

UNIVERSAL HEALTH REALTY INCOME TRUST
Form DEF 14A
April 25, 2005

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 (Amendment No.)

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 §240.14a-12

Universal Health Realty Income Trust

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

Notes:

May 2, 2005

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Universal Health Realty Income Trust (the Trust) which will be held on Wednesday, June 1, 2005 at 10:00 AM, at the offices of the Trust, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania for the following purposes:

- (1) the election by the holders of Trust Shares of two Class I Trustees, both Trustees to serve for a term of three years, until the annual election of Trustees in the year 2008 and election and qualification of their successors; and
- (2) To transact such other business as may properly come before the meeting or any adjournment thereof.

Detailed information concerning these matters is set forth in the attached Notice of Annual Meeting of Shareholders and Proxy Statement.

Whether or not you plan to attend the meeting, please either vote by telephone, internet, or promptly sign and return your proxy card in the enclosed envelope. If you then attend and wish to vote your shares in person, you still may do so. In addition to the matters noted above, we will discuss the business of the Trust and be available for shareholders' comments and discussion relating to the Trust.

I look forward to seeing you at the meeting.

Sincerely,
Alan B. Miller

Chairman of the Board,

Chief Executive Officer and President

SKU0802-PS-05

UNIVERSAL CORPORATE CENTER
367 SOUTH GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

June 1, 2005

Notice is hereby given that the Annual Meeting of Shareholders of Universal Health Realty Income Trust (the "Trust") will be held on Wednesday, June 1, 2005 at 10:00 AM, at the offices of the Trust, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania for the following purposes:

- (1) the election by the holders of Trust Shares of two Class I Trustees, both Trustees to serve for a term of three years, until the annual election of Trustees in the year 2008 and election and qualification of their successors; and
- (2) To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on April 21, 2005 are entitled to vote at the Annual Meeting.

All shareholders are cordially invited to attend the meeting in person. **IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THIS MEETING. EVEN IF YOU PLAN TO ATTEND THE MEETING, WE HOPE THAT YOU WILL READ THE ENCLOSED PROXY STATEMENT AND THE VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, AND THEN VOTE (1) BY COMPLETING, SIGNING, DATING AND MAILING THE PROXY CARD IN THE ENCLOSED POSTAGE PRE-PAID ENVELOPE, OR (2) BY CALLING THE TOLL-FREE NUMBER LISTED ON THE PROXY CARD, OR (3) VIA THE INTERNET AS INDICATED ON THE PROXY CARD. THIS WILL NOT LIMIT YOUR RIGHT TO ATTEND OR VOTE AT THE MEETING.**

BY ORDER OF THE BOARD OF TRUSTEES

Cheryl K. Ramagano

Secretary

King of Prussia, Pennsylvania

May 2, 2005

Universal Corporate Center

367 South Gulph Road

King of Prussia, PA 19406

PROXY STATEMENT

GENERAL

This Proxy Statement and enclosed form of Proxy are furnished to the shareholders of Universal Health Realty Income Trust, a real estate investment trust organized under the laws of the State of Maryland (the Trust), in connection with the solicitation of Proxies by the Board of Trustees for use at the Annual Meeting of Shareholders, to be held at Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania on Wednesday, June 1, 2005 at 10:00 AM, and at any adjournment thereof. This Proxy Statement and related form of Proxy were first sent to shareholders of the Trust on or about May 2, 2005. The Annual Meeting is being held to: (1) elect two Class I Trustees of the Trust, both of whom will serve for a term of three years until the annual election of Trustees in the year 2008 and the election and qualification of their successors, and (2) transact such other business as may properly be brought before the meeting or any adjournment thereof.

A form of Proxy for use at the meeting is enclosed. Any shareholder may revoke a Proxy at any time before the authority granted by it is exercised by giving written notice of revocation to the Secretary of the Trust, by submitting another executed Proxy to the Secretary of the Trust bearing a later date (but prior to the voting of such Proxy), or by attending the meeting and asking (prior to the voting of such Proxy) for the return of such Proxy. Unless otherwise indicated on the Proxy, shares represented by any Proxy will, if the Proxy is properly executed and received by the Trust prior to the Annual Meeting, be voted FOR the nominees for Trustees.

Voting Electronically and by Telephone

Instead of submitting your vote by mail on the enclosed proxy card, your vote may be submitted by telephone or via the Internet. Please note that there are separate telephone and Internet voting arrangements depending on whether shares registered in the Trust's stock records are in your name or in the name of a brokerage firm or bank. If you vote by telephone or via the Internet, you do not have to return your proxy card to the Trust.

The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to have their shares voted and to confirm that their instructions have been properly recorded. Shareholders voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that will be borne by the shareholder. Shareholders who vote by telephone will be able to utilize a toll-free telephone number, the cost of which is borne by the Trust.

For Shares Registered Directly in the Name of the Shareholder

Shareholders with shares registered directly in their name in the Trust's stock records maintained by its transfer agent, EquiServe Trust Company, N.A. (EquiServe), may vote their shares in any of the following ways:

by telephone by calling (toll-free) 1-877-779-8683,

via the Internet at the following address on the World Wide Web: <http://www.eproxyvote.com/uht>

by mailing their signed proxy card, or

by attending the meeting and voting in person.

Specific instructions to be followed by registered shareholders are set forth on the enclosed proxy card. Votes submitted by telephone or via the Internet through EquiServe as described herein must be received by 12:00 Midnight, Eastern Time on May 31, 2005.

For Shares Registered in the Name of a Brokerage Firm or Bank

A number of brokerage firms and banks are participating in separate programs that offer telephone and/or Internet voting options. Such programs are different from the programs provided by EquiServe for shares registered directly in the name of the shareholder. If your shares are held in an account at a brokerage firm or bank participating in any such program, you may vote those shares by telephone and/or via the Internet in accordance with instructions set forth on the voting form provided to you by the brokerage firm or bank that holds your shares.

Only holders of record of the shares of beneficial interest of the Trust, par value \$.01 per share, at the close of business on April 21, 2005 will be entitled to vote at the meeting. On that date, there were 11,760,881 shares outstanding. Each share is entitled to one vote on each of the matters to be presented at the meeting. Shareholders entitled to vote for the election of the Trustees can withhold authority to vote for them. Each nominee will be elected if he receives a plurality of the votes cast. Broker non-votes are treated as shares as to which the beneficial owners have withheld voting authority and therefore are shares not entitled to vote on the matter. As of April 21, 2005, the Trust's current Trustees and officers as a group owned of record or beneficially 73,722 shares (excluding shares issuable upon exercise of options), representing 0.63% of the outstanding shares.

A copy of the Trust's Annual Report to shareholders, including financial statements for the year ended December 31, 2004, is enclosed.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of March 31, 2005, the number of shares and the percentage of outstanding shares owned beneficially, within the meaning of Securities and Exchange Commission Rule 13d-3, (i) by each person who is known by the Trust to own beneficially more than

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5% of its shares; (ii) by each Trustee and Trustee nominee and each executive officer named in the Summary Compensation Table, and; (iii) by all Trustees and executive officers of the Trust as a group.

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Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Outstanding Shares
Universal Health Services, Inc. (UHS) 367 South Gulph Road King of Prussia, PA 19406	784,774(2)	6.7%
Barclays Global Investors, N.A. 45 Fremont Street San Francisco, CA 94105	823,680(3)	7.0%
Miles L. Berger Berger Management Services, LLC 737 N. Michigan Ave., Suite 1570 Chicago, IL 60611	5,000(4)	(5)
Daniel M. Cain Cain Brothers & Company, LLC 360 Madison Avenue, 5th Floor New York, NY 10017	6,696(4)	(5)
James E. Dalton, Jr. 6505 Edinburgh Drive Nashville, TN 37221	4,000(4)	(5)
Elliot J. Sussman, M.D. Lehigh Valley Hospital & Health Network Cedar Crest Blvd. & Interstate 78 Allentown, PA 18105	2,000(4)	(5)
Myles H. Tanenbaum Arbor Enterprises Four Tower Bridge, Suite 400 200 Barr Harbor Drive W. Conshohocken, PA 19428	9,000(4)	(5)
Alan B. Miller	99,150(4)(6)	(5)
Charles F. Boyle	13,761(4)	(5)
Cheryl K. Ramagano	11,553(4)	(5)
Timothy J. Fowler 3525 Piedmont Rd., N.E. Atlanta, GA 30305	10,312(4)	(5)
All Trustees & Executive Officers as a group (9 persons)	161,472(4)(6)	1.4%

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- (1) Unless otherwise shown, the address of each beneficial owner is c/o Universal Health Realty Income Trust, Universal Corporate Center, 367 South Gulph Road, King of Prussia, PA 19406.
 - (2) UHS has an option to maintain ownership of a minimum of 5% of the outstanding shares of the Trust.
 - (3) These securities are held by Barclays Global Investors, N.A. Information is based on Schedule 13G filed February 14, 2005.
 - (4) Includes shares issuable pursuant to stock options to purchase shares of beneficial interest held by officers and Trustees of the Trust and exercisable within 60 days of March 31, 2005 as follows: Miles L. Berger (4,000); Daniel M. Cain (4,000); James E. Dalton, Jr. (4,000); Elliot J. Sussman, M.D. (1,500); Myles H. Tanenbaum (4,000); Alan B. Miller (45,750); Charles F. Boyle (8,500); Cheryl K. Ramagano (8,500) and Timothy J. Fowler (7,500).
 - (5) Less than 1%.
 - (6) Includes 16,000 shares of beneficial interest beneficially owned by the Alan B. Miller Family Foundation, Alan B. Miller, as Trustee.

PROPOSAL NO. 1**ELECTION OF TRUSTEES**

The Trust was organized under the laws of the State of Maryland as a real estate investment trust on August 6, 1986. Trustees of the Trust, Mr. Miller and Mr. Cain, assumed their positions with the Trust at the inception of the Trust. Mr. Tanenbaum was elected in November 1990, Mr. Dalton was elected in December 1997, Mr. Berger was elected in December 1998 and Dr. Sussman was elected in 1999. Pursuant to the Declaration of Trust, the Trustees of the Trust have been divided into three classes, with staggered terms. The terms of the Trustees in Class I expire at this meeting, the terms of the Trustees in Class II expire at the 2006 Annual Meeting and the terms of the Trustees in Class III expire at the 2007 Annual Meeting. At each Annual Meeting, Trustees are elected for a term of three years to succeed those in the class whose term is expiring at such Annual Meeting.

The persons listed below currently constitute the Trust's Board of Trustees. The nominees for the Class I Trustees are Alan B. Miller and Myles H. Tanenbaum, with terms expiring at the 2008 Annual Meeting. They have been nominated to be elected for three-year terms. The Trustees have no reason to believe that the nominees will be unavailable for election; however, if the nominees become unavailable for any reason, the shares represented by the Proxy will be voted for the persons, if any, who are designated by the Board of Trustees to replace the nominees. The nominees have consented to be named and have indicated their intent to serve if elected.

Pursuant to the Declaration of Trust, a majority of the Trust's Trustees must be Independent Trustees with each class of Trustees containing at least one Independent Trustee. The Declaration of Trust defines an Independent Trustee as a Trustee who is not an affiliate of Universal Health Services, Inc. (UHS), the parent company of the Trust's Advisor, and does not perform any services for the Trust, except as Trustee.

The following information is furnished with respect to the nominees for election as a Trustee and each member of the Board of Trustees whose term of office will continue after the meeting.

<u>Name</u>	<u>Class of Trustee</u>	<u>Age</u>	<u>Principal Occupation During the Last Five Years</u>	<u>Trustee Since</u>
NOMINEES WHOSE TERMS EXPIRE IN 2008				
Alan B. Miller	I	67	Chairman of the Board and Chief Executive Officer since 1986 and President of the Trust since February 2003. Chairman of the Board, President and Chief Executive Officer of Universal Health Services, Inc. since 1978. Director of Penn Mutual Life Insurance Company and Broadlane, Inc.	1986
Myles H. Tanenbaum*	I	74	Chairman of the Board of Arbor Enterprises since 1989. Formerly President and CEO of both Arbor Property Trust (NYSE) (successor to EQK Green Acres, L.P.), 1986-1997, and EQK Realty Investors (NYSE), 1985-89. Director of Mezzanine Capital Property Investors, Inc., and the Board of Directors of Presbyterian Hospital, and a member of the Board of Trustees of the University of Pennsylvania and of the Board of Overseers of the University's Law School.	1990

Name	Class of Trustee	Age	Principal Occupation During the Last Five Years	Trustee Since
TRUSTEES WHOSE TERMS EXPIRE IN 2006				
Daniel M. Cain	II	60	Chief Executive Officer and Managing Director, Cain Brothers & Company, LLC. General Partner, CB Health Ventures, a medical Venture Fund. Mr. Cain is a Trustee of the CDC Nvest and Loomis-Sales Funds and Director of Sheridan Health Corp and Brim.	1986
James E. Dalton, Jr.*	II	62	President, Edinburgh Associates, Inc. Prior thereto, President, Chief Executive Officer and Director of Quorum Health Group, Inc.; Regional Vice President of Health Trust, Inc., Division Vice President of Hospital Corporation of America, and Regional Vice President of HCA Management Company. Director of Neighborcare, Inc.	1997
TRUSTEES WHOSE TERMS EXPIRE IN 2007				
Miles L. Berger*	III	74	Chairman of the Board, Berger Financial Services Corp., and Berger Management Services, LLC; Trustee, Innkeepers Trust USA, Board of Directors, Medallion Bank.	1998
Elliot J. Sussman, M.D.*	III	53	President and Chief Executive Officer of Lehigh Valley Hospital and Health Network since 1993.	1999

* Independent Trustee

Vote Required

The nominees receiving the highest number of affirmative votes of the shares of beneficial interest, present in person or represented by proxy and entitled to vote, a quorum being present shall be elected as the Class I Trustees. Only votes cast for a nominee will be counted, except that the accompanying proxy will be voted for all nominees in the absence of instruction to the contrary. Abstentions, broker non-votes and instructions on the accompany proxy card to withhold authority to vote for one or more nominees will result in the respective nominees receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action.

The Trustees recommend a vote FOR the election of these nominees as Trustees.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Trust's Trustees and executive officers, and persons who own more than ten percent of a registered class of the Trust's equity securities, to file with the Securities and Exchange Commission and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of the shares and other equity securities of the Trust. The Trust believes that during the 2004 fiscal year, the Trustees, executive officers and holders of more than 10% of the Trust's shares of beneficial interest complied with all Section 16(a) filing requirements.

Universal Health Realty Income Trust

Summary Compensation Table

Name and principal position	Fiscal Year	Annual Compensation			Long-term Compensation Awards		All Other Compensation
		Salary (\$)	Bonus(\$)	Other Annual Compensation (\$)(a)	Restricted stock awards (\$)	Securities Underlying Options (#)	
Alan B. Miller, Chairman of the Board, Chief Executive Officer and President	2004			\$ 96,000			
	2003			89,685		3,000	
	2002			86,400			
Charles F. Boyle, Vice President and Chief Financial Officer	2004			\$ 19,000			
	2003			\$ 18,620		2,000	
	2002			14,400			
Cheryl K. Ramagano, Vice President, Secretary and Treasurer	2004			\$ 19,000			
	2003			\$ 18,620		2,000	
	2002			14,400			
Timothy J. Fowler, Vice President, Acquisition and Development	2004			\$ 15,000			
	2003			\$ 14,700			
	2002			14,400			
Kirk E. Gorman, Former President, Chief Financial Officer and Secretary and former Trustee (b)	2004						
	2003		\$ 12,500	\$ 18,313			
	2002		50,000	24,000			

- (a) Other Annual Compensation in 2004, 2003 and 2002 for Messrs. Miller, Boyle, Fowler and Gorman and Ms. Ramagano consist of dividends accrued in respect of dividend equivalent rights held by each person in connection with the Trust's 1997 Incentive Plan. Mr. Gorman's dividend equivalent rights were accrued through the third quarter of 2003, after which he resigned from the Board of Trustees. As of December 31, 2004 and 2003, Messrs. Miller, Boyle and Fowler and Ms. Ramagano held 48,000, 9,500, 7,500 and 9,500 dividend equivalent rights, respectively. The Other Annual Compensation amounts shown above were computed by multiplying each participant's dividend equivalent rights by the declared dividends per share of \$2.00 in 2004, \$1.96 in 2003 and \$1.92 in 2002.
- (b) During the first quarter of 2003, Mr. Kirk E. Gorman ceased being the President, Chief Financial Officer and Secretary of the Trust. During the fourth quarter of 2003, Mr. Gorman resigned from the Trust's Board of Trustees.

Option Grants in Last Fiscal Year

There were 5,000 options and dividend equivalent rights granted by the Trust during 2004, all of which were granted to Trustees.

**Aggregated Option Exercises in Last Fiscal Year
and Fiscal Year-End Option Values**

Name	Shares		Number of Securities Underlying Unexercised Options at		Value of Unexercised In-the-Money Options at	
	Acquired on Exercise(#)	Value Realized(\$)	Fiscal Year-End(#)		Fiscal Year-End\$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Alan B. Miller	0	0	45,750	2,250	\$ 687,243	\$ 6,053
Charles F. Boyle	0	0	8,000	1,500	\$ 104,228	\$ 8,820
Cheryl K. Ramagano	0	0	8,000	1,500	\$ 104,228	\$ 8,820
Timothy J. Fowler	0	0	7,500	0	\$ 101,288	\$ 0

- (1) Based on the difference between the exercise price (excluding dividend equivalent rights) and the closing price of the share of beneficial interest on the New York Stock Exchange on December 31, 2004 of \$32.13 per share.

Compensation Committee Report on Executive Compensation

During 1997, the Trust's Board of Trustees approved the Universal Health Realty Income Trust 1997 Incentive Plan (the Plan), which is a stock option and dividend equivalent rights plan for the employees of the Trust, including executive officers and trustees. A combined total of 400,000 shares and dividend equivalent rights have been reserved for issuance under the Plan. As of December 31, 2004, there was a combined total of 162,750 stock options and dividend equivalent rights available for issuance pursuant to the terms of the Plan. Since inception of the Plan, there have been a combined total of 237,250 stock options with dividend equivalent rights granted (net of cancellations).

The Compensation Committee, which is composed of independent trustees of the Trust, believes that in the general absence of cash compensation, it is important to provide the executive officers of the Trust, including the chief executive officer, an incentive to increase shareholder value by awarding equity based compensation. Because the substantial portion of the return of real estate investment trusts like the Trust is comprised of the dividend payable on the shares rather than share price appreciation, the Committee believes that the 1997 Incentive Plan with its dividend equivalent rights feature provides the appropriate incentive for eligible participants. The Committee will evaluate from time to time the compensation payable to its officers in light of the performance of the Trust, the individuals involved and competitive factors.

COMPENSATION COMMITTEE

Elliot J. Sussman, M.D., Chairman

James E. Dalton, Jr.

Miles L. Berger

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Trust's Board of Trustees is composed of Elliot J. Sussman, M.D., James E. Dalton, Jr. and Miles L. Berger. All the members of the Compensation Committee are Independent Trustees and are independent as defined by the New York Stock Exchange.

STOCK PRICE PERFORMANCE GRAPH

The Stock Price Performance Graph below shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Trust specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN**(The Trust, S&P 500, Peer Group)**

Company Name / Index	INDEXED RETURNS					
	Base Period	Years Ending				
		Dec99	Dec00	Dec01	Dec02	Dec03
UNIVERSAL HEALTH REALTY INCOME TRUST	\$ 100	\$ 150.38	\$ 193.19	\$ 232.43	\$ 286.06	\$ 325.47
S&P 500 INDEX	\$ 100	\$ 90.90	\$ 80.09	\$ 62.39	\$ 80.29	\$ 89.03
PEER GROUP	\$ 100	\$ 113.99	\$ 171.41	\$ 187.94	\$ 277.83	\$ 334.38

The total cumulative return on investment (change in the year-end stock price plus reinvested dividends) for each of the periods for the Trust, the peer group and the S&P 500 Composite is based on the stock price or composite index at the end of fiscal 1999.

The above graph compares the performance of the Trust with that of the S&P 500 and a group of peer companies with the investment weighted on market capitalization. Companies in the peer group are as follows: Health Care Property Investors, Inc., Nationwide Health Properties, Inc., American Health Properties (merged with Health Care Property Investors, Inc. in 1999), Omega Healthcare Investors, Inc., Health Care REIT, Inc., G&L Realty Corp. (acquired in Oct. 2001), Healthcare Realty Trust, LTC Properties, Inc., National Health Investors, Inc. and National Health Realty, Inc.

BOARD OF TRUSTEES

MEETINGS OF THE BOARD

Regular meetings of the Trustees are generally held quarterly, while special meetings are called when necessary. Before each meeting, Trustees are furnished with an agenda and background materials relating to matters to be discussed. During 2004, there were four regular meetings and two special meetings of the Board of Trustees. All Trustees attended at least 75% of the meetings. Board members are expected to attend the annual meeting of shareholders. Four Board members attended the 2004 Annual Meeting of Shareholders.

Shareholders who wish to send communications to the Board or an individual Trustee should address such communications to Universal Health Realty Income Trust, c/o Cheryl K. Ramagano, Secretary, Universal Corporate Center, 367 South Gulph Road, King of Prussia, PA 19406. The Secretary will forward such communications to the Board or the specified individual Trustee to whom the communication is directed unless such communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Secretary has the authority to discard the communication or take appropriate legal action regarding such communication.

The Trust's Governance Guidelines provide that the Board shall hold, in accordance with a schedule determined by the Nominating & Governance Committee of the Board, executive sessions where non-management trustees (i.e., trustees who are not Trust officers, but who do not otherwise have to qualify as independent trustees) meet without management participation (except as otherwise specifically requested by the non-management trustees). During 2004, the non-management trustees met without management participation three times. Interested parties may communicate directly and confidentially with the Lead Trustee or with the non-management trustees of the Board as a group by writing to that person at Universal Health Realty Income Trust, c/o Cheryl K. Ramagano, Secretary, Universal Corporate Center, 367 South Gulph Road, King of Prussia, PA 19406.

The Board of Trustees has determined that four of its six members (Elliot J. Sussman, M.D., James E. Dalton, Jr., Miles L. Berger and Myles H. Tanenbaum) are independent trustees under the NYSE listing standards.

COMPENSATION OF TRUSTEES

During 2005, each Independent Trustee will be paid by the Trust annual compensation of \$15,000 for service as a Trustee plus \$1,000 for attendance in person at each regular meeting of the Board of Trustees or an additional \$500 for telephonic participation. An additional \$500 will be paid for participation in each Committee meeting or special meeting of the Board of Trustees. During 2005, Miles L. Berger, Lead Trustee, will be compensated an additional \$2,500 plus an additional \$1,250 of compensation for his position of Nominating and Governance Chairman. Also, during 2005, Myles H. Tanenbaum, Chairman of the Audit Committee, will be compensated an additional \$5,000, and Elliott J. Sussman, M.D. and James E. Dalton, Jr., members of the Audit Committee, will be compensated an additional \$1,250 each. Additionally, during 2005, Elliot J. Sussman, Chairman of the Compensation Committee will be compensated an additional \$1,250. In addition, the Trust will reimburse all Trustees for travel expenses incurred in connection with their duties as Trustees of the Trust.

During 2004, each non-management Trustee was paid by the Trust annual compensation of \$10,000 for service as a Trustee plus \$1,000 for attendance in person at each meeting of the Board of Trustees plus an additional \$500 for participation in each Audit Committee meeting. In addition, the Trust reimbursed all Trustees for travel expenses incurred in connection with their duties as Trustees of the Trust. Additionally, during 2004, Myles H. Tanenbaum, Chairman of the Audit Committee, was compensated an additional \$2,500; James E. Dalton, Jr. and Elliott J. Sussman, M.D. were each compensated an additional \$1,250 as members of the Audit

Committee. In 1992, the Board of Trustees and the shareholders adopted a Share Compensation Plan For Outside Trustees, pursuant to which Trustees may elect to receive their annual compensation in the form of shares in lieu of cash. As of December 31, 2004, no shares have been issued under the terms of this plan.

During 1997, the Trust's Board of Trustees approved the Universal Health Realty Income Trust 1997 Incentive Plan (the Plan), which is a stock option and dividend equivalent rights (DERs) plan for the employees of the Trust, including officers and Trustees. The Plan was adopted by the shareholders at the 1998 Annual Shareholders Meeting. There are a combined total of 400,000 shares and DERs reserved for issuance under the Plan. During 2004, in connection with the Plan, Messrs. Daniel M. Cain, James E. Dalton Jr., Miles L. Berger, Myles H. Tanenbaum and Elliot J. Sussman, M.D. each rece