenn Orr, Jr. (Chairman)

Robert E. Holmes, Ph.D.

Sherry A. Kellett

**Compensation of Executive Officers**

We have employment agreements with Edward K. Aldag, Jr., R. Steven Hamner and Emmett E. McLean. These employment agreements provided the following annual base salaries in 2011: Mr. Aldag, \$575,000; Mr. Hamner, \$385,000; and Mr. McLean, \$380,000. On each January 1, each NEO is to receive a minimum increase in his base salary equal to the increase in the Consumer Price Index, or CPI. These agreements provide that each NEO agrees to devote substantially all of their business time to our operation. The employment

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agreement for each of the NEOs is for a three-year term, which is automatically extended at the end of each year within such term for an additional one year period, unless either party gives notice of non-renewal as provided in the agreement.

These employment agreements permit us to terminate each executive's employment with appropriate notice for cause, which includes (i) the conviction of the executive of, or the entry of a plea of guilty or nolo contendere by the executive to, a felony (exclusive of any felony relating to negligent operation of a motor vehicle and also exclusive of a conviction, plea of guilty or nolo contendere arising solely under a statutory provision imposing criminal liability upon the executive on a per se basis due to the Company offices held by the executive, so long as any act or omission of the executive with respect to such matter was not taken or omitted in contravention of any applicable policy or directive of the Board of Directors), (ii) a willful breach of his duty of loyalty which is materially detrimental to the Company, (iii) a willful failure to materially perform or materially adhere to explicitly stated duties that are consistent with the terms of his employment agreement, or the Company's reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including, without limitation, any business code of ethics adopted by the Board of Directors, or to follow the lawful directives of the Board of Directors (provided such directives are consistent with the terms of his employment agreement), which, in any such case, continues for thirty (30) days after written notice from the Board of Directors to the executive, or (iv) gross negligence or willful misconduct in the material performance of the executive's duties.

Each of the NEOs has the right under his employment agreement to resign for good reason, which includes (i) the employment agreement is not automatically renewed by the Company; (ii) the termination of certain incentive compensation programs; (iii) the termination or diminution of certain employee benefit plans, programs, or material fringe benefits; (iv) the relocation of our principal office outside of a 100 mile radius of Birmingham, Alabama (in the case of Mr. Aldag); or (v) our breach of the employment agreement which continues uncured for 30 days. In addition, in the case of Mr. Aldag, the following constitute good reason: (i) his removal from the Board of Directors without cause or his failure to be nominated or elected to the Board of Directors; or (ii) any material reduction in duties, responsibilities, or reporting requirements, or the assignment of any duties, responsibilities, or reporting requirements that are inconsistent with his positions with us.

The executive employment agreements provide a monthly car allowance of \$1,000 for Mr. Aldag and \$750 for each of Messrs. Hamner and McLean. The NEOs are also reimbursed for the cost of tax preparation and financial planning services, up to \$25,000 annually for Mr. Aldag and \$10,000 annually for each of Messrs. Hamner and McLean. We also reimburse each executive for the income tax he incurs on the receipt of these tax preparation and financial planning services. In addition, the employment agreements provide for annual paid vacation of six weeks for Mr. Aldag and four weeks for Messrs. Hamner and McLean, and various other customary benefits. The employment agreements also provide that Mr. Aldag will receive up to \$20,000 per year in reimbursement for life insurance premiums, which amount is to increase annually based on the increase in the CPI for such year, and that Messrs. Hamner and McLean will receive up to \$10,000 per year in reimbursement for life insurance premiums which amount is to increase annually based on the increase in the CPI for such year. We also reimburse each executive for the income tax he incurs on the receipt of these life insurance premium reimbursements. The NEOs are also reimbursed for the cost of their disability insurance premiums.

The employment agreements provide that the executive officers are eligible to receive the same benefits, including medical insurance coverage and retirement plan benefits in a 401(k) plan, to the same extent as other similarly situated employees, and such other benefits as are commensurate with their position. Participation in employee benefit plans is subject to the terms of said benefit plans as in effect from time to time.

If the Named Executive Officer's employment ends for any reason, we will pay accrued salary, bonuses, and incentive payments already determined, and other existing obligations. If we terminate a Named Executive Officer's employment without cause, or if any of them terminates his employment for good reason, we will be obligated to pay (i) a lump sum payment of severance equal to the sum of (x) the product of three and the sum of

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the salary in effect at the time of termination plus the average cash bonus (or the highest cash bonus, in the case of Mr. Aldag) paid to such executive during the preceding three years, grossed up for taxes in the case of Mr. Aldag, and (y) the incentive bonus prorated for the year in which the termination occurred; (ii) the cost of the executive's continued participation in the company's benefit and welfare plans (other than the 401(k) plan) for a three-year period (a five-year period in the case of Mr. Aldag); and (iii) certain other benefits as provided for in the employment agreement. Additionally, in the event of a termination by us for any reason other than cause or by the executive for good reason, all of the stock options, if any, and restricted stock granted to the executive will become fully vested, and the executive will have whatever period remains under the stock options in which to exercise all vested stock options.

In the event of death of any of our NEOs, then, in addition to the accrued salary, bonus, and incentive payments due to them, they shall become fully vested in their stock options and restricted stock, and their respective beneficiaries will have whatever period remains under the stock options to exercise such stock options. In addition, their estates would be entitled to their prorated incentive bonuses.

In the event the employment of our NEOs ends as a result of a termination by us for cause or by the executives without good reason, then in addition to the accrued salary, bonuses and incentive payments due to them, the executives would be entitled to exercise their vested stock options pursuant to the terms of the grant, but all other unvested stock options and restricted stock would be forfeited.

Upon a change of control, the NEOs will become fully vested in their stock options and restricted stock and will have whatever period remains under the stock options in which to exercise their stock options. In addition, if the employment of any Named Executive Officer is terminated by us for cause or by the executive without good reason in connection with a change of control, the executive will be entitled to receive an amount equal to the largest cash compensation paid to the executive for any twelve month period during his tenure multiplied by three.

If payments become due as a result of a change in control and the excise tax imposed by Code Section 4999 applies, the terms of the employment agreements require us to gross up the amount payable to the executive by the amount of this excise tax plus the amount of income and other taxes due as a result of the gross up payment.

For an 18-month period after termination of an executive's employment for any reason other than (i) termination by us without cause or (ii) termination by the executive for good reason, each of the executives under these employment agreements has agreed not to compete with us by working with or investing in, subject to certain limited exceptions, any enterprise engaged in a business substantially similar to our business as it was conducted during the period of the executive's employment with us.

The employment agreements provide that the NEOs are eligible to participate in our equity incentive plan. The employment agreements also provide that the NEOs are eligible to receive annual cash bonuses based on the bonus policy adopted by the Compensation Committee.

**Table of Contents****Summary Compensation Table**

The amounts in the table below are a summary of the components of compensation our NEOs received in the last three years:

Name and principal positions	Year	Salary	Bonus	Stock Awards	Option Awards	Plan Compensation	Change in Pension Value and Non-Equity Nonqualified Incentive Deferred Compensation		All Other Compensation	Total Compensation
							Earnings	Compensation		
<b>Edward K. Aldag, Jr.</b>	2011	\$ 575,000		\$ 3,166,571 <sup>(10)</sup>		\$ 1,564,000			\$ 76,488 <sup>(1)</sup>	\$ 5,382,059
Chairman of the Board, Chief Executive Officer and President	2010	550,680		1,943,153		1,891,586			56,411 <sup>(4)</sup>	4,441,830
	2009	529,500		915,699		1,509,075			64,890 <sup>(7)</sup>	3,019,164
<b>Emmett E. McLean</b>	2011	\$ 380,000		\$ 1,122,599 <sup>(10)</sup>		\$ 736,963			\$ 39,815 <sup>(2)</sup>	\$ 2,279,377
Executive Vice President, Chief Operating Officer, Treasurer and Secretary	2010	372,528		631,525		913,159			45,085 <sup>(5)</sup>	1,962,297
	2009	358,200		343,388		703,079			33,856 <sup>(8)</sup>	1,438,523
<b>R. Steven Hamner</b>	2011	\$ 385,000		\$ 1,600,579 <sup>(10)</sup>		\$ 746,659			\$ 39,357 <sup>(3)</sup>	\$ 2,771,595
Director, Executive Vice President and Chief Financial Officer	2010	374,712		971,576		918,512			41,192 <sup>(6)</sup>	2,305,992
	2009	360,300		526,529		707,201			36,027 <sup>(9)</sup>	1,630,057

(1) Represents \$9,800 in Company 401(k) match, \$12,000 automobile allowance, \$5,378 for the cost of tax preparation and financial planning services, \$3,312 for the cost of disability insurance, \$41,347 for the cost of life insurance, and \$4,651 for an annual physical. These additional benefits include \$22,837 to reimburse Mr. Aldag for tax liabilities associated with such payments.

(2) Represents \$9,800 in Company 401(k) match, \$9,000 automobile allowance, \$7,643 for the cost of tax preparation, \$936 for the cost of disability insurance, and \$12,436 for the cost of life insurance. These additional benefits include \$8,711 to reimburse Mr. McLean for tax liabilities associated with such payments.

(3) Represents \$9,800 in Company 401(k) match, \$9,000 automobile allowance, and \$20,557 for the cost of life insurance. These additional benefits include \$8,521 to reimburse Mr. Hamner for tax liabilities associated with such payments.

(4) Represents \$9,800 in Company 401(k) match, \$12,000 automobile allowance, \$2,174 for the cost of tax preparation and financial planning services, \$3,312 for the cost of disability insurance, and \$29,125 for the cost of life insurance. These additional benefits include \$13,130 to reimburse Mr. Aldag for tax liabilities associated with such payments.

(5) Represents \$9,800 in Company 401(k) match, \$9,000 automobile allowance, \$14,815 for the cost of tax preparation, \$464 for the cost of disability insurance, and \$11,006 for the cost of life insurance. These additional benefits include \$10,709 to reimburse Mr. McLean for tax liabilities associated with such payments.

(6) Represents \$9,800 in Company 401(k) match, \$9,000 automobile allowance, \$1,920 for the cost of disability insurance, and \$20,472 for the cost of life insurance. These additional benefits include \$8,588 to reimburse Mr. Hamner for tax liabilities associated with such payments.



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(7) Represents \$9,800 in Company 401(k) match, \$12,000 automobile allowance, \$6,920 for the cost of tax preparation and financial planning services, \$3,312 for the cost of disability insurance, and \$32,858 for the cost of life insurance. These additional benefits include \$16,687 to reimburse Mr. Aldag for tax liabilities associated with such payments.

(8) Represents \$9,800 in Company 401(k) match, \$9,000 automobile allowance, \$415 for the cost of disability insurance, and \$14,641 for the cost of life insurance. These additional benefits include \$6,142 to reimburse Mr. McLean for tax liabilities associated with such payments.

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(9) Represents \$9,800 in Company 401(k) match, \$9,000 automobile allowance and \$17,227 for the cost of life insurance. These additional benefits include \$7,227 to reimburse Mr. Hamner for tax liabilities associated with such payments.

(10) A portion of these stock awards include performance-based vesting conditions; the value reported with respect to these awards is the grant date fair value based upon the probable outcome of the performance-based vesting conditions. The reported value for these performance-based awards is \$2,028,459; \$778,523; and \$1,044,756 for Messrs. Aldag, McLean, and Hamner, respectively. The value of these performance-based awards at the grant date if the highest level of performance conditions is achieved is \$3,843,113; \$1,588,387; and \$2,016,523 for Messrs. Aldag, McLean, and Hamner, respectively. Assumptions used in the calculation of these amounts are included in Note 7 of the Notes to Consolidated Financial Statements included in our 2011 Annual Report on Form 10-K.

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*Grants of Plan-Based Awards.* The following table provides information about plan-based awards granted to our NEOs during 2011. For further detail regarding each of these awards, see *Compensation Discussion and Analysis Components of Executive Compensation.*

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>				Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units <sup>(3)</sup>		All Other Option Awards: Number of Securities Underlying Exercise or Base Price of Option Awards <sup>(3)</sup>		Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)	Target (\$)	Superior (\$)	Outperformance (\$)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	Options (#)	Awards (\$/sh)		
Blag, David	1/1/2011	\$ 575,000	\$ 1,006,250	\$ 1,437,500	\$ 2,012,500								
	1/4/2011						105,186 <sup>(4)</sup>		105,186				
	1/4/2011						62,500 <sup>(5)</sup>						
	1/4/2011						187,500 <sup>(6)</sup>						\$ 3,166,570
Leann, Robert	1/1/2011	\$ 285,000	\$ 475,000	\$ 665,000	\$ 950,000								
	1/4/2011						31,801 <sup>(4)</sup>		31,800				
	1/4/2011						28,750 <sup>(5)</sup>						
	1/4/2011						86,250 <sup>(6)</sup>						\$ 1,122,570
Wimmer, Steven	1/1/2011	\$ 288,750	\$ 481,250	\$ 673,750	\$ 962,500								
	1/4/2011						51,370 <sup>(4)</sup>		51,370				
	1/4/2011						33,750 <sup>(5)</sup>						
	1/4/2011						101,250 <sup>(6)</sup>						\$ 1,600,570

(1) Represents cash compensation which may be earned if specified corporate goals are reached.

(2) Represents awards of performance-based restricted stock. Dividends are not paid on performance-based awards until the award is earned.

(3) Represents awards of time-based restricted stock which will vest quarterly over a period of three years. The grant date fair value of the time-based restricted stock was calculated using a value of \$10.82 per share, which was the average price of our common stock on January 4, 2011, the date on which these grants were made. Dividends are paid on the time-based stock awards starting on the date of grant.

(4) Represents 2011 Long-Term Incentive Awards which will be earned if the Company achieves a simple 9.0% annual TRS, over a three year period, with carryback and carryforward provisions through December 31, 2015. The grant date fair value of the performance-based awards is based upon \$9.32 per share using the Monte Carlo valuation method, as more fully described in Note 7 of the Notes to Consolidated Financial Statements included in our 2011 Annual Report on Form 10-K.

(5) Represents 2011 Absolute TRS Awards which will be earned if the Company achieves specific cumulative TRS from January 1, 2011 to December 31, 2013. The grant date fair value of the performance-based awards is based upon \$3.69 per share using the Monte Carlo valuation method, as more fully described in Note 7 of the Notes to Consolidated Financial Statements included in our 2011 Annual Report on Form 10-K.

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- (6) Represents 2011 Relative TRS Awards which will be earned if the Company outperforms the MSCI U.S. REIT Index over the cumulative period from January 1, 2011 to December 31, 2013. The grant date fair value of the performance-based awards is based upon \$4.36 per share using the Monte Carlo valuation method, as more fully described in Note 7 of the Notes to Consolidated Financial Statements included in our 2011 Annual Report on Form 10-K.

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*Outstanding Equity Awards at December 31, 2011.* The table below shows the outstanding equity awards held by our NEOs as of December 31, 2011. Market values are based on a price of \$9.87 per share, the closing price of our common stock on December 31, 2011.

Name	Option Awards					Stock Awards		Equity Incentive Plan
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Exercised Options (#)	Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) <sup>(4)</sup>
Edward K. Aldag, Jr.						318,212 <sup>(1)</sup>	\$ 3,140,752	599,116
Emmett E. McLean						124,567 <sup>(2)</sup>	\$ 1,229,476	239,471
R. Steven Hamner						159,095 <sup>(3)</sup>	\$ 1,570,268	297,620

(1) 10,000 shares vest on March 8, 2012. 109,526 shares vest in annual installments from December 31, 2012 through December 31, 2013. 66,833 shares vest in annual installments from February 14, 2012 through February 14, 2013. 12,112 shares vest on January 2, 2012. 40,850 shares vest in quarterly installments from January 1, 2011 through January 1, 2013. 78,891 shares vest in quarterly installments from January 1, 2012 through January 1, 2014.

(2) 4,500 shares vest on March 8, 2012. 20,000 shares vest in annual installments from December 31, 2012 through December 31, 2013. 25,062 shares vest in annual installments from February 14, 2012 through February 14, 2013. 4,542 shares vest on January 2, 2012. 13,278 shares vest in quarterly installments from January 1, 2012 through January 1, 2013. 23,850 shares vest in quarterly installments from January 1, 2012 through January 1, 2014. 33,335 units of profits interest in the Company's operating partnership vest in annual installments from December 31, 2012 through December 31, 2013.

(3) 5,000 shares vest on March 8, 2012. 54,763 units of profits interest in the Company's operating partnership vest in annual installments from December 31, 2012 through December 31, 2013. 33,416 shares vest in annual installments from February 14, 2012 through February 14, 2013. 6,964 shares vest on January 2, 2012. 20,425 shares vest in quarterly installments from January 1, 2012 through January 1, 2013. 38,527 shares vest in quarterly installments from January 1, 2012 through January 1, 2014.

(4) Represents various performance-based awards including the following:

Awards granted under the 2007 Multi-Year Incentive Plan 178,570; 71,428; and 78,570 shares remain unvested for Messrs Aldag, McLean and Hamner, respectively. These awards vest annually and ratably over a seven-year period (beginning March 1, 2007 through December 31, 2014) contingent upon the Company's achievement of a simple 9% annual TRS. These awards provide for payment of dividends on all vested and unvested awards.

2010 Long-Term Incentive Awards 65,360; 21,242; and 32,680 shares remain unvested for Messrs. Aldag, McLean and Hamner, respectively. These awards vest annually based on the Company's achievement of a simple 9.5% annual TRS over a three year period; however, the award contains both carry forward and carry back provision through December 31, 2014.

2011 Long-Term Incentive Awards 105,186; 31,801; and 51,370 shares remain unvested for Messrs. Aldag, McLean and Hamner, respectively.

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2011 Absolute TRS Awards 62,500; 28,750; and 33,750 shares remain unearned for Messrs. Aldag, McLean and Hamner, respectively.

2011 Relative TRS Awards 187,500; 86,250; and 101,250 shares remain unearned for Messrs Aldag, McLean and Hamner, respectively. The earn-out and vesting provisions, as applicable, of the 2011 Long-Term Incentive Awards, the 2011 Absolute TRS Awards, and the 2011 Relative TRS Awards are fully described in *Compensation Discussion and Analysis* *Components of Executive Compensation*.

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*Option Exercises and Stock Vested.* The following table sets forth the aggregate number and value of shares of restricted common stock held by our NEOs that vested in 2011. The Value Realized Upon Vesting set forth below is the product of the fair market value of a share of common stock on the vesting date multiplied by the number of shares vesting. We have never issued stock options to our NEOs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized Upon Vesting (\$)
Edward K. Aldag, Jr.			244,098	\$ 2,631,194
Emmett E. McLean			94,184	\$ 1,010,319
R. Steven Hamner			121,251	\$ 1,303,676

**Table of Contents****Potential Payments Upon Termination or Change in Control**

The following table shows potential payments and benefits that will be provided to our NEOs upon the occurrence of certain termination triggering events.

The change-in-control provisions in the employment agreements are designed to align management's interests with those of our stockholders. See the discussion above under "Compensation of Executive Officers" for information about payments upon termination or a change-in-control. All equity interests included in the termination and change-in-control calculations represent previously granted restricted stock awards and are valued based on the closing price of our common stock on December 31, 2011.

Name	Change in Control	Death	Termination Not	Termination for
			for Cause; By Executive for Good Reason; Permanent Disability	Cause; By Executive without Good Reason
Edward K. Aldag, Jr.	\$ 19,203,700	\$ 9,114,027	\$ 19,203,700	
Emmett E. McLean	7,450,116	3,629,055	7,179,256	
R. Steven Hamner	8,387,449	4,543,777	8,128,149	



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**Compensation of Directors**

The Compensation Committee has engaged FTI each year since 2007 to assist it in conducting a competitive review of our non-employee director compensation program. In late 2010, FTI conducted a survey of director compensation trends within the REIT industry, which survey included 138 publicly-traded REIT filings. More specifically, FTI reviewed (1) how the use of each component of total compensation (e.g., cash retainers, meeting fees, and equity awards) compared to market practice, and (2) how the total compensation for Board of Director and committee members compared to market practice. FTI's report presented data comparing our director compensation to market levels. Taking into consideration all of FTI's findings and recommendations, the Compensation Committee approved the elimination of Board of Director and committee meeting fees and a corresponding increase in the annual cash retainer paid to non-employee directors for their services as directors from \$50,000 to \$75,000. Committee chairmen received an additional \$15,000, except for the Audit Committee chairman who received an additional \$20,000. In addition, our lead independent director received an additional \$20,000. Each non-employee director has annually been awarded restricted stock including 11,628 shares, 7,843 shares and 7,828 shares in 2009, 2010 and 2011, respectively. These awards vest over three years in equal quarterly amounts. We also reimburse our directors for reasonable expenses incurred in attending Board of Director and committee meetings. Our Compensation Committee may change the compensation of our non-employee directors in its discretion. Directors who are also officers or employees receive no additional compensation for their service as directors.

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The following table summarizes the compensation paid to our non-employee directors for their services during 2011. The grant date fair value of the restricted stock awards is based on \$10.82 per share, the average price of our common stock on January 4, 2011, the date on which these grants were made.

Name	Fees earned or paid in cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
<b>G. Steven Dawson</b>	\$ 95,000	\$ 84,699					\$ 179,699
<b>Robert E. Holmes</b>	\$ 110,000	\$ 84,699					\$ 194,699
<b>Sherry A. Kellett</b>	\$ 75,000	\$ 84,699					\$ 159,699
<b>L. Glenn Orr, Jr.</b>	\$ 90,000	\$ 84,699					\$ 174,699

The following table shows outstanding equity awards for each of our non-employee directors at December 31, 2011.

Name	Unvested Stock	Stock Options
G. Steven Dawson	10,106	20,000
Robert E. Holmes	10,106	20,000
Sherry A. Kellett	10,106	
L. Glenn Orr, Jr.	10,106	20,000

**Table of Contents****Equity Compensation Plan Information**

The table below sets forth information regarding the shares of common stock to be issued upon the exercise of the outstanding stock options, warrants, and rights granted under our equity compensation plans and the shares of common stock remaining available for future issuance under our equity compensation plans as of December 31, 2011. Reference is also made to Note 7 of the Notes to Consolidated Financial Statements included in our 2011 Annual Report on Form 10-K.

Plan Category	Shares of Common Stock to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	445,000 <sup>(1)</sup>	\$ 10.95 <sup>(2)</sup>	2,595,161
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>445,000</b>	<b>\$ 10.95</b>	<b>2,595,161</b>

(1) Includes options to purchase 110,000 shares of common stock granted to the Company's non-employee directors and a non-executive employee and 335,000 units of vested and unvested profits interest in the Company's operating partnership.

(2) Represents the weighted average exercise price of 110,000 stock options. The units of profits interest have no exercise price.

**Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee during 2011 is or was an officer or employee. In addition, no executive officer served during 2011 as a director or a member of the Compensation Committee of any entity that had an executive officer serving as a director or a member of the Compensation Committee of our Board of Directors.

**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

The Board of Directors has adopted a written related person transaction approval and disclosure policy for the review, approval or ratification of any related person transaction. This policy, which was adopted by resolution of the full Board of Directors as reflected in our corporate records, provides that all related person transactions must be reviewed and approved by a majority of the disinterested directors on our Board of Directors in advance of us or any of our subsidiaries entering into the transaction; provided that, if we or any of our subsidiaries enter into a transaction without recognizing that such transaction constitutes a related party transaction, the approval requirement will be satisfied if such transaction is ratified by a majority of the disinterested directors on the Board promptly after we recognize that such transaction constituted a related person transaction. Disinterested directors are directors that do not have a personal financial interest in the transaction that is adverse to our financial interest or that of our stockholders. The term "related person transaction" refers to a transaction required to be disclosed by us pursuant to Item 404 of Regulation S-K (or any successor provision) promulgated by the SEC. For purposes of determining whether such disclosure is required, a related person will not be deemed to have a direct or indirect material interest in any transaction that is deemed not to be material (or would be deemed not material if such related person was a director) for purposes of determining director independence pursuant to standards of director independence under the NYSE's listing standards.

**ADDITIONAL INFORMATION**

**Stockholder Proposals for Inclusion in Proxy Statement for 2013 Annual Meeting of Stockholders**

To be considered for inclusion in our Proxy Statement for the 2013 annual meeting of stockholders, a stockholder proposal submitted pursuant to Exchange Act Rule 14a-8 must be received by us no later than the

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close of business on December 25, 2012. Stockholder proposals must be sent to the Company c/o Secretary, Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242. We will not be required to include in our Proxy Statement any stockholder proposal that does not meet all the requirements for such inclusion established by the SEC's proxy rules and Maryland corporate law.

## **Other Stockholder Proposals**

Our Second Amended and Restated Bylaws provide that a stockholder who desires to propose any business at an annual meeting of stockholders, other than proposals submitted pursuant to Exchange Act Rule 14a-8, must give us written notice of such stockholder's intent to bring such business before such meeting. Such notice is to be delivered to, or mailed, postage prepaid, and received by our Secretary at Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242 not earlier than December 25, 2012, nor later than January 24, 2013, unless our 2013 annual meeting of stockholders is scheduled to take place before April 17, 2013 or after July 16, 2013. Our Second Amended and Restated Bylaws state that such stockholder's notice must be delivered to, or mailed and received at, our principal executive office not less than 90 days nor more than 120 days prior to the first anniversary of the date of the mailing of the notice for the preceding year's annual meeting. However, in the event that the date of the annual meeting is more than 30 days before or more than 60 days after the anniversary date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than 120 days prior to such annual meeting and not later than the later of 60 days prior to such annual meeting and 10 days following the issuance of a press release announcing the meeting date. The stockholder's written notice must set forth a brief description of the business desired to be brought before the meeting and certain other information as set forth in Section 1.02 of our Second Amended and Restated Bylaws. Stockholders may obtain a copy of our Second Amended and Restated Bylaws by writing to the Company c/o Secretary at the address shown above.

## **Stockholder Nominations of Directors**

Our Second Amended and Restated Bylaws provide that a stockholder who desires to nominate directors at a meeting of stockholders must give us written notice of such proposed nomination. For our 2013 annual meeting of stockholders, such notice is to be delivered to, or mailed, postage prepaid, and received by our Secretary at Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242 not earlier than December 25, 2012, nor later than January 24, 2013, unless our 2013 annual meeting of stockholders is scheduled to take place before April 17, 2013 or after July 16, 2013. As set forth in Section 2.03 of our Second Amended and Restated Bylaws, the notice must set forth the following information:

as to each person whom the stockholder proposes to nominate for election or re-election as a director:

the name, age, business address, residence address and the principal occupation or employment of such person;

the class or series and number of shares of the Company's capital stock which are beneficially owned by such person on the date of such stockholder's notice and the date such shares were acquired and the investment intent of such acquisition;

the consent of each nominee to serve as a director of the Company if so elected; and

any other information relating to such person that would have been required to be included in a Proxy Statement filed pursuant to the proxy rules of the SEC; and

as to the stockholder giving notice and certain parties associated with such stockholder:

a brief description of the nominations desired to be brought before the meeting and the reasons for making such nominations at the meeting;

their names and addresses;



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a representation that each is a holder of record of shares of the Company entitled to vote at such meeting and that the stockholder intends to appear in person or by proxy at such meeting to make such nominations;

a description of all arrangements or understandings among the stockholder and/or certain parties associated with the stockholder and each nominee and any other person (naming such person(s)) pursuant to which the nominations are to be made by the stockholder; and

the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or reelection as a director, and the class or series and number of shares of the Company's capital stock beneficially owned by such other stockholder(s).

By Order of the Board of Directors,

/s/ Emmett E. McLean  
Emmett E. McLean

Executive Vice President, Chief Operating Officer,

Treasurer and Secretary

Birmingham, Alabama

April 23, 2012

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Medical Properties Trust, Inc.

1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242

205-969-3755

[www.medicalpropertiestrust.com](http://www.medicalpropertiestrust.com)



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**ANNUAL MEETING OF STOCKHOLDERS OF  
MEDICAL PROPERTIES TRUST, INC.**

**May 17, 2012**

**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement, Annual Report and 2011 Form 10-K  
are available at [www.medicalpropertiestrust.com](http://www.medicalpropertiestrust.com)

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

¡ Please detach along perforated line and mail in the envelope provided. ¡

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**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL NOMINEES AND FOR PROPOSALS 2 AND 3.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

FOR AGAINST ABSTAIN

1. To elect seven directors.

2. To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for the fiscal year ending December 31, 2012.

.. .. ..

**NOMINEES:**

.. .. ..

.. **FOR ALL NOMINEES**

3. Advisory approval of the company's executive compensation.

j Edward K. Aldag, Jr.

.. **WITHHOLD AUTHORITY FOR ALL NOMINEES** j G. Steven Dawson

j R. Steven Hamner

With respect to any other item of business that properly comes before the annual meeting and at any adjournments or postponements thereof, the proxy holders are authorized to vote the undersigned's shares in their discretion.

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.. **FOR ALL EXCEPT**            j    Robert E. Holmes, Ph.D.  
  
(See instructions below)        j    Sherry A. Kellett  
  
  j    William G. McKenzie  
  
  j    L. Glenn Orr, Jr.

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY AND WILL BE VOTED IN ACCORDANCE WITH THE UNDERSIGNED S INSTRUCTIONS SET FORTH HEREIN. UNLESS DIRECTION IS GIVEN TO THE CONTRARY, THIS PROXY WILL BE VOTED FOR ALL NOMINEES AND FOR EACH OF PROPOSAL 2 AND 3.**

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: **1**

To change the address on your account, please check the box at right and indicate your new address in the address space above. ..  
Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**PROXY**

**MEDICAL PROPERTIES TRUST, INC.**

**2012 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 17, 2012**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The 2012 Annual Meeting of Stockholders of Medical Properties Trust, Inc. (the Annual Meeting ) will be held at The Summit Club, 1901 6th Avenue North, Birmingham, Alabama, on May 17, 2012, beginning at 10:30 a.m. Central Time. You can access directions to the Annual Meeting at [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com). The undersigned hereby acknowledges receipt of the combined Notice of 2012 Annual Meeting of Stockholders and Proxy Statement dated April 23 2012, accompanying this proxy and to which reference is hereby made, for further information regarding the Annual Meeting and the matters to be considered and voted on by the stockholders at the Annual Meeting.

The undersigned hereby appoints Edward K. Aldag, Jr. and R. Steven Hamner, and each of them, attorneys and agents, with full power of substitution, to vote, as the undersigned s proxy, all the shares of common stock owned of record by the undersigned as of the record date and otherwise to act on behalf of the undersigned at the meeting and any adjournment thereof, in accordance with the instructions set forth herein and with discretionary authority with respect to any other business, not known or determined at the time of the solicitation of this proxy, that properly comes before such meeting or any adjournment thereof.

The undersigned hereby revokes any proxy heretofore given and directs said attorneys and agents to vote or act as indicated on the reverse side hereof.

**(Continued and to be signed on the reverse side)**

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