

UNIVERSAL HEALTH REALTY INCOME TRUST  
Form DEF 14A  
April 20, 2017

**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**



(3) Filing Party:

(4) Date Filed:

April 20, 2017

Dear Shareholder:

You are cordially invited to attend the Annual Meeting (the "Annual Meeting") of Shareholders of Universal Health Realty Income Trust (the "Trust") which will be held on Wednesday, June 7, 2017 at 10:00 a.m., 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 I Trustees, to serve for a term of three years, until the annual election of Trustees in the year 2020 and the election and qualification of their successors;
- (2) to conduct an advisory (nonbinding) vote to approve named executive officer compensation;
- (3) to conduct an advisory (nonbinding) vote on the frequency of future advisory shareholder votes to approve named executive officer compensation;
- (4) to ratify the selection of KPMG LLP, as the Trust's independent registered public accounting firm for the fiscal year ending December 31, 2017; and
- (5) 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 Important Notice Regarding the Availability of Proxy Materials (the "Notice") you received in the mail and in the attached Notice of Annual Meeting of Shareholders and Proxy Statement. We have elected to provide access to our Proxy Materials over the internet under the Securities and Exchange Commission's notice and access rules. If you want more information, please see the Questions and Answers section of this Proxy Statement.

Your vote is important. Whether or not you plan to attend the meeting, please either vote by telephone or internet or, if you received printed Proxy Materials and wish to vote by mail, by promptly signing and returning your proxy card in the enclosed envelope. Please review the instructions on each of your voting options described in this Proxy Statement as well as in the Notice you received in the mail. 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 7, 2017**

Notice is hereby given that the Annual Meeting (the "Annual Meeting") of Shareholders of Universal Health Realty Income Trust (the "Trust") will be held on Wednesday, June 7, 2017 at 10:00 a.m., 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 I Trustees, to serve for a term of three years, until the annual election of Trustees in the year 2020 and the election and qualification of their successors;
- (2) to conduct an advisory (nonbinding) vote to approve named executive officer compensation;
- (3) to conduct an advisory (nonbinding) vote on the frequency of future advisory shareholder votes to approve named executive officer compensation;
- (4) to ratify the selection of KPMG LLP, as the Trust's independent registered public accounting firm for the fiscal year ending December 31, 2017; and
- (5) 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 10, 2017. 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 OR INTERNET OR, IF YOU RECEIVED PRINTED PROXY MATERIALS AND WISH TO VOTE BY MAIL, 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.**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on Wednesday, June 7, 2017:**

**The Proxy Statement and Annual Report to Shareholders are available at**

**<http://www.edocumentview.com/UHT>**

BY ORDER OF THE BOARD OF TRUSTEES

Cheryl K. Ramagano  
*Secretary*

King of Prussia, Pennsylvania

April 20, 2017

**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 forms of proxy (first mailed to shareholders who requested to receive printed Proxy Materials on or about April 20, 2017) are furnished in connection with the solicitation of proxies by our Board of Trustees for use at the Annual Meeting of Shareholders (the Annual Meeting), or at any adjournment thereof. A Notice Regarding the Availability of Proxy Materials was first mailed to all of our other shareholders beginning on or about April 20, 2017. The Annual Meeting will be held on Wednesday, June 7, 2017 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 I Trustees, who will serve for a term of three years until the annual election of Trustees in the year 2020 and the election and qualification of their successors; (2) conduct an advisory (nonbinding) vote to approve named executive officer compensation; (3) conduct an advisory (nonbinding) vote on the frequency of future advisory shareholder votes to approve named executive officer compensation; (4) ratify the selection of KPMG LLP, as the Trust's independent registered public accounting firm for the fiscal year ending December 31, 2017; (5) 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: Why did Shareholders receive a notice in the mail regarding the internet availability of Proxy Materials instead of a full set of Proxy Materials?**

A: In accordance with notice and access rules adopted by the U.S. Securities and Exchange Commission, or SEC, we may furnish Proxy Materials, including this Proxy Statement and our Annual Report to Shareholders, to our shareholders by providing access to such documents on the internet instead of mailing printed copies. Most shareholders will not receive printed copies of the Proxy Materials unless they request them. Instead, the Notice, which was mailed to shareholders, will instruct you as to how you may access and review all of the Proxy Materials on the internet. Please visit [www.edocumentview.com/UHT](http://www.edocumentview.com/UHT). The Notice also instructs you as to how you may submit your Proxy on the internet. If you would like to receive a paper or e-mail copy of our Proxy Materials, you should follow the instructions for requesting such materials in the Notice.

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

A: Shareholders of record as of the close of business on April 10, 2017, 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 10, 2017 are entitled to vote at the Annual Meeting. On that date, 13,600,036 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 Universal Health Services, Inc. (UHS), or its affiliates, none of whom will receive additional compensation therefor, may solicit proxies by 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. In addition, we may retain a third-party proxy solicitation service, to assist in the solicitation of proxies who may solicit proxies personally, by telephone and by mail.

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

A: The items of business that will be voted are the election of two Class I Trustees, who will serve for a term of three years until the annual election of Trustees in the year 2020 and the election and qualification of their successors; an advisory (nonbinding) vote to approve named executive officer compensation; an advisory (nonbinding) vote on the frequency of future advisory shareholder votes to approve named executive officer compensation; and ratification of the selection of KPMG LLP, as the Trust's independent registered public accounting firm for the fiscal year ending December 31, 2017.

**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 I Trustees (Proposal No. 1). The Board of Trustees recommends that you vote your shares FOR the approval of our named executive officer compensation (Proposal No. 2).

The Board of Trustees recommends that you vote your shares FOR a frequency period of EVERY YEAR for future advisory shareholder votes on the compensation of our named executive officers (Proposal No. 3).

The Board of Trustees recommends that you vote your shares FOR the ratification of the selection of KPMG LLP, as the Trust's independent registered public accounting firm for the fiscal year ending December 31, 2017 (Proposal No. 4).



**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 shareholder 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., our transfer agent, you are a shareholder 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 shareholder of record?**

A: For specific instructions on how to vote your shares, please refer to the instructions on the Notice Regarding the Availability of Proxy Materials you received in the mail or, if you received printed proxy materials, your enclosed proxy card. If you received printed proxy materials, you may vote by signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope, or you may vote by telephone or internet. 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 the nominees for Trustee, FOR the approval of our named executive officer compensation, FOR a frequency period of 1 YEAR for future advisory shareholder votes on the compensation of our named executive officers, FOR the ratification of the selection of KPMG LLP, as the Trust's independent registered public accounting firm for the fiscal year ending December 31, 2017. 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 (if you received printed proxy materials), your vote can be submitted by telephone or electronically, via the internet. Please refer to the specific instructions set forth on the Notice Regarding the Availability of Proxy Materials or, if you received printed Proxy Materials, on the enclosed proxy card. For security reasons, our electronic voting system has been designed to authenticate your identity as a shareholder.

**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 are my voting choices and what is the vote required to approve each of the proposals?**

A: The following chart describes the proposals to be considered at the Annual Meeting, the voting choices for each proposal, the vote required to elect trustees and to adopt each other proposal, and the manner in which votes will be counted:

Item of Business	Voting Options	Votes Required for Approval	Abstentions	Signed But Unmarked Proxy Cards	Broker Non-Votes
<b>Proposal 1:</b> Election of Trustees	For or withhold vote in respect of each nominee.	The vote of a majority of all the votes cast at a meeting at which a quorum is present is necessary for the election of the Class I Trustees. A majority of the votes cast means that the number of shares voted for a Trustee's election exceeds the number of shares withheld from that Trustee.  A nominee currently serving as a Trustee not receiving a majority of the votes cast will tender his or her resignation, promptly following certification of the shareholder vote, for consideration by the Nominating & Corporate Governance Committee.	No effect on voting.	Count as votes FOR.	No broker discretion to vote.
<b>Proposal 2:</b> Advisory (Nonbinding) Vote on Named Executive Officer Compensation	For, against, or abstain.	Affirmative FOR vote of a majority of all of the votes cast at the meeting.	No effect on voting.	Count as votes FOR.	No broker discretion to vote.
<b>Proposal 3:</b> Advisory (Nonbinding) Vote on the Frequency of Future Advisory Votes on Named Executive Officer Compensation	1, 2 or 3 years, or abstain.	Number of years (1, 2 or 3) receiving the highest number of votes.	No effect on voting.	Count as vote for EVERY YEAR.	No broker discretion to vote.
<b>Proposal 4:</b> Ratification of Independent Registered Public Accounting Firm	For, against, or abstain.	Affirmative FOR vote of a majority of all of the votes cast at the meeting.	No effect on voting.	Count as votes FOR.	Brokers have discretion to vote.

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

A: The shareholders entitled to vote at 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 with instructions to withhold authority to vote or abstain from voting 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 the matters to be presented at the meeting.

**18. 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 its discretion on routine matters, but may not vote your shares on non-routine matters.

Under the New York Stock Exchange rules, the proposals relating to the election of the Trustees, the advisory vote on our named executive officer compensation, and the advisory vote on the frequency of an advisory shareholder vote to approve named executive officer compensation are deemed to be nonroutine matters with respect to which brokers and nominees may not exercise their voting discretion without receiving instructions from the beneficial owner of the shares.

**19. 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 Financial Industry Regulatory Authority, 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 non-routine matters.

Since the election of the Trustees, the advisory vote on named executive officer compensation, and the advisory vote on the frequency of an advisory shareholder vote to approve named executive officer compensation are nonroutine matters, a broker may not turn in a proxy card voting shares without receiving instructions from you.

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

A: Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum but will not be considered present and entitled to vote on any matter for which a broker, bank or other nominee does not have authority. For the Annual Meeting, pursuant to the rules of the New York Stock Exchange, your broker, bank or other nominee will be permitted to vote for you without instruction only with respect to Proposal 4 regarding the ratification of KPMG LLP. A broker non-vote will not have any impact on the outcome of any other proposals.

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

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

**22. Q: When are shareholder proposals and trustee nominees due for the 2018 Annual Meeting?**

A: **Rule 14a-8 Proposals.** Shareholder proposals intended to be included in the proxy materials for the 2018 Annual Meeting must be received by us no later than December 21, 2017. Such proposals should be sent in writing by courier or certified mail to the Secretary of the Trust at 367 South Gulph Road, King of Prussia, PA 19406. Shareholder proposals that are sent to any other person or location or by any other means may not be received in a timely manner. The proposal will also need to comply with the SEC's regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company sponsored proxy materials.

**Proxy Access.** Last year we amended our bylaws to implement proxy access, which permits a shareholder, or group of up to 20 shareholders, owning 3% or more of the Trust's outstanding common stock continuously for at least three years to nominate and include in the Trust's proxy materials trustees constituting up to 20% of the board, provided that such nominating shareholder(s) and nominee(s) satisfy the requirements specified therein for a nomination pursuant to the proxy access provisions, including timely submission of a notice of such a nomination to the Secretary of the Trust at its principal executive office (no earlier than 150 days and no later than 120 days before the anniversary of the date that the Trust mailed its proxy statement for the previous year's annual meeting of shareholders) that contains certain information specified in our bylaws.

**Advance notice procedures.** For a shareholder proposal that is not intended to be included in the proxy materials for the 2018 Annual Meeting, or if you want to nominate a person for election as a trustee, you must provide written notice to the Secretary of the Trust at 367 South Gulph Road, King of Prussia, PA 19406. The Secretary must receive this notice not earlier than February 7, 2018 and not later than March 9, 2018. However, if our 2018 annual meeting of shareholders is held more than 30 days before or more than 70 days after June 7, 2018, then the Secretary must receive this notice not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which we make a public announcement of the date of the meeting. The notice of a proposed item of business must provide information as required in our bylaws which, in general, require that the notice include for each matter a brief description of the matter to be brought before the meeting; the reasons for bringing the matter before the meeting; your name, address, and number of shares you own beneficially or of record of such shareholder; and any material interest you have in the proposal. The notice of a proposed trustee nomination must provide information and documentation as required in our bylaws which, in general, require that the notice of a trustee nomination include the information about the nominee that would be required to be disclosed in the solicitation of proxies for the election of a trustee under federal securities laws and the nominee's written consent to be named in the proxy statement as a nominee and to serve as a trustee if elected. A copy of the bylaw requirements will be provided upon request to the Secretary at the address above.

**23. 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.

**24. 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, 2016 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 April 10, 2017, the number of shares and the percentage of our outstanding shares beneficially owned, 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. Except as otherwise specified, the named beneficial owner has sole voting and investment power. No shares are pledged as security by any of our Trustees or executive officers.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Outstanding Shares
Universal Health Services, Inc.  367 South Gulph Road  King of Prussia, PA 19406	787,543	5.8%
The Vanguard Group, Inc.  100 Vanguard Blvd.  Malvern, PA 19355	2,139,063(2)	15.7%
BlackRock, Inc.  55 East 52nd Street  New York, NY 10055	1,296,714(3)	9.5%
Vanguard Specialized Funds Vanguard REIT Index Fund.  100 Vanguard Blvd.  Malvern, PA 19355	980,151(4)	7.20%
Miles L. Berger  Berger Management Services, LLC  350 West Hubbard St. #222  Chicago, IL 60654	8,771(5)	(6)
James E. Dalton, Jr.  6505 Edinburgh Drive  Nashville, TN 37221	6,562(5)	(6)
Elliot J. Sussman, M.D.  The Villages Health  1020 Lake Sumter Landing  The Villages, FL 32162	7,175(5)	(6)

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Robert F. McCadden	2,050(5)	(6)
Pennsylvania Real Estate Investment Trust		
200 South Broad Street		
Philadelphia, PA 19102		
Alan B. Miller	157,438(5)(7)	1.2%
Marc D. Miller	2,504(5)	(6)
Charles F. Boyle	28,510(5)	(6)
Cheryl K. Ramagano	28,194(5)	(6)
Timothy J. Fowler	18,358(5)	(6)
3295 River Exchange Dr.		
Suite 190		
Norcross, GA 30092		
All Trustees & executive officers as a group (9 persons)	259,562(5)(7)	1.9%

- (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 The Vanguard Group, Inc. Information is based on Amendment No. 11 to Schedule 13G filed February 9, 2017. The Vanguard Group, Inc. reported that it has sole voting power with respect to 42,408 shares, shared voting power with respect to 17,707 shares, sole dispositive power with respect to 2,096,833 shares and shared dispositive power with respect to 42,230 shares.
- (3) These securities are held by BlackRock, Inc. Information is based on Amendment No. 7 to Schedule 13G filed January 26, 2017.
- (4) These securities are held by Vanguard Specialized Funds - Vanguard REIT Index Fund. Information is based on Amendment No. 6 to Schedule 13G filed February 9, 2017.
- (5) Includes restricted shares awarded during 2015 and 2016 which are scheduled to vest during 2017 and 2018, respectively. These shares are subject to forfeiture and vesting pursuant to the terms and conditions set forth in the applicable restricted stock agreements.
- (6) Less than 1% of the outstanding shares.
- (7) Includes 42,000 shares of beneficial interest beneficially owned by the Alan B. Miller Family Foundation. Mr. Miller disclaims beneficial ownership of these securities.

**Equity Compensation Plan Information**

The table below provides information, as of December 31, 2016, concerning securities authorized for issuance under our equity compensation plans.

**Equity Compensation Plan Information**

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(a)	Weighted-average exercise price of outstanding options, warrants and rights(b)	Number of securities remaining available for future issuance under equity compensation plans (excluding column(c))
Equity compensation plans approved by security holders			47,715
Equity compensation plans not approved by security holders			
<b>TOTAL</b>			<b>47,715</b>



**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 I expire at this meeting, the terms of the Trustees in Class II will expire at the 2018 Annual Meeting and the terms of the Trustees in Class III will expire at the 2019 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 I Trustees are Alan B Miller and Robert F. McCadden They have been nominated to be elected for a three-year term that expires at the 2020 Annual Meeting. The Trustees have no reason to believe that the nominees will be unavailable for election; however, if a 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 UHS, the parent company of our Advisor, and does not perform any services for us, except as Trustee. The vote of a majority of all the votes cast at a meeting at which a quorum is present is necessary for the election of the Class I Trustees. A majority of the votes cast means that the number of shares voted for a Trustee's election exceeds the number of shares withheld from that Trustee. A nominee currently serving as a Trustee not receiving a majority of the votes cast will tender his or her resignation, promptly following certification of the shareholder vote, for consideration by the Nominating & Corporate Governance Committee.

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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.

Name NOMINEES (TERMS EXPIRING IN 2017)	Class of Trustee	Age	Principal Occupation	Trustee Since
			During the Last Five Years	
Alan B. Miller	I	79	Chairman of our Board and our Chief Executive Officer since 1986 and our President since February, 2003. Chairman of the Board and Chief Executive Officer of UHS since 1978 and previously served as UHS's President until May, 2009. Father of Marc D. Miller, a member of our Board of Trustees and President and member of the Board of Directors of UHS.	1986
Robert F. McCadden*	I	59	Elected to our Board of Trustees in December, 2013. Currently serves as Executive Vice President and Chief Financial Officer of Pennsylvania Real Estate Investment Trust since his appointment in 2004. Formerly, he served as audit partner of KPMG LLP from 2002 to 2004 and audit partner of Arthur Andersen LLP from 1993 to 2002. Since 2011, Mr. McCadden has served as a member of the Board of Directors of Independence Realty Trust, Inc.	2013

Name TRUSTEES WHOSE TERMS EXPIRE IN 2018	Class of Trustee	Age	Principal Occupation	Trustee Since
			During the Last Five Years	
James E. Dalton, Jr.*	II	74	Formerly, Chairman of the Board of Signature Hospital Corporation from 2006-2012. Formerly, President, Chief Executive Officer and Director of Quorum Health Group, Inc. from 1990 to 2001. Formerly, President of Edinburgh Associates from 2001-2007. Formerly, a Director of US Oncology, Inc. from 2005-2010. Currently, a director of Select Medical Corp. since 2005.	1997
Marc D. Miller	II	46	Elected to the UHS Board of Directors in May, 2006. Appointed President of UHS in May, 2009 and prior thereto served as Senior Vice President and Co-Head of UHS's Acute Care Division since 2007. Mr. Marc D. Miller was elected Vice President of UHS in 2005 and has served in various other capacities related to UHS's acute care division since 2000. Serves as a member of the Board of Directors of Premier, Inc. He is the son of Alan B. Miller, our Chairman of the Board, Chief Executive Officer and President, and Chairman of the Board and Chief Executive Officer of UHS.	2008

Name	Class of Trustee	Age	Principal Occupation	Trustee Since
			During the Last Five Years	
<b>TRUSTEES WHOSE TERMS</b>				
<b>EXPIRE IN 2019</b>				
Miles L. Berger*	III	86	Chairman of the Board of Berger Management Services, LLC since 1999; Trustee of Innkeepers Trust USA from 1993 until the sale of the company in 2007, and a member of the Board of Directors of Medallion Bank since 2002 and Chatham Lodging Trust since 2010. Mr. Berger is scheduled to retire from our Board of Trustees on June 8, 2017.	1998
Elliot J. Sussman, M.D.*	III	65	Chairman of The Villages Health and a Consultant. Former President and Chief Executive Officer of Lehigh Valley Hospital and Health Network from 1993 to 2010. Currently, a member of the Board of Directors of iCAD, Inc. since 2002.	1999

\* Independent Trustee

**THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS TRUSTEES. ANY NOMINEE CURRENTLY SERVING AS A TRUSTEE IN AN ELECTION WHO RECEIVES A GREATER NUMBER OF VOTES WITHHELD HIS OR HER ELECTION THAN VOTES FOR SUCH ELECTION SHALL TENDER HIS OR HER RESIGNATION FOR CONSIDERATION BY THE NOMINATING & GOVERNANCE COMMITTEE.**

**PROPOSAL NO. 2**

**ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION**

Pursuant to rules of the Securities and Exchange Commission, we are asking you to approve, on an advisory (non-binding) basis, the compensation paid to our named executive officers as disclosed in the Compensation Discussion and Analysis below, the compensation tables below, and any related narrative discussion contained in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to express their views on the compensation paid to our named executive officers.

All of our named executive officers are employees of UHS of Delaware, Inc. (the "Advisor"), a wholly-owned subsidiary of UHS. Although we have no salaried employees, our executive officers and other personnel do typically receive annual stock-based compensation awards in the form of restricted stock. In special circumstances, if warranted and deemed appropriate by the Compensation Committee of the Board of Trustees (the "Compensation Committee"), our executive officers and other personnel may also receive one-time special compensation awards in the form of restricted stock and/or cash bonuses. There were no special compensation awards made in 2016, 2015 or 2014. The Compensation Committee believes that linking executive compensation to corporate performance results in a better alignment of compensation with corporate business goals and shareholder value. Long-term incentive awards are granted to motivate and encourage excellent service and to reward our named executive officers for their respective contributions.

The Advisor manages our day-to-day affairs and provides certain other services to us pursuant to the Advisory Agreement (as defined below) we entered into with UHS and the Advisor. In consideration of its management services pursuant to the Advisory Agreement, we pay the Advisor a fee (the "Advisory Fee"). The Advisory Fee paid to the Advisor includes the costs associated with the various services provided to us, including fees related to the services provided by our named executive officers on our behalf. As a result, the component of the Advisory Fee related specifically to our named executive officers' compensation is not separable. Please see below in *Compensation Discussion and Analysis - Comparison of our Advisory Fee and Other General and Administrative Expenses to Selected Healthcare REIT Peer Group* for additional disclosure.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we are asking the shareholders to vote **FOR** the following resolution at the Annual Meeting:

RESOLVED, that the Trust's shareholders approve, on an advisory basis, the compensation paid to the Trust's named executive officers, as disclosed in the Trust's proxy statement for the 2017 Annual Meeting of Shareholders, pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion contained in this Proxy Statement.

**Vote Required**

The affirmative vote of a majority of all of the votes cast at a meeting at which a quorum is present is required for approval of the advisory vote on named executive officer compensation. For purposes of the vote on Proposal No. 2, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

The say-on-pay vote is advisory and will not be binding upon the Trust, the Board of Trustees or the Compensation Committee. However, the Compensation Committee will take into account the outcome of the vote when considering future named executive officer compensation arrangements.

**THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE COMPENSATION PAID TO THE TRUST'S NAMED EXECUTIVE OFFICERS, AS DISCLOSED PURSUANT TO ITEM 402 OF REGULATION S-K, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, COMPENSATION TABLES AND NARRATIVE DISCUSSION CONTAINED IN THIS PROXY STATEMENT.**

**PROPOSAL NO. 3**

**ADVISORY VOTE ON THE FREQUENCY OF**

**AN ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION**

Pursuant to rules of the Securities and Exchange Commission, every six years, we are required to provide shareholders with an opportunity to vote, on an advisory (non-binding) basis, as to whether we should hold an advisory vote on the executive compensation of our named executive officers every one, two or three years. Shareholders may also abstain from voting on the matter.

The initial say-on-frequency vote was held at our 2011 Annual Meeting of Shareholders. At our 2011 annual meeting, our shareholders voted to hold an advisory vote on our executive compensation program every year. Accordingly, we have submitted Say on Pay proposals on the compensation of our named executive officers at every subsequent annual meeting.

After careful consideration, our Board of Trustees recommends that we continue to conduct an advisory vote on executive compensation annually. Our Board of Trustees believes that a frequency of every year for the Say on Pay vote on executive compensation is the best approach for the Trust and our shareholders.

**Vote Required**

The advisory vote on the frequency of future shareholder advisory vote to approve named executive officer compensation will be determined by a plurality of the votes cast.

If you are a shareholder of record and you do not sign and return your Proxy card or vote by telephone or internet, your shares will not be voted at the Annual Meeting. Under the New York Stock Exchange rules, this proposal is not a routine matter and broker non-votes may occur with respect to this proposal. If your shares are held in street name and you do not issue instructions to your broker, your broker or nominee may not vote your shares on these matters without receiving instructions.

Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of this proposal.

The say-on-frequency vote is advisory and will not be binding upon the Trust, the Board of Trustees, or the Compensation Committee. The Board of Trustees may decide that it is in the best interests of our shareholders and the Trust to hold an advisory vote on executive compensation more or less frequently than the option approved by our shareholders. However, the Compensation Committee will take into account the outcome of the vote when considering the frequency of future advisory votes on the compensation of our named executive officers.

**THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR A FREQUENCY PERIOD OF EVERY ONE YEAR FOR FUTURE ADVISORY SHAREHOLDER VOTES ON NAMED EXECUTIVE OFFICER COMPENSATION.**

**PROPOSAL NO. 4**

**RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of the Board has selected, and as a matter of good corporate governance, is requesting ratification by the shareholders of the selection of KPMG LLP to serve as our independent registered public accountants for the year ending December 31, 2017. KPMG LLP served as our independent registered public accountants for the year ended December 31, 2016. If a favorable vote is not obtained, the Audit Committee may reconsider the selection of KPMG LLP. Even if the selection is ratified, the Audit Committee, in its discretion, may select different independent auditors if it subsequently determines that such a change would be in the best interest of the Trust and its shareholders.

KPMG LLP representatives will attend the Annual Meeting and respond to questions where appropriate. Such representatives may make a statement at the Annual Meeting should they so desire.

**Shareholder Approval**

We are submitting the selection of the independent registered public accountants for shareholder ratification as a matter of good corporate governance. Ratification of the selection of the independent registered public accountants by the shareholders requires that the votes cast in favor of ratification exceed the votes cast opposing ratification. If a favorable vote is not obtained, the Audit Committee may reconsider the selection of KPMG LLP. Even if the selection is ratified, the Audit Committee, in its discretion, may select different independent auditors if it subsequently determines that such a change would be in the best interest of the Trust and its shareholders. Unless marked to the contrary, proxies will be voted FOR the ratification of the selection of KPMG LLP as our independent registered public accountants.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017.**

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

Section 16(a) of the Securities Exchange Act of 1934, as amended, 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 initial reports of ownership and reports of changes in ownership of our shares and other equity securities.

Based upon a review of the copies of such reports furnished to us during fiscal year 2016 and written representations from our executive officers and Trustees, we believe that during the 2016 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.



## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Compensation Philosophy and Objectives*

Our compensation program is aligned with our philosophy by practices that are regulatory compliant, financially sound and provide long-term value to shareholders and generally include the following:

Review of peer group market data

Performance discussion is included on incentive decisions

Practices are evaluated annually and reviewed by outside consultants biennially

Do not provide values generally outside of current market practices

Do not offer excessive perquisites to our executives

All of our named executive officers are employees of UHS of Delaware, Inc. (the Advisor), a wholly-owned subsidiary of UHS. Although we have no salaried employees, our executive officers and other personnel do typically receive annual stock-based compensation awards in the form of restricted stock. In special circumstances, if warranted and deemed appropriate by the Compensation Committee of the Board of Trustees (Compensation Committee), our executive officers and other personnel may also receive one-time special compensation awards in the form of restricted stock and/or cash bonuses. There were no special compensation awards made in 2016, 2015 or 2014. The Advisor manages our day-to-day affairs and provides certain other services to us pursuant to the Advisory Agreement (as defined below) we entered into with UHS and the Advisor. In consideration of its management services pursuant to the Advisory Agreement, we pay the Advisor a fee (the Advisory Fee).

The Advisory Fee paid to the Advisor includes the costs associated with the various services provided to us, including fees related to the services provided by our named executive officers on our behalf. As a result, the component of the Advisory Fee related specifically to our named executive officers' compensation is not separable. Please see below in *Comparison of our Advisory Fee and Other General and Administrative Expenses to Selected Healthcare REIT Peer Group* for additional disclosure.

Although this management structure and Advisory Agreement arrangement may create the potential for conflicts of interest, including with respect to advising our Compensation Committee regarding compensation of our executive officers, we believe that the quality and depth of the management and advisory services provided to us by our Advisor and UHS could not be replicated by contracting with unrelated third parties or by being self-advised without considerable cost increases. We also believe that because our Compensation Committee is comprised solely of Independent Trustees, any potential for conflict is mitigated. Please see *Certain Relationships and Related Transactions* for more information.

In designing our stock-based compensation program for our named executive officers, we follow our belief that compensation should reflect the value created for shareholders while supporting our strategic business goals. Because of our management structure and advisory arrangement, historically, our compensation program has been basic. The Compensation Committee is guided by the following objectives:

Compensation should encourage increased shareholder value;

Compensation programs should support our short-term and long-term strategic business goals and objectives, and;

Compensation should motivate our executive officers and other personnel toward outstanding performance and reward them for contributions toward business goals.

These objectives govern the decision-making process with respect to the amount and type of compensation payable to our named executive officers and other personnel. The Compensation Committee reviews our compensation programs annually to ensure that these objectives continue to be met.

#### *Elements of Compensation*

In light of our management structure and advisory arrangement, we have historically provided limited compensation to our named executive officers and other personnel. The chief element of our compensation program is the periodic granting of long-term incentive awards. We typically do not pay cash compensation in the form of an annual base salary or cash bonuses to our named executive officers. All of our named executive officers are employees of UHS and, as such, are compensated by UHS.

The Compensation Committee believes that linking executive compensation to corporate performance results in a better alignment of compensation with corporate business goals and shareholder value. Long-term incentive awards are granted to motivate and encourage excellent service and to reward our named executive officers for their respective contributions. Long-term incentive compensation is based, in part, on our performance and the value received by shareholders. As we improve our performance, resulting in increased value to shareholders, our executives and other personnel are rewarded commensurately.

#### *Compensation Setting Process*

The stock-based compensation for each of our named executive officers is evaluated on an annual basis by our Compensation Committee. Market data compiled by the human resources personnel of our Advisor are used to compare the compensation levels of our named executive officers against those of comparable positions in other comparable companies. This market data is reviewed on a biennial basis by a third-party consultant for accuracy and reasonableness. The third-party consultant's review was performed during 2016.

The Compensation Committee has traditionally relied upon the input and recommendations of our Chairman, President and Chief Executive Officer, Mr. Alan B. Miller, who reviews and advises the Compensation Committee with respect to our compensation programs, including the compensation arrangements for our named executive officers and other personnel other than himself. The Compensation Committee believes that Mr. Miller's role as Chief Executive Officer of the Trust since its inception in 1986 provides a valuable resource to them. Mr. Miller attends Compensation Committee meetings by invitation, however, he does not have the right to vote on matters addressed by the Compensation Committee and he does not participate in the discussions with respect to his own compensation. Compensation for Mr. Miller is determined by the Compensation Committee and typically guidance and advice is requested from the human resources department of our Advisor.

In April, 2007, the Board of Trustees adopted the Universal Health Realty Income Trust 2007 Restricted Stock Plan (the 2007 Plan), which was amended and restated in 2016 as the Universal Health Realty Income Trust Amended and Restated 2007 Restricted Stock Plan (the 2007 Amended and Restated Plan), to replace the

Universal Health Realty Income Trust 1997 Incentive Plan (the "1997 Incentive Plan"). The 2007 Amended and Restated Plan was approved by our shareholders in June, 2007 and is designed to implement our compensation objectives stated herein. The 2007 Amended and Restated Plan, is administered by the Compensation Committee, which has full authority in its discretion, from time to time, and at any time, to select those officers to whom awards will be granted, to determine the number of shares subject thereto, the times at which such awards shall be granted, the time at which the awards shall vest, and the terms and conditions of the agreements to be entered into by our officers and other personnel. Our Compensation Committee, in its sole discretion, requested guidance from a third-party compensation consulting firm with respect to the concepts and practices used for development of the 2007 Plan. The concepts and market practices were deemed to be reasonable by the consulting firm and served as the basis for the 2007 Plan. This firm also provided advice with respect to Independent Trustee compensation. The full Board of Trustees is responsible for administering incentive grants to our Independent Trustees. We do not have any plan to select grant dates for our named executive officers and trustees in coordination with the release of material non-public information.

The 2007 Amended and Restated Plan permits the granting of restricted shares of beneficial interest. The Compensation Committee believes restricted stock awards are more effective than stock options in achieving our compensation objectives, as restricted stock is subject to less market volatility and, depending on the total number of shares granted, is potentially less dilutive to our shares of beneficial interest. Recipients realize immediate value as restricted stock awards vest, with the value increasing as our stock performance increases. Cash dividends are paid on all outstanding awards of restricted stock as an additional element of compensation and to provide recipients incentive to sustain or increase our performance. The Compensation Committee believes that periodic grants of long term incentive awards to our named executive officers and other personnel will serve to motivate and encourage excellent service and reward them for their respective contributions. Further, the Compensation Committee believes that this will enhance shareholder value and support our business goals because such long-term incentive compensation is based, in part, on our performance and the value received by shareholders.

Vesting of restricted shares issued under the 2007 Amended and Restated Plan has historically been based upon continuing service. The Compensation Committee has the option to condition the vesting of a restricted stock award on the achievement of specified performance goals in accordance with Section 162(m) of the Code. If established, performance goals may be based on business criteria such as earnings per share, share price, total shareholder return, pre-tax profits, net earnings, return on equity or assets, revenues and funds from operations per share. Performance goals may be 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 Internal Revenue Code of 1986, as amended (the "Code")). The Compensation Committee must establish such criteria and targets in advance of applicable deadlines under the Code. While attainment of the performance targets remains substantially uncertain, the Compensation Committee will be 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.

### ***2016 Compensation***

Since we do not pay cash compensation in the form of an annual base salaries to our named executive officers, and typically do not pay cash bonuses, the chief element of our compensation program is the periodic granting of long-term incentive awards.

*Long-Term Incentives*

On June 9, 2016, we granted shares of restricted stock to each of our named executive officers. For a description of the long-term incentive awards granted to our named executive officers during 2016, you should read the *Summary Compensation Table* and the *Grants of Plan-Based Awards Table* included in this Proxy Statement. As discussed herein, the Compensation Committee believes that in the general absence of cash compensation, it is important to provide our executive officers, including the Chief Executive Officer, an incentive to increase shareholder value by awarding equity based compensation.

In determining the number of shares of restricted stock granted to our officers during 2016, our Compensation Committee reviewed competitive data of a selected peer group. The data was prepared by the human resource personnel of our Advisor and reviewed for accuracy and reasonableness by a third-party consultant. The data compared the compensation levels of our named executive officers against those of comparable positions in a selected peer group consisting of other comparable advisor managed healthcare real estate investment trusts ( REITs ) in addition to peer companies of self-managed REITs with similar asset size and comparable dividend yield. The companies in the advisor peer group, which had no salaried employees since they are managed pursuant to advisory or management agreements, consisted of Hospitality Properties Trust and Senior Housing Properties Trust. Companies included in the self-managed peer group were Agree Realty Corp., BRT Realty Trust, Getty Realty Corp., Gladstone Commercial Corp., Sotherly Hotels, Inc, Monmouth Real Estate Investment Corp., One Liberty Properties, Inc., Condor (formerly Supertel Hospitality, Inc.) and UMH Properties, Inc.

The Compensation Committee also considered Mr. Alan Miller's recommendations and took into account each named executive officer's position, responsibilities and contribution to our financial performance as well as his or her contribution to our growth and productivity. In addition, historical internal practices for stock awards were also reviewed and used as a basis for determining individual award amounts.

During the period analyzed, the compensation levels of our named executive officers were below the 25th percentile of both the advisor peer group and the self-managed peer group. The Compensation Committee believes that the compensation of our named executive officers during 2016 is reasonable in comparison to market rates based on the review of the compensation levels of the selected peer group.

***Comparison of Our Advisory Fee and Other General and Administrative Expenses to Selected Healthcare REIT Peer Group:***

The Advisory Agreement expires on December 31<sup>st</sup> of each year; however it is renewable by us, subject to a determination by the Independent Trustees, that the Advisor's performance has been satisfactory. In December of 2016, based upon a review of our Advisory Fee and other general and administrative expenses as compared to an industry peer group, the Advisory Agreement was renewed for 2017 pursuant to the same terms as the Advisory Agreement in place during the last three years. As part of the annual review process, our Independent Trustees review data prepared by us which calculates the percentages of our aggregate Advisory Fee and other general and administrative expenses (we have no salaries, wages and benefits expense), to our revenues, net assets and gross assets. Those percentages, calculated utilizing our financial data, are then compared to the percentages of the general and administrative expenses, including salaries, wages and benefits expense, of a selected peer group of other healthcare REITs, to their respective revenues, net assets and gross assets.

During the period analyzed for the 2016 review, our aggregate of Advisory Fee and other general and administrative expenses amounted to 5.9% of our revenues, 1.0% of our net assets and 0.8% of our gross assets.

The average of the healthcare REITs in the selected peer group had aggregate general and administrative expenses of 6.7% of revenues, 0.9% of net assets and 0.8% of gross assets. As a result, our Independent Trustees believe that the aggregate of our Advisory Fee and other general and administrative expenses are reasonable in comparison to the average general and administrative cost structures of the selected healthcare REIT peer group. Companies included in the selected healthcare REIT peer group were Healthcare Property Investors, Inc., Healthcare Realty Trust Incorporated, Healthcare Trust of America, Inc., LTC Properties, Inc., Medical Properties Trust, Inc., National Health Investors Inc., Omega Healthcare Investors, Inc., Senior Housing Properties Trust, Ventas, Inc. and Welltower Inc.

### ***2017 Compensation***

We anticipate that the chief element of our compensation program will continue to be the periodic granting of long-term incentive awards issued pursuant to the terms of the 2007 Amended and Restated Plan. We do not intend to pay cash compensation in the form of an annual base salary to our named executive officers in 2017.

### ***Rewards/Compensation Risk Analysis***

Since the Trust typically pays no cash compensation and has no incentive plans that are directly correlated to earnings, revenues or cash flows, we believe that there is no excessive risk to the Trust's future results of operations as result of our compensation practices.

### ***Summary***

The foregoing discussion describes: (i) the compensation objectives and policies that were utilized with respect to our named executive officers and other personnel during 2016, and; (ii) our anticipated compensation program for 2017.

In the future, as the Compensation Committee continues to review each element of the executive compensation program with respect to our named executive officers and other personnel, the objectives of our executive compensation program, as well as the methods that the Compensation Committee utilizes to determine both the types and amounts of compensation to award to our named executive officers and other personnel, may change.

### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management; and based on the review and discussions, the Compensation Committee recommended to the Board of Trustees that the Compensation Discussion and Analysis be included in the Trust's Proxy Statement.

### **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 Board of Trustees is composed of Elliot J. Sussman, M.D., James E. Dalton, Jr., and Miles L. Berger, who is scheduled to retire from our Board of Trustees in June, 2017. All the members of the Compensation Committee are Independent Trustees and no member has ever been one of our officers or employees, nor has had any relationship with us that requires disclosure.

In the future, as the Compensation Committee continues to review each element of the executive compensation program with respect to our named executive officers and other personnel, the objectives of our executive compensation program, as well as the methods that the Compensation Committee utilizes to determine both the types and amounts of compensation to award to our named executive officers and other personnel, may change.

## SUMMARY COMPENSATION TABLE

The following table sets forth information regarding compensation earned by our Chief Executive Officer, our Chief Financial Officer and the two other executive officers during the last three fiscal years. We have no other executive officers. We refer to these officers collectively as our named executive officers.

Name and principal position(1.)	Year	Salary (\$)	Bonus (\$)	Stock Awards \$(2.)	Option and Dividend Equivalent Right Awards \$(3.)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All other compensation \$(4.)	Total (\$)
Alan B. Miller, Chairman of the Board, Chief Executive Officer and President	2016	\$	\$	\$ 157,752	\$	\$	\$	\$ 14,560	\$ 172,312
	2015			133,700				14,177	147,877
	2014			120,988				13,857	134,845
Charles F. Boyle, Vice President and Chief Financial Officer	2016	\$	\$	\$ 87,327	\$	\$	\$	\$ 8,092	\$ 95,419
	2015			74,012				7,969	81,981
	2014			69,136				7,685	76,821
Cheryl K. Ramagano, Vice President, Secretary and Treasurer	2016	\$	\$	\$ 87,327	\$	\$	\$	\$ 8,092	\$ 95,419
	2015			74,012				7,969	81,981
	2014			69,136				7,685	76,821
Timothy J. Fowler, Vice President, Acquisition and Development	2016	\$	\$	\$ 59,157	\$	\$	\$	\$ 5,460	\$ 64,617
	2015			50,137				5,376	55,513
	2014			45,370				5,401	50,771

- (1.) Our officers are all employees of a wholly-owned subsidiary of UHS and do not receive salaries from us. We pay an annual advisory fee to UHS of Delaware, Inc. (the Advisor) pursuant to the Advisory Agreement between the Advisor and us, whereby the Advisor manages our day-to-day affairs and provides certain other services to us. See additional information on our relationship with our Advisor included in this Proxy Statement.
- (2.) Represents grant date fair value for awards made during each year pursuant to the Universal Health Realty Income Trust Amended and Restated 2007 Restricted Stock Plan or the Universal Health Realty Income Trust 2007 Restricted Stock Plan. Dividends declared by us are paid with respect to outstanding shares of restricted stock. These awards are scheduled to vest on the second anniversary of the grant date.
- (3.) There were no stock option awards issued in 2016, 2015 or 2014.
- (4.) Consists of dividends paid on unvested restricted stock.

In addition, prior to its expiration in June, 2007, the 1997 Incentive Plan was administered by the Compensation Committee. Subject to the provisions of the 1997 Incentive Plan, non-qualified stock options and dividend equivalent rights ( DERs ) were granted to our named executive officers, Board of Trustees and other personnel. The holder of a DER was credited with amounts equal to the dividends payable with respect to the number of shares of beneficial interest covered by the award as if such shares had been issued and outstanding on the record date related to such dividend. During 2016, each of our named executive officers benefited from the dividend equivalents on their DERs granted in previous years. In connection with this plan, on December 4, 2008, the Board of Trustees of the Trust approved amendments of outstanding stock option agreements made pursuant to the 1997 Incentive Plan with officers and Trustees of the Trust. These agreements provided for the deferred payment of dividend equivalents on shares covered by the options, with payment tied to the date the





options are exercised or expire. In order to meet certain changes to tax law requirements, the agreements, as amended, provide for current payment of dividend equivalents in the years in which dividends are declared and paid or, if later, when the related options become vested. Dividend equivalents attributable to vested options accrued as of December 31, 2014 and 2015 were paid in December of each respective year. The dividend equivalents attributable to vested options earned during 2016 were paid out at the time of the final stock option and DER exercises at various times during 2016. Total amounts paid during 2016 to the Trust's named executive officers were as follows: \$9,712 to Alan B. Miller; \$5,180 to Charles F. Boyle; \$5,180 to Cheryl K. Ramagano, and; \$3,885 to Timothy J. Fowler. Also during 2016, \$695 was paid to each of James E. Dalton, Jr. and Elliot J. Sussman, M.D., and \$1,295 was paid to Miles L. Berger. There are no dividend equivalent rights or stock options outstanding at December 31, 2016.

## GRANTS OF PLAN-BASED AWARDS

The following table provides information regarding plan-based awards granted during fiscal year 2016 to our named executive officers.

Name	Approval /Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (1.) (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/ Sh)	Closing Price on Grant Date (\$/ Sh)	Grant Date Fair Value of Stock Awards (2.) (\$)
		Threshold	Target	Maximum	Threshold	Target	Maximum					
Alan B. Miller	6/9/2016	0	0	0	0	0	0	2,800	0	0	\$ 56.34	\$ 157,752
Charles F. Boyle	6/9/2016	0	0	0	0	0	0	1,550	0	0	\$ 56.34	\$ 87,327
Cheryl K. Ramagano	6/9/2016	0	0	0	0	0	0	1,550	0	0	\$ 56.34	\$ 87,327
Timothy J. Fowler	6/9/2016	0	0	0	0	0	0	1,050				