

UNIVERSAL HEALTH REALTY INCOME TRUST  
Form DEF 14A  
April 26, 2007

**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:

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(2) Aggregate number 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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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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:

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

(3) Filing Party:

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(4) Date Filed:

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Notes:

May 1, 2007

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 Friday, June 1, 2007 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 our shareholders of two Class III Trustees, to serve for a term of three years, until the annual election of Trustees in the year 2010 and election and qualification of his successor;
- (2) the approval of the proposed Universal Health Realty Income Trust 2007 Restricted Stock Plan;
- (3) the consideration of one shareholder proposal, if properly brought before the meeting; and
- (4) 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.

**Your vote is important. Whether or not you plan to attend the meeting, please either vote by telephone, by internet, or by promptly signing and returning 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 your 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*

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PENNSYLVANIA 19406

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**June 1, 2007**

Notice is hereby given that the Annual Meeting of Shareholders of Universal Health Realty Income Trust (the Trust ) will be held on Friday, June 1, 2007 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 our shareholders of two Class III Trustees, to serve for a term of three years, until the annual election of Trustees in the year 2010 and election and qualification of their successors;
- (2) the approval of the proposed Universal Health Realty Income Trust 2007 Restricted Stock Plan;
- (3) the consideration of one shareholder proposal, if properly brought before the meeting; and
- (4) to transact such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the Annual Meeting only if you were a shareholder of record at the close of business on April 20, 2007.

You are cordially invited to attend the Annual Meeting in person. **WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE, INTERNET OR MARK YOUR VOTES, THEN DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. YOU MAY REVOKE YOUR PROXY IF YOU DECIDE TO ATTEND THE ANNUAL MEETING AND WISH TO VOTE YOUR SHARES IN PERSON.**

BY ORDER OF THE BOARD OF TRUSTEES

Cheryl K. Ramagano  
*Secretary*

King of Prussia, Pennsylvania

May 1, 2007

**Universal Corporate Center**

**367 South Gulph Road**

**King of Prussia, PA 19406**

**PROXY STATEMENT**

**QUESTIONS AND ANSWERS**

**1. Q: Why am I receiving these materials?**

A: This Proxy Statement and enclosed form of proxy (first mailed to shareholders on or about May 1, 2007) are furnished in connection with the solicitation of proxies by our Board of Trustees for use at the Annual Meeting of Shareholders, or at any adjournment thereof. The Annual Meeting will be held on Friday, June 1, 2007 at 10:00 a.m., at our offices located at Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania. As a shareholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this Proxy Statement.

**2. Q: What is the purpose of the Annual Meeting?**

A: The Annual Meeting is being held to: (1) elect two Class III Trustees, who will serve for a term of three years until the annual election of Trustees in the year 2010 and the election and qualification of their successors; (2) to vote upon the proposed Universal Health Realty Income Trust 2007 Restricted Stock Plan; (3) to vote upon one shareholder proposal, if properly brought before the meeting; and (4) to transact such other business as may properly be brought before the meeting or any adjournment thereof. We will also discuss our business and be available for your comments and discussion.

**3. Q: How may I obtain your Annual Report for 2006?**

A: A copy of our Annual Report to Shareholders, including financial statements for the year ended December 31, 2006, is enclosed herewith. Refer to question 25 for information on how to request additional information from us.

**4. Q: Who may attend the Annual Meeting?**

A: Shareholders of record as of the close of business on April 20, 2007, or their duly appointed proxies, may attend the meeting. Shareholders whose shares are held through a broker or other nominee will need to bring a copy of a brokerage statement reflecting their ownership of our shares as of the record date.

**5. Q: Who is entitled to vote at the Annual Meeting?**

A: Only shareholders of record as of the close of business on April 20, 2007 are entitled to vote at the Annual Meeting. On that date, 11,795,383 shares of beneficial interest, par value \$.01 per share, were outstanding.



**6. Q: Who is soliciting my vote?**

A: The principal solicitation of proxies is being made by our Board of Trustees by mail. Certain of our officers and employees and certain officers and employees of UHS of Delaware, Inc. (our Advisor ), a wholly-owned subsidiary of UHS, or its affiliates, none of whom will receive additional compensation therefore, may solicit proxies by telegram, telephone or other personal contact. We will bear the cost of the solicitation of the proxies, including postage, printing and handling and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of shares.

**7. Q: What items of business will be voted at the Annual Meeting?**

A: The items of business that will be voted on include the election of two Class III Trustees, who will serve for a term of three years until the annual election of Trustees in the year 2010 and the election and qualification of their successors, the approval of the Universal Health Realty Income Trust 2007 Restricted Stock Plan, and one shareholder proposal, if it is properly brought before the meeting.

**8. Q: How does the Board of Trustees recommend that I vote?**

A: The Board of Trustees recommends that you vote your shares FOR the nominees for Class III Trustees, FOR the Universal Health Realty Income Trust 2007 Restricted Stock Plan and AGAINST the shareholder proposal.

**9. Q: How will voting on any other business be conducted?**

A: Other than the items of business described in this Proxy Statement, we know of no other business to be presented for action at the Annual Meeting. As for any other business that may properly come before the Annual Meeting, your signed proxy confers discretionary authority in the persons named therein. Those persons will vote or act in accordance with their best judgment.

**10. Q: What is the difference between a stockholder of record and a street name holder?**

A: These terms describe how your shares are held. If your shares are registered directly in your name with Computershare Trust Company, N.A. (the Transfer Agent ), our transfer agent, you are a stockholder of record. If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a street name holder.

**11. Q: How do I vote my shares if I am a stockholder of record?**

A: You may vote by signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope. Unless otherwise indicated on the proxy, shares represented by any proxy will, if the proxy is properly executed and received by us prior to the Annual Meeting, be voted FOR each of the nominees for trustees. You may also vote by telephone or internet.

**12. Q: How do I vote by telephone or electronically?**

A: Instead of submitting your vote by mail on the enclosed proxy card, your vote can be submitted by telephone or electronically, via the internet. Please refer to the specific instructions set forth on the enclosed proxy card. For security reasons, our electronic voting system has been designed to authenticate your identity as a stockholder.





**13. Q: How do I vote my shares if they are held in street name?**

A: If your shares are held in street name, your broker or other nominee will provide you with a form seeking instruction on how your shares should be voted.

**14. Q: Can I change or revoke my vote?**

A: Yes. Any proxy executed and returned to us is revocable by delivering a later signed and dated proxy or other written notice to our Secretary at any time prior to its exercise. Your proxy is also subject to revocation if you are present at the meeting and choose to vote in person.

**15. Q: What is the vote required to approve each proposal?**

A: For the election of the Trustees, the nominee 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 III Trustee. Only votes cast for the nominees will be counted, except that the accompanying proxy will be voted for a nominee in the absence of instruction to the contrary.

The affirmative vote of the holders of a majority of the shares of beneficial interest votes present in person or represented by proxy and entitled to vote is required for the approval of the Universal Health Realty Income Trust 2007 Restricted Stock Plan.

The affirmative vote of the holders of a majority of the shares of beneficial interest votes present in person or represented by proxy and entitled to vote is required for the approval of the shareholder proposal.

**16. Q: What constitutes a quorum ?**

A: The shareholders entitled to vote as the meeting representing a majority of the total number of votes authorized to be cast by shares of beneficial interest then outstanding and entitled to vote on any question present in person or by proxy shall constitute a quorum at any such meeting for action on such question. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares to be considered present at the meeting.

**17. Q: What are our voting rights?**

A: Each share is entitled to one vote on each of the matters to be presented at the meeting.

**18. Q: What if I abstain from voting or withhold my vote?**

A: If you are entitled to vote at the Annual Meeting, you can abstain from voting or withhold authority to vote for any of the items of business. If you attend the meeting or send in your signed proxy with instructions to withhold authority to vote for one or both proposals, you will be counted for the purposes of determining whether quorum exists.

With respect to the election of the Trustees, abstentions and instructions on the accompany proxy card to withhold authority to vote will result in the nominee receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action.



If you abstain from voting on the Universal Health Realty Income Trust 2007 Restricted Stock Plan, your abstention will have the same effect as a vote against the proposal.

If you abstain from voting on the shareholder proposal, your abstention will have the same effect as a vote against the proposal.

**19. Q: Will my shares be voted if I do not sign and return my proxy card or do not vote by internet or telephone?**

A: If you are a registered shareholder and you do not sign and return your proxy card or do not vote by internet or telephone, your shares will not be voted at the Annual Meeting. If your shares are held in street name and you do not issue instructions to your broker, your broker may vote your shares at their discretion on routine matters, but may not vote your shares on non-routine matters.

Under the New York Stock Exchange rules, the proposal relating to the election of trustees is deemed to be routine matters with respect to which brokers and nominees may exercise their voting discretion without receiving instructions from the beneficial owner of the shares. The Universal Health Realty Income Trust 2007 Restricted Stock Plan and the shareholder proposal, however, are not routine matters and your broker or nominee may not vote your shares on these matters without receiving instructions.

**20. Q: What is a broker non-vote ?**

A: Broker non-votes are shares held by brokers or nominees which are present in person or represented by proxy, but which are not voted on a particular matter because instructions have not been received from the beneficial owner. Under the rules of the National Association of Securities Dealers, Inc., member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, New York Stock Exchange-member brokers who hold shares in street name for their customers and have transmitted our proxy solicitation materials to their customers, but do not receive voting instructions from such customers, are not permitted to vote on nonroutine matters.

Since the election of Trustees is a routine matter, a broker may turn in a proxy card voting shares at their discretion and without receiving instructions from you. Because the Universal Health Realty Income Trust 2007 Restricted Stock Plan and the shareholder proposal are not routine matters, your broker or nominee may not vote your shares on these matters without receiving instructions.

**21. Q: What is the effect of a broker non-vote?**

A: With respect to the election of Trustees, 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. Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum and will result in the nominee for Trustee receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action. Broker non-votes will have no effect on the outcome of the Universal Health Realty Income Trust 2007 Restricted Stock Plan or the shareholder proposal.

**22. Q: Who will count the votes?**

A: Our Transfer Agent will count the votes and serve as inspector of elections.

**23. Q: When are shareholder proposals due in order to be included in our Proxy Statement for the 2007 Annual Meeting?**

A: Any proposal that you wish to present for consideration at the 2008 Annual Meeting must be received by us no later than January 1, 2008. This date provides sufficient time for inclusion of the proposal in the 2008 proxy materials.

**24. Q: Can I receive more than one set of Annual Meeting materials?**

A: If you share an address with another shareholder, each shareholder may not receive a separate copy of our Annual Report and Proxy Statement. We will promptly deliver a separate copy of either document to any shareholder upon written or oral request to our Secretary at Universal Health Realty Income Trust, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania 19406, telephone (610) 265-0688. If you share an address with another shareholder and (i) would like to receive multiple copies of the Proxy Statement or Annual Report to Shareholders in the future, or (ii) if you are receiving multiple copies and would like to receive only one copy per household, in the future, please contact your bank, broker, or other nominee record holder, or you may contact us at the above address and phone number.

**25. Q: How can I obtain additional information about Universal Health Realty Income Trust (the Trust )?**

A: **Copies of our Annual Report to Shareholders and Annual Report on Form 10-K for the year ended December 31, 2006 and our other annual, quarterly and current reports we file with the Securities and Exchange Commission, and any amendments to those reports, are available free of charge on our website, which is located at <http://www.uhrit.com>. Copies of these reports will be sent without charge to any shareholder requesting such copies in writing to our Secretary at Universal Health Realty Income Trust, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania 19406. The information posted on our website is not incorporated into this Proxy Statement.**

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth as of March 31, 2007, the number of shares and the percentage of our outstanding shares owned beneficially, within the meaning of Securities and Exchange Commission Rule 13d-3, (i) by each person who is known to us to own beneficially more than 5% of our 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 as a group. No shares are pledged as security by any of our Trustees or executive officers.

**Name and Address of**

<b>Beneficial Owner(1)</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Outstanding Shares</b>
Universal Health Services, Inc. ( UHS ) 367 South Gulph Road King of Prussia, PA 19406	787,543	6.7%
Barclays Global Investors, N.A. 45 Fremont Street San Francisco, CA 94105	730,032(2)	6.20%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	652,599(3)	5.54%
Miles L. Berger Berger Management Services, LLC 737 N. Michigan Ave., Suite 1570 Chicago, IL 60611	6,000(4)	(5)
James E. Dalton, Jr. 6505 Edinburgh Drive Nashville, TN 37221	5,000(4)	(5)
Elliot J. Sussman, M.D. Lehigh Valley Hospital & Health Network Cedar Crest Blvd. & Interstate 78 Allentown, PA 18105	3,000(4)	(5)
Myles H. Tanenbaum A Wish Come True 2522 Pearl Buck Road Bristol, PA 19007	10,000(4)	(5)
Alan B. Miller	109,400(4)(6)	(5)
Charles F. Boyle	15,511(4)	(5)

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Cheryl K. Ramagano	13,303(4)	(5)
Timothy J. Fowler	10,812(4)	(5)
3525 Piedmont Rd., N.E.		
Atlanta, GA 30305		
All Trustees & executive officers as a group (8 persons)	173,026(4)(6)	1.4%

- (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) These securities are held by Barclays Global Investors, N.A. Information is based on Schedule 13G filed January 23, 2007.
- (3) These securities are held by The Vanguard Group, Inc. Information is based on Schedule 13G filed February 14, 2007.
- (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 30, 2007 as follows: Miles L. Berger (5,000); James E. Dalton, Jr. (5,000); Elliot J. Sussman, M.D. (2,500); Myles H. Tanenbaum (5,000); Alan B. Miller (48,500); Charles F. Boyle (10,250); Cheryl K. Ramagano (10,250) and Timothy J. Fowler (8,000).
- (5) Less than 1%.
- (6) Includes 21,000 shares of beneficial interest beneficially owned by the Alan B. Miller Family Foundation, Alan B. Miller, as Trustee.

**PROPOSAL NO. 1****ELECTION OF TWO TRUSTEES**

We were organized under the laws of the State of Maryland as a real estate investment trust on August 6, 1986. Pursuant to our Declaration of Trust, the Trustees have been divided into three classes, with staggered terms. The terms of the Trustees in Class III expire at this meeting, the terms of the Trustees in Class I will expire at the 2008 Annual Meeting and the term of the Trustee in Class II will expire at the 2009 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 our Board of Trustees. The nominees for the Class III Trustees are Miles L. Berger and Elliot J. Sussman, M.D., with a term expiring at the 2010 Annual Meeting. They have been nominated to be elected for a three-year term. The Trustees have no reason to believe that the nominees will be unavailable for election; however, if either nominee becomes unavailable for any reason, the shares represented by the proxy will be voted for the person, if any, who is designated by the Board of Trustees to replace the nominee. The nominees have consented to be named and have indicated their intent to serve if elected.

Pursuant to our Declaration of Trust, a majority of our 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 our Advisor, and does not perform any services for us, except as Trustee.

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

Name	Class of Trustee	Age	Principal Occupation	Trustee
			During the Last Five Years	Since
<b>NOMINEES WHOSE TERMS EXPIRE IN 2007</b>				
Miles L. Berger*	III	76	Chairman of the Board, Berger Management Services, LLC; Trustee, Innkeepers Trust USA, Board of Directors, Medallion Bank.	1998
Elliot J. Sussman, M.D.*	III	55	President and Chief Executive Officer of Lehigh Valley Hospital and Health Network since 1993. Director of VIASYS Healthcare Inc. and iCAD, Inc.	1999
<b>TRUSTEES WHOSE TERMS EXPIRE IN 2008</b>				
Alan B. Miller	I	69	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



Name	Class of Trustee	Age	Principal Occupation	Trustee
			During the Last Five Years	Since
Myles H. Tanenbaum*	I	76	Vice Chairman, A Wish Come True, L.P. Formerly, Chairman of the Board of Arbor Enterprises, 1989-2005; President and CEO of both Arbor Property Trust (NYSE) (successor to EQK Green Acres, L.P.), 1986-1997, and EQK Realty Investors (NYSE), 1985-1993. Currently, Member of the Board of Directors of Penn-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
<b>TRUSTEE WHOSE TERM</b>				
<b>EXPIRES IN 2009</b>				
James E. Dalton, Jr.*	II	64	Chairman of the Board, Signature Hospital Corporation; President, Edinburgh Associates, Inc.; Former President, Chief Executive Officer and Director of Quorum Health Group, Inc. Director of Select Medical Corp. and US Oncology, Inc.	1997

\* Independent Trustee

**THE TRUSTEES RECOMMEND A VOTE FOR THE ELECTION OF THESE NOMINEES AS TRUSTEES.**

**PROPOSAL NO. 2**

**APPROVAL OF THE UNIVERSAL HEALTH REALTY INCOME TRUST 2007**

**RESTRICTED STOCK PLAN**

In April, 2007, our Board of Trustees adopted the Universal Health Realty Income Trust 2007 Restricted Stock Plan (the "2007 Plan"), subject to the approval of our shareholders, to replace our 1997 Incentive Plan (the "1997 Incentive Plan"), which expires in June 2007. The 2007 Plan is intended to provide a flexible vehicle through which we may offer equity based compensation incentives to our key personnel and our affiliates in order to facilitate our ability to motivate and reward eligible officers, employees, Trustees and other personnel and thereby enhance shareholder value.

In assessing this proposal, you should consider that our Trustees and executive officers are eligible to receive awards under the 2007 Plan and thus may have a substantial interest in this proposal.

***Description of 2007 Plan***

The following summary describes the principal features of the 2007 Plan and is qualified in its entirety by reference to the plan document, a copy of which is attached hereto as Annex A.

***Effective Date.*** The 2007 Plan became effective as of April 24, 2007 (the date of its adoption by our Board of Trustees), subject to approval by our shareholders.

***Administration.*** The 2007 Plan will be administered primarily by the Compensation Committee provided that, the full Board of Trustees will have sole responsibility and authority for matters relating to the grant and administration of awards to any member of the Board of Trustees who is not one of our officers or employees. Notwithstanding the foregoing, the full Board of Trustees may perform any function of the Compensation Committee under the 2007 Plan.

***Eligibility.*** Our executive officers, Trustees, employees, other personnel and consultants are eligible to participate in the 2007 Plan. Currently, our four named executive officers, each of our five Trustees and certain other personnel are considered eligible under the 2007 Plan.

***Amendment and Termination.*** Unless sooner terminated by the Board of Trustees, the 2007 Plan will terminate on the tenth anniversary of the effective date. The Board of Trustees may amend or terminate the 2007 Plan at any time, subject to shareholder approval of any such amendment if so required under applicable law or exchange or market requirements; provided, however, that no such action will adversely affect any right or obligation with respect to any existing award without the participant's consent.

***Authorized Shares; Limitations on Awards.*** Subject to adjustments to reflect stock splits, consolidations of shares and other changes in capitalization, we may issue a total of 75,000 shares of beneficial interest under the 2007 Plan. Shares covered by awards that are canceled or forfeited may be reissued and will not be taken into account for purposes of determining the number of shares that remain available for issuance under the 2007 Plan. The total number of shares that may be covered by awards made to any individual in any calendar year may not exceed 12,500 plus the individual's unused annual share limit as of the close of the preceding calendar year.

To date, no awards have been made under the 2007 Plan. Because awards under the 2007 Plan will be made on a discretionary basis, the terms and size of awards that will be made under the 2007 Plan are not determinable at this time.

*Types of Awards.* Awards made under the 2007 Plan will take the form of restricted shares, whereby, under a restricted share award, we will issue shares of beneficial interest in the name of the participant subject to specified transfer restrictions and vesting conditions.

*Dividend and Voting Rights.* Unless the Compensation Committee determines otherwise, if we pay cash dividends to our shareholders, then, on the dividend payment date, we will also make a cash payment to participants with respect to their restricted shares as if they were owned by the participants, free and clear of any restrictions under the 2007 Plan. Dividend payments will be subject to withholding taxes, if applicable.

Unless the Compensation Committee determines otherwise, the holders of restricted shares will be entitled to vote the shares as if they were owned free and clear of any restrictions under the 2007 Plan.

*Vesting; Performance-Based Awards.* Vesting of restricted shares issued under the 2007 Plan will be based upon such continuing service, performance and/or other conditions as the Compensation Committee shall determine. The Compensation Committee may make performance-based awards designed to qualify for a performance-based compensation exemption from the executive compensation deduction limitations of Section 162(m) of the U.S. Internal Revenue Code (the Code). Such performance-based awards must meet certain conditions, described below.

The Compensation Committee must establish criteria and targets in advance of applicable deadlines under the U.S. Internal Revenue Code and while the attainment of the performance targets remains substantially uncertain. The performance goals, which may be based on business criteria such as earnings per share, share price or total shareholder return, pre-tax profits, net earnings, return on equity or assets, revenues, funds from operations per share or any combination of the foregoing, are applied to an individual, the Trust and/or any one or more of our properties or other operating unit(s) as the Compensation Committee may designate (in each case, subject to the conditions of the performance-based compensation exemption from Section 162(m) of the Code).

The Compensation Committee is responsible for determining whether and the extent to which the performance goals have been attained and the amount of compensation, if any, that is payable as a result. The Compensation Committee must certify in writing prior to payment of the compensation that the performance goals and any other material terms of the award were in fact satisfied.

*Nontransferability.* Restricted shares may not be transferred other than to us or our designee in accordance with the terms of the 2007 Plan, and any attempt to do so will be null and void and, unless the Compensation Committee determines otherwise, will result in the immediate forfeiture of the award.

*Federal Income Tax Consequences.* Set forth below are certain federal income tax consequences associated with awards made under the 2007 Plan.

In general, unless an early income election is made under Section 83(b) of the Internal Revenue Code (as described below), a participant will realize ordinary income at the time restricted shares become vested equal to the then fair market value of the shares, and we are entitled to a corresponding deduction. The participant's tax basis for the vested shares would equal the amount paid by the participant plus the amount of ordinary income realized on the vesting date. The participant's holding period for tax purposes would begin on the vesting date. Any gain or loss on a subsequent sale of the shares would be capital gain or loss.

If a participant makes a timely early income election under Section 83(b) of the Internal Revenue Code, the participant would realize ordinary income on the date of the restricted stock award in an amount equal to the fair

market value of the shares on that date, and the corresponding deduction would be limited to that amount. The participant's tax basis in the shares would be equal to the amount of ordinary income realized as a result of the election and the participant's holding period for the shares would begin on the date of the award. Gain or loss on a sale of the shares (assuming they become vested) would be capital gain or loss. If the shares are forfeited, the participant will not be entitled to a deduction notwithstanding the fact that tax will have been paid by reason of the early income election.

**Equity Compensation Plan Information**

The table below provides information, as of December 31, 2006, concerning securities authorized for issuance under our equity compensation plans.

Plan category	Number of securities	Weighted-average exercise price of outstanding	Number of securities
	to be issued upon exercise of outstanding		remaining available for future issuance under equity compensation plans (excluding column(a))(1)
Equity compensation plans approved by security holders	218,000	\$ 7.58	166,000
Equity compensation plans not approved by security holders			
<b>TOTAL</b>	<b>218,000</b>	<b>\$ 7.58</b>	<b>166,000</b>

(1) Consists of the number of shares available for future issuance under the 1997 Incentive Plan. Does not include the shares that will become eligible for future issuance, if the 2007 Plan is approved by our shareholders.

**THE TRUSTEES RECOMMEND A VOTE FOR APPROVAL OF THE 2007 RESTRICTED STOCK PLAN**

**PROPOSAL NO. 3**

**SHAREHOLDER PROPOSAL**

The Trust has received the proposal set forth below from one of its shareholders. The following proposal has been carefully considered by the Board of Trustees, which has concluded that its adoption would not be in the best interests of the Trust or its shareholders. For the reasons stated below, the Trustees recommend a vote AGAINST this shareholder proposal.

**The proposal and supporting statement by the shareholder are presented as received from the shareholder in accordance with the rules of the Securities and Exchange Commission, and the Board of Trustees and the Trust disclaim any responsibility for their content.** All references to "we" in the proposal and supporting statement are references to the proponent and not the Trust's other shareholders, the Trust or the Board of Trustees. We will furnish, orally or in writing as requested, the name, address and claimed share ownership position of the proponent of this shareholder proposal promptly upon written or oral request directed to the Secretary of the Trust. Information regarding the inclusion of proposals in the Trust's proxy statement can be found on page 5 under "Questions and Answers".

**Shareholder Proposal**

RESOLVED that shareholders of Universal Health Realty Income Trust ("UHT") urge the board of trustees to adopt a policy that the chairperson of the board shall be a trustee who is independent of both UHT and Universal Health Services, Inc. ("UHS"). The policy should be implemented so as not to violate any contractual obligation. The policy should also specify (a) how to select a new independent chairperson if a current chairperson ceases to be independent during the time between annual meetings of shareholders, and (b) that compliance with the policy is excused if no independent trustee is willing to serve as chairperson.

**SUPPORTING STATEMENT**

It is difficult to overstate the importance of the board of directors (called the board of trustees at UHT) in our system of corporate accountability. As a Conference Board Commission 2003 report stated, "The ultimate responsibility for good corporate governance rests with the board of directors. Only a strong, diligent and independent board of directors that understands the key issues, provides wise counsel and asks management the tough questions is capable of ensuring that the interests of shareowners as well as other constituencies are being properly served."

Although the board and senior management may work together to develop long-range plans and relate to key constituencies, we believe that the board's responsibilities may bring it into conflict with the CEO. When a CEO also serves as chairman, there is a risk that his interests will conflict with the board's duty to monitor the company's business and affairs. As Intel chairman Andrew Grove said, "The separation of the two jobs goes to the heart of the conception of a corporation. Is a company a sandbox for the CEO, or is the CEO an employee? If he's an employee, he needs a boss, and that boss is the board. The chairman runs the board. How can the CEO be his own boss?"

Currently, UHT CEO and President Alan Miller also serves as chairman of UHT's board of trustees. We believe that this arrangement could impair the board's effectiveness in representing shareholders' interests. Specifically, we are concerned about the board's ability to monitor the extensive transactions between UHT and UHS, whose CEO, president, and board chairman is also Mr. Miller.

Pursuant to an Advisory Agreement, a wholly-owned subsidiary of UHS conducts the day-to-day business of UHT, provides administrative services to UHT, and recommends investments to UHT. UHT leases several hospital facilities to subsidiaries of UHS, and these lease agreements contributed substantially to the consolidated revenues of UHT during 2006. A 5/23/05 *Wall Street Journal* article also quoted an analyst who believed that the terms of some leases were very favorable to UHS. Because UHT's independent trustees are charged with approving transactions between UHT and UHS, and because UHT has lagged behind its peer group from 2000 to December 2005 in stock price cumulative total return, we believe that independent board leadership is critical.

We therefore urge shareholders to vote FOR this proposal.

#### **THE TRUST'S STATEMENT IN OPPOSITION**

#### **THE TRUSTEES, CONSIDERING THE FOREGOING, RECOMMEND A VOTE AGAINST THIS PROPOSAL.**

The Trustees believe strongly that they should have the flexibility and discretion to organize their functions and conduct their business in the most efficient and effective manner, including the right to determine the most qualified Trustee to serve as Chairman of the Board of Trustees, whether he or she is an independent Trustee, the Chief Executive Officer or another member of management of the Trust or UHS.

Because the Chief Executive Officer bears primary responsibility for managing our business on a day-to-day basis, the Trustees currently believe the Chief Executive Officer is the person in the best position to chair the regular meetings of the Board of Trustees, and to help ensure that key business issues and shareholder interests are presented to and considered by the Board of Trustees. Our current Chairman and Chief Executive Officer, Alan B. Miller, has served us with distinction in this capacity, as proven by our performance under his leadership. Accordingly, at the present time, the Trustees believe that the Trust and its shareholders are best served by having the Chief Executive Officer also serve as Chairman of the Board of Trustees.

Miles L. Berger, the Nominating and Governance Committee Chairman and an Independent Trustee, also serves as our Lead Trustee. In that role, Mr. Berger (1) consults regularly with our Chief Executive Officer on matters related to the Board of Trustees, including the board agendas, (2) is available to be consulted by any of our senior executives as to any concerns they may have and (3) presides at executive sessions of the Board of Trustees and is the liaison for communications to Mr. Miller regarding such sessions.

The proponent's concern regarding the Trustees' ability to monitor the extensive transactions between the Trust and UHS is misplaced. Our Declaration of Trust specifically provides that we may not engage in a transaction with an affiliate such as UHS, except to the extent that such transaction has, after disclosure of such affiliation, been approved or ratified by the affirmative vote of a majority of the Trustees *including a majority of the Independent Trustees* (emphasis added) after a determination by them that such transaction is fair and reasonable to us and our shareholders. Accordingly, the Board of Trustees, including the Independent Trustees, do monitor, and are in a position to monitor, these kinds of transactions.

This shareholder proposal was presented and defeated by a majority of our shareholders last year.

This is not an area where one size fits all. According to a May 2005 report from Investor Responsibility Research Center, only 11% of S&P 1,500 companies have an independent chairman. The 2004 Blue Ribbon Commission of the National Association of Corporate Directors found that separation of the roles of chairman and chief executive officer was not necessary for effective board leadership, and that it is most important that an independent director serve as a focal point for the work of the independent directors. The Trustees believe that Mr. Berger, in his role as Lead Trustee, serves as such a focal point.

**We have established strong and effective corporate governance and board communication practices.** We have established corporate governance guidelines that are posted on our corporate website [www.uhrit.com](http://www.uhrit.com). The guidelines set out in detail the Board of Trustees' and its committees' practices so that shareholders have a transparent view as to how the Board of Trustees works. As described in the guidelines and elsewhere in this Proxy Statement, we have also established procedures that allow shareholders and third-parties to communicate directly with the Trustees.

**Our board is structured to promote independence.** Four of five members of the Board of Trustees (Elliot J. Sussman, M.D., James E. Dalton, Jr., Miles L. Berger and Myles H. Tanenbaum) are independent under the NYSE listing standards and according to our Declaration of Trust. Our Audit Committee, Compensation Committee and Nominating & Governance Committee are also composed solely of Independent Trustees. Committee chairs approve agendas and materials for their committee meetings. The Independent Trustees also meet in executive sessions that are not attended by management. Each Trustee is an equal participant in decisions made by the full board, and the Lead Trustee and the other Independent Trustees communicate regularly with the Chief Executive Officer regarding appropriate board agenda topics and other board related matters.

**There is no benefit in limiting the Trustees' authority to choose the person they believe would best serve as Chairman of the Board.** Our Board of Trustees already has the authority to appoint an independent director as Chairman. The proposal would therefore eliminate the flexibility of the Trustees to consider whether a member of management is best positioned to serve in that role at any given time. Rigid application of the proposal would deprive the Trustees of the ability to evaluate the particular needs of the Trust and Board of Trustees at a given time, the specific qualifications of the individual in question and the particular facts and circumstances of the Trust, as it considers candidates for Chairman. We believe that shareholders are best served by a Board of Trustees that can adapt its structure to the needs of the Trust and the capabilities of its Trustees and senior executives. We also believe that the Trustees who serve on a board are best positioned to identify the Trustee who has the skill and commitment to perform the Chairman role effectively and who has the confidence and cooperation of the other Trustees.

**The Board of Trustees is focused on our corporate governance practices and will continue to reevaluate its policies on an ongoing basis.** In view of our highly independent board, the protections provided by the Declaration of Trust, our strong corporate governance practices and the fact that we have a Lead Trustee, the Board of Trustees believes that the shareholder proposal described above is unnecessary and would not strengthen the Board of Trustees' independence or oversight functions. We believe it would be detrimental to shareholder interests to remove the Board of Trustees' business judgment to decide who is the best person to serve as Chairman under particular circumstances that exist from time to time, whether such person is independent or a member of management. The Trustees will continue to reexamine their policies on an ongoing basis to ensure that our corporate governance standards sufficiently address us and our shareholders' needs.

**ACCORDINGLY, THE TRUSTEES RECOMMEND THAT YOU VOTE AGAINST THIS PROPOSAL.**

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our Trustees and executive officers, and persons who own more than ten percent of a registered class of our 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 our shares and other equity securities. We believe that during the 2006 fiscal year, the Trustees, executive officers and holders of more than 10% of our shares of beneficial interest complied with all Section 16(a) filing requirements, with the following exception:

Alan B. Miller purchased 1,000 shares of beneficial interest on August 6, 1998 and 6,500 Shares on January 5, 2000. These transactions were subsequently reported on a Form 4 filed by Mr. Miller on November 21, 2006.

Timothy J. Fowler sold 74 phantom shares of beneficial interest on February 14, 2006 and 78 shares of beneficial interest on February 27, 2007, in each case pursuant to the Universal Health Services, Inc. Supplemental Deferred Compensation Plan. These transactions were subsequently reported on Form 4s filed by Mr. Fowler on March 15, 2006 and March 16, 2007, respectively.



**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

*Compensation Philosophy and Obj*