

MEDICAL PROPERTIES TRUST INC  
Form DEFA14A  
May 07, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**  
**(RULE 14A-101)**

**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):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  
  
  - (2) Aggregate number of securities to which transaction applies:
  
  
  - (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:
  
  
  - (5) Total fee paid:
- .. Fee paid previously with preliminary materials:
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount previously paid:
  
  
  - (2) Form, Schedule or Registration Statement No.:
  
  
  - (3) Filing party:

(4) Date filed:

**Annual Meeting of Stockholders**

**May 15, 2014**

**Supplemental Information Regarding**

**Proposal 1 Election of Directors**

**Proposal 3 Advisory Vote on Executive Compensation**

May 6, 2014

Dear Stockholder of Medical Properties Trust, Inc.:

By now, you should have received our Notice of 2014 Annual Meeting of Stockholders and Proxy Statement for the 2014 Annual Meeting of Stockholders. You also can view our Proxy Statement at: [www.medicalpropertystrust.com](http://www.medicalpropertystrust.com).

We are writing to ask for your support at the Annual Meeting by voting in accordance with the unanimous recommendations of our Board of Directors FOR all of the proposals. Particularly, we are requesting your support on Proposal 1, Election of Directors, and Proposal 3, the annual advisory vote to approve executive compensation (commonly known as the Say-on-Pay proposal). Proposal 1 is described on pages 5-7 of the Proxy Statement. The Say-on-Pay proposal is described on pages 13-14 of the Proxy Statement, with more detail provided under Compensation Discussion and Analysis on pages 17-31.

Two proxy advisory firms, Glass Lewis & Co Institutional Shareholder Services (ISS), have issued recommendations with respect to the Say-on-Pay proposal that are inconsistent with the FOR vote unanimously recommended by our Board of Directors. As a related matter, ISS has recommended a withhold vote under Proposal 1 for members of our Compensation Committee. Glass Lewis recommends a FOR vote for these directors. We strongly disagree with the recommendations of these proxy advisory firms that are inconsistent with the unanimous recommendations of our Board of Directors and we believe their analyses with respect to our executive compensation is deeply flawed. We have prepared the supplemental information below to explain why we think it is appropriate for you to vote FOR our Proposal 3 Advisory Vote on Executive Compensation and vote FOR the re-election of the members of our Compensation Committee under Proposal 1.

We urge you to review the information set forth in our Proxy Statement and consider the additional points in our presentation below in your decision to vote FOR Proposal 1 and Proposal 3. We also welcome the opportunity to speak with you. Please contact Tim Berryman, Director Investor Relations at (205) 397-8589 or [tberryman@medicalpropertystrust.com](mailto:tberryman@medicalpropertystrust.com) or Charles Lambert, Managing Director Capital Markets at (205) 397-8897 or [clambert@medicalpropertystrust.com](mailto:clambert@medicalpropertystrust.com) to discuss any of these points or our executive compensation program generally.

**Our Board of Directors has unanimously recommended a vote FOR Proposal 3, Advisory Vote on Executive Compensation and FOR the re-election of the members of our Compensation Committee under Proposal 1. We sincerely ask for your support of the Board's recommendations.**

**MEDICAL PROPERTIES TRUST  
EXECUTIVE COMPENSATION HIGHLIGHTS**

**PERFORMANCE** *OUR HISTORY OF LONG-TERM  
OUTPERFORMANCE*

**Comparative TRS for periods ended December 31, 2013**

	1YR TSR	3YR TSR	5YR TSR
MSCI US REIT Index	2%	31%	117%
SNL Healthcare REIT Index	-6%	29%	96%
<b>Medical Properties Trust</b>	<b>8%</b>	<b>40%</b>	<b>193%</b>

*Operational Performance*

In 2013, our year-over-year growth in normalized FFO/share was 7%, and in revenue was 22%

Since 2011, we have grown our FFO/share by 35%, revenue by 79% and our gross assets by nearly 80%

**PAY PROGRAM** *HEAVILY DEPENDENT UPON ACHIEVEMENT OF RIGOROUS, PRE-ESTABLISHED  
PERFORMANCE OBJECTIVES*

Approximately 89% of total compensation was performance-based

67% is subject to pre-established rigorous operational, financial and total return achievement metrics

38% reflects equity that is subject to forfeiture if future TSR targets are not achieved

**2013 CEO Compensation** As calculated consistent with SEC reporting mandate

**CEO PAY ALIGNMENT** *CLEAR NEAR- AND LONG-TERM CORRELATION TO SHAREHOLDER RETURNS*

**2009-2013 Pay-for-Performance**

**CEO Compensation Comparison (MPT Peer Group)**





CEO Pay Alignment

2009 2013 Pay-for-Performance

Clear near- and long-term correlation to growth in Total Returns to Shareholders (TRS)

89% of reported Total CEO Compensation subject to performance hurdles

23% subject to out performance of TRS

CEO Compensation Comparison (MPT Peer Group)

Long-Term Outperformance

**COMPARATIVE TRS FOR PERIODS ENDED DECEMBER 31, 2103**

	1YR TRS	3YR TRS	5YR TRS	Since IPO TRS
MSCI US REIT Index	2%	31%	117%	57%
SNL Healthcare REIT Index	-6%	29%	96%	145%
<b>Medical Properties Trust</b>	<b>8%</b>	<b>40%</b>	<b>193%</b>	<b>137%</b>

Executive Compensation Tied to Performance

*Heavily dependent upon achievement of pre-established, rigorous and objective future performance requirements*

Approximately 89% of total compensation was performance-based

22% of this was paid in time-vesting restricted shares awarded based on the independent compensation committee's evaluation of our CEO's and other named executive officers' (NEO) contributions to our accretive growth, strong TSR performance, and balance sheet management

67% is subject to pre-established rigorous operational, financial, and total return achievement metrics

38% of total compensation reflects equity that is subject to forfeiture if future multi-year outperformance of total shareholder return targets are not achieved

*(This pie chart reflects the components of our CEO's 2013 compensation, as calculated consistent with SEC reporting mandates. The relative components of our two other named executive officers are similar.)*

Rigorous LTIP Outperformance Requirements 23% of Total Compensation

Long-term incentive plans (LTIP) comprise 23% of CEO s total compensation

LTIPs only provide benefits to NEOs if absolute and relative hurdles based on TRS are surpassed over a multi-year period

Absolute hurdle (50% of LTIP awards):

No payment unless MPT s three-year TRS exceeds 25.5%

Payout of 25% of Absolute LTIPs for each 2.0% in three-year MPT TRS in excess of 25.5%

Full payout only if three-year MPT TRS equals 33.5%

Relative hurdle (50% of LTIP awards):

No payment unless MPT s three-year TRS exceeds the MSCI U.S. REIT Index

Payout of 16.67% of Relative LTIPs for each 1.0% in three-year MPT TRS in excess of Index

Full payout only if three-year MPT TRS equals 6.0% in excess of Index

***So full payment is achieved only if both Absolute and Relative TRS hurdles are achieved. And then further subjected to two years of additional time-based vesting.***

Restrictions on Annual Equity Awards 37% of Total Compensation

A substantial portion of the compensation granted by the Compensation Committee is in the form of equity bonuses

Historically, the awards have been granted 50% in time-based equity and 50% in performance-based equity

Time-based awards vest ratably over a 3-year period

Performance-based awards are earned upon the achievement of Absolute TSR hurdles

For 2013, based on annual 8.5% TSR performance over a 3-year performance period

Designed to motivate and reward management for achieving a targeted return

---

Annual Cash Bonus 29% of Total Compensation

The annual cash bonus plan is designed to reward executives for the achievement of the Company's strategic, operational, and financial goals for the year utilizing a formulaic calculation

The cash bonus plan is designed to motivate our management team to successfully execute our strategic business plan using performance criteria set by the Compensation Committee

Each executive has a maximum potential payout, which for the CEO represents 350% of his base salary

For 2013, 65% of the potential cash bonus was based on objective performance criteria, while the remaining 35% is based on individual performance; the objective performance metrics included the following:

<b>Performance Metric</b>	<b>Rationale for Including in the Plan</b>
Improve Exposure by Tenant	Ensures focus on risk that long- and short-term results are overly dependent on any one single tenant
Fund from Operations (FFO) Growth	Ensures focus on Company profitability as measured by the most frequently assessed REIT earnings measure; considered with and mitigated by AFFO per share payment metric below
Additional Acquisitions	Motivates management to execute on our long-term strategic growth plan
Improvement of Adjusted Funds from Operations (AFFO) Per Share Payout	Strengthens credit metrics, improves share valuation, and mitigates risk of unprofitable growth
Resolution of Monroe Project	Small allocation (5.0%) to focus efforts on nonaccrual property
Operating Investment Income (RIDEA)	Ensures management attention to prudent underwriting of operational investments

## Executive Compensation Peer Group

Our peer group is utilized for compensation and performance comparison purposes

Ensures our success in designing a competitive compensation program for our highly-specialized healthcare-assets market

Our peer group is reviewed in detail on an annual basis and adjusted appropriately

MPT's unique business model requires a well thought out, blended peer group, which includes the following:

REITs that primarily invest in healthcare/medical properties

Office REITs with management teams with an underlying knowledge of the operations of its tenants

Hospital companies that are comparable in terms of knowledge and skills necessary to manage the company and its facilities effectively

Other triple-net lease REITs

**MPT's 2013 Executive Compensation**

**Peer Group**

<b>COMPANY</b>	<b>IMPLIED EQ. MKT CAP<sup>(1)</sup></b>	<b>ASSET TYPE/ SECTOR</b>	<b>TRIPLE - NET LEASE</b>
Alexandria RE Equities	4,557	Specialty Office	No
BioMed Realty Trust	3,481	Specialty Office	Yes
Chambers Street Properties	1,809	Diversified	Yes
DuPont Fabros Technology	1,611	Office	No
Healthcare Trust of America	2,331	Healthcare	Yes
Healthcare Realty Trust	2,043	Healthcare	No
HealthSouth Corp.	2,936	Specialty Hospital Co.	No
Hudson Pacific Properties	1,240	Office	Yes
Lifepoint Hospitals	2,447	Hospital Co.	No

Edgar Filing: MEDICAL PROPERTIES TRUST INC - Form DEFA14A

LTC Properties	1,230	Healthcare	No
National Retail Properties	3,696	Retail	Yes
Omega Healthcare Investors	3,651	Healthcare	Yes
Sabra Health Care REIT	1,008	Healthcare	Yes
<b>Medical Properties Trust</b>	<b>1,974</b>	<b>Healthcare</b>	<b>Yes</b>
Median	2,331		



---

 Comparison with ISS-Selected Peer Group

The peer group selected by ISS is fundamentally different than our peer group

Based solely on size parameters with no preference given to the types of assets under management MPT is not a typical brick and mortar real estate company

A significant number of ISS-selected peers do not compete with MPT for either investment opportunities or executive talent, and are materially different in terms of business model

ISS's peer group results in an inappropriate pay-for-performance comparison

Selecting an appropriate peer group is the single-most important factor in any comparative analysis

ISS's pay-for-performance evaluation utilizing the Company's peer group would be materially different and would result in clear evidence that MPT's pay program is truly being aligned with performance

ISS's flawed peer group even includes an externally-managed REIT that does not directly compensate its executives

**2013 ISS-Selected Peer Group<sup>(1)</sup>**

<b>COMPANY</b>	<b>IMPLIED EQ. MKT CAP<sup>(2)</sup></b>	<b>ASSET TYPE/ SECTOR</b>	<b>TRIPLE - NET LEASE</b>
Chatham Lodging Trust	538	Hotels	No
Chindex International, Inc.		Health Services in China	No
	292		
CoreSite Realty Corp.	688	Diversified	No
CubeSmart	2,218	Self Storage	No
EPR Properties	2,539	Specialty	Yes
Extra Space Storage, Inc.	4,877	Self Storage	No
Franklin Street Properties Corp	1,197.2	Office	No
Government Prop Income Trust		Office - Ext. Managed	No
	1,359.8		
Healthcare Realty Trust, Inc.	2,043	Healthcare	No
Hersha Hospitality Trust	1,167.9	Hotels	No
Hudson Pacific Properties, Inc.	1,240	Office	Yes
LTC Properties, Inc.	1,230	Healthcare	No
National Health Investors, Inc.	1,854	Senior Housing	Yes
Omega Healthcare Investors, Inc.	3,651	Healthcare	Yes

Edgar Filing: MEDICAL PROPERTIES TRUST INC - Form DEFA14A

Parkway Properties, Inc.	1,764	Office	No
Sabra Health Care REIT, Inc.	1,008	Healthcare	Yes
Sovran Self Storage, Inc.	2,086	Self Storage	No
US Physical Therapy, Inc.	421	Health Services	No
<b>Medical Properties Trust</b>	<b>1,974</b>	<b>Healthcare</b>	<b>Yes</b>
Median	1,300		

- (1) Only the highlighted companies are true MPT peer group companies (*i.e., are common to MPT and ISS-Selected Peer Groups*).
- (2) Per SNL Financial as of December 31, 2013.

Comparison with ISS Evaluation of CEO Pay

In the 2014 proxy report, ISS re-valued our CEO's performance-based equity awards utilizing its own valuation method

ISS did not re-value the awards in its 2013 proxy report

Re-valued both the annual performance-based restricted stock and the 2013 LTIP

ISS used a meaningfully flawed valuation method in which the maximum number of performance shares was multiplied by the grant date stock price, resulting in a significantly-inflated compensation value

ISS valued our performance-based equity at \$4.8 million in 2013, as compared to the actual value of \$2.4 million a 50% increase

ISS states that it is using a target number, but as our programs do not utilize a target approach, ISS based its calculation on the maximum shares possible upon the achievement of significant absolute and relative TSR hurdles

As a result of the flawed performance-based valuation, ISS drastically overstated our CEO's 2013 compensation to \$8.7 million compared to his actual 2013 compensation of \$6.3 million

***The significantly-overvalued CEO compensation amount, coupled with the flawed ISS peer-group, results***

***in a meaningfully inaccurate comparison of our CEO's compensation to the market.***

Shareholder-Friendly Compensation Policies and Practices

Minimum stock ownership

All own substantially more company stock than policy requirements

CEO 6X base salary

Other NEOs 4X base salaries of COO and CFO

Compensation clawback

Anti-hedging and pledging policies

Permanent opt-out of Maryland Unsolicited Takeover Act when current CEO and other current executives initially founded MPT

Stockholder Advisory Vote in 2013

65% positive

Extensive shareholder communications

Engaged Big 4 compensation consulting group to validate structure and alignment of compensation policies

No major revisions to executive officers' contracts since IPO in 2005; each of the three NEOs is an original founder of MPT