

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

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported) April 25, 2006**

**UNIVERSAL HEALTH REALTY INCOME TRUST**  
(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**1-9321**  
(Commission File  
Number)

**23-6858580**  
(IRS Employer  
Identification No.)

**Universal Corporate Center**  
**367 South Gulph Road**  
**King of Prussia, Pennsylvania**  
(Address of principal executive offices)

**19406**  
(Zip Code)

**Registrant's telephone number, including area code: (610) 265-0688**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement.**

During the third quarter of 2005, Chalmette Medical Center (“Chalmette”), Universal Health Realty Income Trust’s (the “Trust”) two story, 138-bed acute care hospital located in Chalmette, Louisiana, was severely damaged and closed as a result of Hurricane Katrina. The majority of the real estate assets of Chalmette were leased from the Trust by a subsidiary of Universal Health Services, Inc. (“UHS”) and, in accordance with the terms of the lease, and as part of an overall evaluation of the leases between subsidiaries of UHS and the Trust, UHS has elected to offer substitution properties rather than exercise its right to rebuild the facility or offer cash for Chalmette. Independent appraisals were obtained by the Trust and UHS which indicated that the pre-Hurricane fair market value of the leased facility was \$23,965,000 (“FMV of Chalmette”).

The Trust has agreed, subject to certain closing conditions, to terminate the lease between Chalmette and the Trust and to transfer the real property assets and all rights attendant thereto (including insurance proceeds) of Chalmette to UHS in exchange and substitution for newly constructed real property assets owned by UHS (“Capital Additions”) at Wellington Regional Medical Center (“Wellington”), The Bridgeway (“Bridgeway”) and Southwest Healthcare System-Inland Valley Campus (“Inland Valley”), in satisfaction of the obligations under the Chalmette lease. The exchange and substitution package includes the following Capital Additions, as defined in the Master Lease Document, by and among the Trust and certain subsidiaries of UHS, dated December 24, 1986 (the “Master Lease”), which were recently constructed on, or adjacent to, facilities already owned by the Trust as well as a Capital Addition at Inland Valley which is currently under construction and expected to be completed by the end of 2006. UHS is obligated to complete the Inland Valley Capital Addition or offer to either, subject to the approval of the Trust, provide alternative substitution property or pay to the Trust an amount in cash equal to the substitution value of the Capital Addition.

• Wellington– Bed Tower	\$ 8,926,000	(Actual construction costs)
• Bridgeway – 28 bed addition	\$ 4,072,000	(Actual construction costs)
• Inland Valley Campus – 44 bed and ICU expansion	\$ 12,160,000	(Estimated construction costs)

To accomplish the exchange and substitution, on April 24, 2006 the Trust entered into an Asset Exchange and Substitution Agreement between the Trust, UHS and certain subsidiaries of UHS. The estimated total value of this exchange and substitution package is approximately \$25.2 million based upon the combined actual and estimated construction costs of the Capital Additions. Since the estimated total value of the substitution package is expected to exceed the FMV of Chalmette, the excess amount will be paid to UHS in cash upon completion of the Inland Valley Capital Additions.

During 2005, 2004 and 2003, the total rent earned by the Trust under the Chalmette lease was approximately \$1.6 million to \$1.7 million annually (including base and bonus rental). The total rent payable to the Trust on the Capital Additions included in the substitution package (excluding the rent on the Capital Additions in excess of the FMV of Chalmette) is expected to closely approximate the total rent earned by Trust under the Chalmette lease. UHS will pay incremental rent on the Capital Additions in excess of the FMV of Chalmette at a rate equal to the prevailing five-year treasury rate plus 200 basis points at the time of funding (minimum rate 6.75%). Below is the rent allocation of the substitution properties, excluding the incremental rent on the Capital Additions in excess of the FMV of Chalmette.

<u>Facility</u>	<u>Base Rent</u>	<u>Bonus Rent</u>	<u>Total Rent</u>
Wellington	\$534,504	\$67,744	\$602,248
Bridgeway	247,800	26,940	274,740
Inland Valley	740,012	—	740,012
Total:	\$1,522,316	\$94,684	\$1,617,000

The amounts shown in the bonus rent column represent the estimated bonus rent effect of including the revenues generated from the Capital Additions at Wellington and Bridgeway that have not been previously included in the bonus

rent paid to the Trust pursuant to the terms of the leases since the Capital Additions were financed and owned by UHS. The bonus rent amounts reflected above were based on the net revenues generated at each facility during 2005. Future bonus rents earned by the Trust on the Capital Additions will be based the actual net revenues of each facility.

As part of the overall arrangement, UHS agreed to early five year renewals of the leases between the Trust and each of Inland Valley, Wellington and McAllen Medical Center, which mature on December 31, 2006, and Bridgeway, which matures on December 31, 2009, on the same economic terms as the current leases. To reflect the lease renewals, on April 24, 2006, the Trust and each of the individual lessees entered into amended and restated leases relating to their respective, individual properties at the existing lease rates. With respect to each of these leases, UHS also agreed not to exercise its purchase options under the leases at the end of the current lease terms, which would have resulted in a cash payment to the Trust and the termination of the rental stream with respect to the properties, and likely would have adversely affected the ability of the Trust to maintain the dividend at current levels.

Pursuant to the Master Lease, which governs all leases of properties with subsidiaries of UHS, UHS has the right to purchase the leased properties at the end of each lease term at each property's fair market value purchase price. As part of the overall exchange and substitution proposal, as well as the early five year lease renewals on Inland Valley, Wellington, McAllen and Bridgeway, the Trust agreed to amend the Master Lease to include a change of control provision (as defined below) and a provision granting UHS the right to purchase each of the leased properties, at their fair market value purchase price, on one month's notice to the Trust in the event of such change of control occurs.

On April 24, 2006, the Trust and certain subsidiaries of UHS entered into Amendment No. 1 to the Master Lease. Under the amended Master Lease, a "change of control" will occur in the event that, directly or indirectly: (i) the Trust consolidates with, or merges with and into, any individual, firm, corporation or other entity (each a "Person") (other than a wholly-owned subsidiary of the Trust in a transaction the principal purpose of which is to change the state of organization of the Trust); (ii) any Person consolidates with the Trust, or merges with and into the Trust and the Trust is the continuing or surviving entity of such consolidation or merger and, in connection with such merger, all or part of the shares of beneficial interest of the Trust be changed into or exchanged for stock or other securities of any other Person (or the Trust); (iii) any Person or "group" other than the Trust or an affiliate of the Trust becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) directly or indirectly of securities of the Trust representing more than 20% of the voting power of the Trust's securities in one or more transactions (including by way of merger, reorganization or consolidation); or (iv) the composition of the Board of Trustees of the Trust changes and, as a result, the majority of the Trustees are not Incumbent Trustees. "Incumbent Trustees" are trustees who either (a) are Trustees of the Trust as of the date of the amendment, or (b) are elected, or nominated for election, to the Board or Trustees of the Trust with the affirmative votes of at least a majority of the Incumbent Trustees at the time of such election or nomination. In addition, the Trust has agreed to provide notice to lessees of its properties not less than 60 days prior to any proposed change of control. In the event of a change of control, lessees will have the option exercisable at any time within 12 months of the change of control to purchase the leased property, upon not less than one month's notice, at the fair market value purchase price of the leased property as of the date the lessee exercises its option to purchase the leased property pursuant to the terms of the Master Lease.

The Independent Trustees determined that the exchange and substitution arrangement was in the best interests of the Trust and its shareholders as it replaced Chalmette's rental revenue to the Trust and ensured through the early lease renewals that UHS would continue to lease its other properties at existing lease rates for at least 5 years beyond the end of the current lease terms. The Board of Trustees believed that the purchase of Chalmette by UHS for cash would have adversely affected the ability of the Trust to maintain its dividend and may have resulted in adverse tax consequences to the Trust.

After giving effect to the Asset Exchange and Substitution Agreement and the various lease renewals discussed above, subsidiaries of UHS will lease four hospital facilities owned by the Trust, of which three will have leases scheduled to expire in December, 2011 and one with a lease scheduled to expire in December, 2014. The leases with subsidiaries of UHS are unconditionally guaranteed by UHS and are cross-defaulted with one another. Pursuant to the terms of the leases, UHS has the option to renew the leases by providing notice to the Trust at least 90 days prior to the termination of the then current term. UHS also has the right to purchase the respective leased facilities at the end of the lease terms or any renewal terms and upon a "change in control" at the appraised fair market value. In addition, UHS has

the rights of first refusal to: (i) purchase the respective leased facilities during and for 180 days after the lease terms at the same price, terms and conditions of any third-party offer, or; (ii) renew the lease on the respective leased facility at the end of, and for 180 days after, the lease term at the same terms and conditions pursuant to any third-party offer.

For the year ended December 31, 2005, 48% of the Trust's revenues were earned under the terms of leases on hospital facilities with wholly-owned subsidiaries of UHS. In addition to lease agreements between the Trust and subsidiaries of UHS, as of March 31, 2006, UHS owned 6.6% of the Trust's outstanding shares of beneficial interest and has the option to purchase shares of beneficial interest at fair market value to maintain a 5% interest in the Trust. UHS of Delaware, Inc. (the "Advisor"), a wholly-owned subsidiary of UHS, serves as Advisor to the Trust under an Advisory Agreement dated December 24, 1986 between the Advisor and the Trust (the "Advisory Agreement"). Under the Advisory Agreement, the Advisor is obligated to present an investment program to the Trust, to use its best efforts to obtain investments suitable for such program (although it is not obligated to present any particular investment opportunity to us), to provide administrative services to the Trust and to conduct its day-to-day affairs. In performing its services, the Advisor may utilize independent professional services, including accounting, legal, tax and other services, for which the Advisor is reimbursed directly by us. The Advisory Agreement expires on December 31 of each year; however, it is renewable by the Trust, subject to a determination by the Independent Trustees of the Board of Trustees of the Trust that the Advisor's performance has been satisfactory. The Advisory Agreement may be terminated for any reason upon sixty days written notice by the Trust or the Advisor. The Advisory Agreement has been renewed for 2006. All transactions with UHS must be approved by the Independent Trustees.

## **Item 2.02 Results of Operations and Financial Condition**

On April 25, 2006, the Trust made its first quarter earnings release. A copy of the Trust's press release is furnished as exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

## **Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

10.1 Asset Exchange and Substitution Agreement.

10.2 Amendment No. 1 to the Master Lease Document, between certain subsidiaries of UHS and the Trust.

99.1 Press release dated April 25, 2006.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 25, 2006

UNIVERSAL HEALTH REALTY INCOME TRUST

By: /s/ Alan B. Miller  
Alan B. Miller  
Title: Chairman of the Board,  
Chief Executive Officer and President

By: /s/ Charles F. Boyle  
Charles F. Boyle  
Title: Vice President and Chief Financial Officer

## ASSET EXCHANGE AND SUBSTITUTION AGREEMENT

This Asset Exchange and Substitution Agreement (the “Agreement”) is dated as of April 24, 2006, and is by and among Universal Health Realty Income Trust, a Maryland real estate investment trust (the “Trust”), and Universal Health Services, Inc., a Delaware corporation and certain of its wholly-owned subsidiaries (“UHS”).

WITNESSETH:

WHEREAS, the Trust currently owns the property described in Exhibit A hereto, which property constitutes the real property comprising Chalmette Medical Center (“Chalmette”), located in Chalmette, Louisiana, other than the certain capital additions to Chalmette that are owned by UHS (the “Trust Property”);

WHEREAS, the Trust Property was leased by the Trust, as lessor, to Chalmette Medical Center, Inc., a Louisiana corporation f/k/a UHS of De La Ronde, Inc. (“CMC”), a wholly-owned subsidiary of UHS, as lessee, pursuant to that certain lease dated March 24, 1988 (the “Lease”), which Lease incorporates the terms and conditions of that certain Master Lease Document, General Terms and Conditions, dated December 24, 1986, by and among the Trust and certain wholly-owned subsidiaries of UHS, together with all amendments thereto (the “Master Lease”);

WHEREAS, during the third quarter of 2005, the Trust Property was severely damaged and closed as a result of Hurricane Katrina and the medical center located thereon was rendered Unsuitable for its Primary Intended Use, as such phrase is defined in the Master Lease;

WHEREAS, in accordance with the terms of Section 14.2 of the Master Lease, and as part of an overall evaluation of certain other leases between subsidiaries of UHS and the Trust, UHS has elected to exchange and substitute new properties pursuant to and in accordance with the provisions of Article XXII of the Master Lease rather than restore the Trust Property or simply purchase the Trust Property from the Trust for cash;

WHEREAS, independent appraisals were obtained by the Trust and UHS which indicated that the pre-Hurricane Katrina fair market value of the Trust Property was \$23,965,000, including the fair market value of the land, which was appraised for approximately \$2.6 million;

WHEREAS, the Trust currently owns the real property comprising Southwest Healthcare System- Inland Valley Campus, The Bridgeway and Wellington Regional Medical Center, other than the certain capital additions to such properties, and leases such properties to subsidiaries of UHS;

WHEREAS, the property described in Exhibit B hereto, which property consists solely of the certain capital additions located at the Southwest Healthcare System- Inland Valley Campus, The Bridgeway and Wellington Regional Medical Center (such capital additions at the respective properties are collectively the “UHS Property”) will be transferred to UHT by the respective owners, each wholly-owned subsidiaries of Universal Health Services, Inc.;

WHEREAS, UHS is the current owner of the UHS Property;

WHEREAS, certain capital additions are underway at Southwest Healthcare—Inland Valley Campus but not yet completed and UHS desires to complete them for the benefit of the Trust;

WHEREAS, the Trust has agreed to accept (1) \$2.6 million of assets of The Bridgeway in exchange for the Chalmette land (the “Exchange”), (2) the remaining assets of the UHS Property in substitution for the Trust Property (the “Substitution”) and (3) to pay an amount in cash equal to the value of the UHS Property transferred pursuant to the Exchange and Substitution upon the completion of the capital additions at Southwest Healthcare System- Inland Valley Campus in excess of the \$23,965,000 fair market value of the Trust Property (the “Payment”), in full and complete satisfaction of the obligations of UHS under Article XXII of the Master Lease, and UHS desires to effect the Exchange, Substitution and Payment;

WHEREAS, the Trust intends to structure the Exchange herein contemplated as a like-kind exchange of property under the provisions of Section 1031 of the Internal Revenue Code of 1986, as amended (the “IRC”);

WHEREAS, the Trust intends to structure the Substitution herein contemplated as a receipt of proceeds as a result of an involuntary conversion under the provisions of Section 1033 of the IRC; and

WHEREAS, in connection with the Exchange and Substitution, UHS desires that the Trust terminate the Lease, in accordance with the terms thereof.

NOW, THEREFORE, in consideration of the mutual premises herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

### EXCHANGE AND SUBSTITUTION OF ASSETS AND TERMINATION OF LEASE

Section 1.1 As soon as is practicable, on such date agreed to by the parties hereto (the “Closing Date”), subject to the terms and conditions of the Agreement, the Trust agrees to convey to UHS good and marketable fee simple title to the Trust Property, free and clear of all liens and encumbrances except for Permitted Encumbrances (as hereinafter defined) and the Trust will terminate the Lease. Contemporaneously therewith, subject to the terms of this Agreement, UHS agrees to convey to the Trust, in exchange and substitution for the Trust Property and the Payment, good and marketable title to the UHS Property, free and clear of all liens and encumbrances except for Permitted Encumbrances. “Permitted Encumbrances” shall mean (a) liens, if any, for taxes, assessments and governmental charges not yet due and payable or delinquent, and (b) such other matters affecting the Trust Property or the UHS Property as UHS or the Trust may respectively approve. In addition thereto, after the Closing Date, on such date and time as may be designated by the parties hereto, the Trust shall deliver the Payment to UHS by check, wire transfer, or such other form of payment as may be mutually agreed upon by the parties hereto upon the substantial completion of the capital additions at Southwest Healthcare System-Inland Valley Campus as certified by HKS Architects, the architects retained by UHS to design and review the construction of such capital additions (the “Architects”).

Section 1.2 On the Closing Date, the Trust shall duly deliver an executed and acknowledged special warranty deed to the Trust Property and assignments of any leases and Permits (as hereinafter defined) held by the Trust as owner of the Trust Property (collectively, the “Trust Deed”). Contemporaneously therewith, UHS shall duly deliver an executed and acknowledged special warranty deed to the UHS Property and assignment of any Permits held by UHS as owner of the UHS Property. “Permits” means all assignable permits, consents, approvals, franchises, leases, conditional use permits and other certificates, including certificates of

occupancy or any other governmental approvals or authorizations necessary to permit the use of the Trust Property or the UHS Property, as the case may be, in accordance with the terms hereof. Notwithstanding anything to the contrary contained herein, including Sections 1.6 and 4.1 hereof, on the Closing Date, the Trust shall deliver the Trust Deed to UHS, duly registered in the name of UHS.

Section 1.3 The conveyance of the Trust Property and the UHS Property shall include the conveyance of all of the Trust's and of UHS' respective right, title and interest in and to all leases, Permits and warranties and in and to all Fixtures, as defined in the Lease, and, with respect to the Trust Property, all insurance proceeds, but shall not include any other furniture, equipment, inventory and other items of personal property owned by the Trust or UHS, as the case may be, and located or used in or in connection with the operation of Chalmette Medical Center or at Southwest Healthcare—Inland Valley Campus, The Bridgeway and Wellington Regional Medical Center, respectively, or any Permits relating to the use of the Trust Property or the UHS Property, respectively, other than those required to be held by the owner of the Trust Property or the UHS Property, as the case may be, all of which are and shall remain the property of the Trust or UHS, as the case may be.

Section 1.4 On the Closing Date, the Trust shall prepare a short form memorandum regarding termination of the Lease, duly executed and acknowledged to be duly recorded or filed for recordation in the manner required by the laws of St. Bernard Parish, State of Louisiana.

Section 1.5 As of the Closing Date, there shall be no adjustment of real or personal property taxes, assessments, water charges, ground rents, utilities or for premiums on existing insurance policies or any other items relating to the operation of the Trust Property, it being understood by the parties that CMC as lessee under the Lease was obligated to pay the same under the terms of the Lease and shall remain obligated to pay the same.

Section 1.6 On the Closing Date, the Trust and UHS shall respectively transfer, and UHS and the Trust shall respectively take title to, the Trust Property and the UHS Property in their present physical condition, subject to the completion of the Southwest Healthcare System-Inland Valley Campus capital additions by UHS and subject to reasonable use, wear and tear between the date hereof and the Closing Date without any warranty whatsoever, express or implied, as to its condition, habitability, or fitness for any particular purpose; and the Trust and UHS hereby waive any of the same.

Section 1.7 UHS expects to complete the capital additions at Southwest Healthcare System-Inland Valley Campus, described in Exhibit B hereto on or before December 31, 2006. Upon substantial completion of the capital additions as certified by the Architects, the Trust shall deliver the Payment as set forth in Section 1.1. If UHS fails to timely complete such capital additions, UHS shall offer to either, subject to the approval of the Trust, provide alternative substitution property or pay to the Trust an amount in cash equal to the substitution value of the capital addition as determined by the Architects.

Section 1.8 The Trust intends to structure (a) the Exchange herein contemplated as a like-kind exchange of property under the provisions of Section 1031 of the IRC, and (b) the Substitution herein contemplated as an involuntary receipt of proceeds under the provisions of Section 1033 of the IRC. UHS agrees to cooperate with the Trust, when requested, to structure these transactions in such manner, including, without limitation, the execution of any documents, including an amendment to the Agreement, if required, provided that such actions will



not require UHS to incur any additional costs, liability or expense, and UHS is held harmless against any liability arising because of the intended like-kind exchange or substitution, or any challenge to or failure of these transactions to qualify for such treatment.

## ARTICLE II

### CLOSING

Section 2.1 The closing shall be held at the offices of Fulbright & Jaworski L.L.P., 666 Fifth Avenue, New York, New York 10103 on the Closing Date or at such other place and at such other time as shall be mutually agreed upon by the parties.

## ARTICLE III

### CONDITIONS TO THE OBLIGATION OF THE TRUST TO CLOSE

The obligations of the Trust hereunder are subject to the conditions set forth in this Article III.

Section 3.1 As of the Closing Date, the UHS Property shall have been transferred to the Trust, in accordance with the terms and conditions of this Agreement, and the representations and warranties made in this Agreement and in any certificates delivered pursuant hereto by UHS shall be true and correct on and as of the Closing Date and all the covenants made by UHS herein shall have been complied with on or prior to the Closing Date, and the Trust shall have received a certificate, dated the Closing Date, of an executive officer of UHS to that effect.

Section 3.2 On or prior to the Closing Date, KPMG LLP shall have furnished its written opinion that addresses the certain items set forth in Section 22.1(d) of the Master Lease.

Section 3.3 All proceedings in connection with the transactions contemplated herein and all documents and certificates incident thereto shall be satisfactory in form and substance to the Trust. The Trust shall have received such other documents and certificates incident to the transaction as the Trust shall reasonably request.

## ARTICLE IV

### CONDITIONS TO THE OBLIGATION OF UHS TO CLOSE

The obligations of UHS hereunder are subject to the conditions set forth in this Article IV.

Section 4.1 As of the Closing Date, the Trust Property shall have been transferred to UHS, in accordance with the terms and conditions of the Agreement, and the representations and warranties made in the Agreement and in any certificates delivered pursuant hereto by the Trust shall be true and correct on and as of the Closing Date and all the covenants made by the Trust herein shall have been complied with on or prior to the Closing Date, and UHS shall have received a certificate, dated the Closing Date, of an executive officer of the Trust to that effect.

Section 4.2 On the Closing Date, the Lease shall terminate, provided that CMC and UHS, as guarantor under the Lease, shall remain liable for all rents or other sums to be paid by CMC under the Lease for the period up to the Closing Date and for all obligations surviving termination of the Lease in accordance with its terms.

Section 4.3 All trust and other proceedings in connection with the transactions contemplated herein and all documents and certificates incident thereto shall be satisfactory in form and substance to UHS. UHS shall have received such other documents and certificates incident to the transaction as UHS shall reasonably request.

## ARTICLE V

### REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PARTIES

Section 5.1 To induce UHS to acquire the Trust Property, the Trust represents and warrants to and agrees with UHS as to itself or the Trust Property, as follows:

Section 5.1.1 The Trust is a real estate investment trust duly organized, validly existing and in good standing under the laws of the State of Maryland with full power, authority and legal right to execute and deliver, and to perform and observe the provisions of the Agreement and all other instruments provided for herein to which it is a party and to carry out the transactions contemplated hereby.

Section 5.1.2 This Agreement has been, and on the Closing Date all other Documents (as hereinafter defined) to be delivered pursuant to this Agreement on or before the Closing Date will have been, duly authorized, executed and delivered by the Trust, as required, and constitute the valid and binding agreements of the Trust, enforceable in accordance with their terms except (i) that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. For the purposes hereof, "Documents" shall include this Agreement, the deed to the Trust Property, the assignment of the leases, Permits and warranties relating to the Trust Property and any notes, mortgages or deeds of trust or other agreements entered into by the Trust pursuant to the terms hereof.

Section 5.1.3 The Trust is a solvent entity and (a) has filed all tax returns which are required to be filed by it and (b) is not in default in the payment of any taxes levied or assessed against it or any of its assets, or under judgment, order, decree, rule or regulation of any court, arbitrator, administrative agency or other governmental authority to which it may be subject which would, in each case or in the aggregate, materially and adversely affect the transactions contemplated hereby.

Section 5.1.4 No material consent, approval or other authorization of, or registration, declaration or filing with, any court or governmental agency or commission is required for the due execution, delivery or performance of this Agreement or any of the other Documents by the Trust, or for the validity or enforceability thereof against the Trust (except those, if any, already obtained), or for the payment of any amounts by the Trust thereunder other than the recording or filing for recordation of the deed of the Trust Property, or to carry out the transactions contemplated in this Agreement or the other Documents.

Section 5.1.5 There are no actions, proceedings or investigations pending or, to the best knowledge of the executive officers of the Trust, threatened against the Trust, before or by any court, arbitrator, administrative agency or other governmental authority which are expected, in its reasonable judgment, to materially and adversely affect its financial condition or operations, or its ability to carry out the transactions contemplated in this Agreement.

Section 5.1.6 The execution and delivery of this Agreement and the Documents, compliance with the provisions thereof and the consummation of the transactions therein contemplated by the Trust, will not result in (1) any material breach or violation of (i) any material law or governmental rule or regulation applicable to the Trust now in effect, (ii) any provision of the Declaration of Trust or By-Laws of the Trust, (iii) any judgment, order or decree of any court, arbitrator, administrative agency or other governmental authority binding upon the Trust, (iv) any material agreement or instrument to which the Trust is a party or by which it or the Trust Property is bound, or (2) the creation of any material lien, claim or encumbrance (other than the Permitted Encumbrances) upon the Trust Property.

Section 5.1.7 Subject to the responsibility of CMC pursuant to the terms of the Lease, the Trust unconditionally and irrevocably indemnifies and agrees to defend and hold harmless CMC from and against any and all material damage, liability, loss, cost or expense, including, without limitation, costs and reasonable legal fees arising from (A) the placing of any lien, mortgage or other encumbrance on the Trust Property in connection with any claim asserted against the Trust; or (B) the failure of any of the Documents to be valid, binding and enforceable in accordance with the terms thereof against the Trust.

Section 5.1.8 The Trust hereby accepts the UHS Property in full and complete satisfaction of the obligations of UHS under Article XXII of the Master Lease.

Section 5.2 To induce the Trust to sell the Trust Property and to terminate the Lease, UHS represents and warrants to and agrees with the Trust as follows:

Section 5.2.1 UHS is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full power, authority and legal right to execute and deliver, and to perform and observe the provisions of this Agreement and all other instruments provided for herein to which it is a party and to carry out the transactions contemplated hereby.

Section 5.2.2 This Agreement has been, and on the Closing Date all other Documents to be delivered pursuant to this Agreement on or before the Closing Date will have been, duly authorized, executed and delivered by UHS, as required, and constitute the valid and binding agreements of UHS, enforceable in accordance with their terms except (i) that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. For the purposes hereof, "Documents" shall include this Agreement, the assignment of the Permits and warranties relating to the UHS Property and any notes, mortgages or deeds of trust or other agreements entered into by UHS pursuant to the terms hereof.

Section 5.2.3 UHS is a solvent entity and (a) has filed all tax returns which are required to be filed by it and (b) is not in default in the payment of any taxes levied or assessed against it or any of its assets, or under judgment, order, decree, rule or regulation of any court, arbitrator, administrative agency or other governmental authority to which it may be subject which would, in each case or in the aggregate, materially and adversely affect the transactions contemplated hereby.

Section 5.2.4 No material consent, approval or other authorization of, or registration, declaration or filing with, any court or governmental agency or commission is required for the due execution, delivery or performance of this Agreement or any of the other

Documents by UHS, or for the validity or enforceability thereof against UHS (except those, if any, already obtained), or for the payment of any amounts by UHS thereunder other than the recording or filing for recordation of the deed or other transfer documents relating to the UHS Property, or to carry out the transactions contemplated in this Agreement or the other Documents.

Section 5.2.5 There are no actions, proceedings or investigations pending or, to the best knowledge of the executive officers of UHS, threatened against UHS, before or by any court, arbitrator, administrative agency or other governmental authority which are expected, in its reasonable judgment, to materially and adversely affect its financial condition or operations, or its ability to carry out the transactions contemplated in this Agreement.

Section 5.2.6 The execution and delivery of this Agreement and the Documents, compliance with the provisions thereof and the consummation of the transactions therein contemplated by UHS, will not result in (1) any material breach or violation of (i) any material law or governmental rule or regulation applicable to UHS now in effect, (ii) any provision of the Certificate of Incorporation or By-Laws of UHS, (iii) any judgment, order or decree of any court, arbitrator, administrative agency or other governmental authority binding upon UHS, (iv) any material agreement or instrument to which UHS is a party or by which it or the UHS Property is bound, or (2) the creation of any material lien, claim or encumbrance (other than the Permitted Encumbrances) upon the UHS Property, or (3) a revocation, withdrawal, termination, or limitation on any license, consent, certificate of need, approval, eligibility or program described in Section 5.2.9.

Section 5.2.7 To the knowledge of UHS:

(i) UHS has not received any notice of any actual or claimed violation of any applicable municipal, county, state or Federal laws, regulations, ordinances, standards or orders or any municipal, health, building and zoning laws and regulations (including, without limitation, the fire safety code) where the failure to comply therewith could have a material adverse effect on the business, property, condition (financial or otherwise) or operation of the UHS Property as it is presently being operated;

(ii) to the best knowledge of UHS, there are no outstanding deficiencies or work orders of which it has received notice from any authority having jurisdiction over the UHS Property requiring conformity to any applicable statute, regulation, ordinance or bylaw pertaining to the type of facility presently being operated on the UHS Property, including but not limited to the Medicare and Medicaid Programs; and

(iii) UHS is not aware of any notice of any claim, requirement or demand of any licensing or certifying agency supervising or having authority over the UHS Property or otherwise to rework or redesign it so as to conform to or comply with any existing law, code or standard which has not been fully satisfied prior to the date hereof.

Section 5.2.8 UHS unconditionally and irrevocably indemnifies and agrees to defend and hold harmless the Trust from and against any and all material damage, liability, loss, cost or expense, including, without limitation, costs and reasonable legal fees arising from (A) the placing of any lien, mortgage or other encumbrance on the UHS Property in connection with

any claim asserted against the Trust; or (B) the failure of any of the Documents to be valid, binding and enforceable in accordance with the terms thereof against UHS.

Section 5.2.9 The UHS Property is duly and properly licensed under all applicable Federal, state and local laws, ordinances and regulations and in conformance with all insurance requirements, and holds all other consents, certificates of need and approvals issued, and has satisfied all eligibility and other similar requirements imposed, by hospital, health or similar regulatory bodies, administrative agencies or other governmental bodies, agencies or officials, or that relate to private or governmental programs for the reimbursement or payment of health care costs. There is no action pending or, to the best of UHS' knowledge, recommended or threatened by the appropriate state or Federal agency having jurisdiction thereof, either to revoke, withdraw or suspend any license to operate the UHS Property nor is there any decision or threat not to renew any provider agreement related to the UHS Property, or any action of any other type which would have a material adverse effect on the UHS Property, its operations or business.

Section 5.2.10 The capital additions at Southwest Healthcare System-Inland Valley Campus are being constructed in accordance with the plans and design of the Architects.

## ARTICLE VI

### MISCELLANEOUS

Section 6.1 Except as otherwise provided by the same, all agreements, representations and warranties made by the Trust and UHS herein and in all certificates and other instruments delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement for a period of three years from the Closing Date.

Section 6.2 All notices, demands and other communications hereunder shall be in writing and delivered, telegraphed or mailed (by first class registered or certified mail, postage prepaid or by overnight courier service) addressed as follows:

(a) If to the Trust:

Universal Health Realty Income Trust  
Universal Corporate Center  
367 South Gulph Road  
P.O. Box 61558  
King of Prussia, PA 19406-0958  
Attention: Chief Financial Officer

with a copy to:

Fulbright & Jaworski L.L.P.  
666 Fifth Avenue  
New York, NY 10103  
Attention: Warren J. Nimetz

(b) if to UHS:

Universal Health Services, Inc.  
Universal Corporate Center  
367 South Gulph Road  
P.O. Box 61558  
King of Prussia, PA 19406-0958  
Attention: President

or to such other address as may hereafter be designated by any party for such other purpose, and shall be effective upon receipt if hand delivered or delivered by overnight courier or upon the expiration of the fifth business day after the day of mailing.

Section 6.3 This Agreement shall be binding upon the Trust and UHS, and their respective successors and assigns. The rights and obligations of any party hereto under this Agreement may not be assigned by any party hereto without the prior written consent of each of the parties hereto.

Section 6.4 This Agreement, together with the other Documents, the Exhibits hereto and such other documents as are referred to herein, constitute the entire agreement of the parties in respect of the subject matter described herein, and may not be changed or modified except by an agreement in writing signed by the parties.

Section 6.5 This Agreement may be executed in any number of counterparts, each of which shall be a valid and binding original, but all of which together shall constitute one and the same instrument.

Section 6.6 In the event any provision of this Agreement is deemed to be invalid, illegal or unenforceable, the remainder of the Agreement shall be valid and enforceable.

Section 6.7 If any legal action is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action in addition to any other relief to which it or they may be entitled.

Section 6.8 THE DECLARATION OF TRUST ESTABLISHING UNIVERSAL HEALTH REALTY INCOME TRUST, FILED AUGUST 6, 1986, A COPY OF WHICH, TOGETHER WITH ALL AMENDMENTS THERETO (THE "DECLARATION"), IS DULY FILED IN THE OFFICE OF THE DEPARTMENT OF ASSESSMENTS AND TAXATION OF THE STATE OF MARYLAND, PROVIDES THAT THE NAME "UNIVERSAL HEALTH REALTY INCOME TRUST," REFERS TO THE TRUSTEES UNDER THE DECLARATION COLLECTIVELY AS TRUSTEES, BUT NOT INDIVIDUALLY OR PERSONALLY; AND THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF THE TRUST SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, THE TRUST. ALL PERSONS DEALING WITH THE TRUST, IN ANY WAY, SHALL LOOK ONLY TO THE ASSETS OF THE TRUST FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

Section 6.9 All costs and expenses of consummating the transactions contemplated by this Agreement shall be paid for by UHS. The costs and expenses payable by UHS shall include, but not be limited to, (i) all taxes, including, without limitation, documentary transfer taxes, documentary stamp taxes, mortgage taxes, intangible taxes, sales and similar taxes applicable to the transactions contemplated herein together with interest and penalties, if any, thereon, but excluding any income taxes of the Trust, (ii) all legal fees and disbursements of

counsel to UHS incurred in connection with the preparation of this Agreement and the transactions contemplated hereby and (iii) all costs and charges related to recording fees.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written by their respective duly authorized officers.

UNIVERSAL HEALTH REALTY  
INCOME TRUST

By: /s/ Cheryl K. Ramagano  
Cheryl K. Ramagano, Vice President

UNIVERSAL HEALTH SERVICES, INC.

By: /s/ Steve Filton  
Steve Filton, Senior Vice President and Chief  
Financial Officer

UNIVERSAL HEALTH SERVICES OF RANCHO SPRINGS,  
INC.

By: /s/ Steve Filton  
Steve Filton, Vice President

THE BRIDGEWAY, INC.

By: /s/ Steve Filton  
Steve Filton, Vice President

WELLINGTON REGIONAL MEDICAL CENTER  
INCORPORATED

By: /s/ Steve Filton  
Steve Filton, Vice President

CHALMETTE MEDICAL CENTER

The property is located at 9001 Patricia Street, Chalmette, LA 70043 and contains 10.0 acres, including an estimated 1.5 acres of excess land. The property is rectangular-shaped and has 565.12 feet of frontage on the north side of Patricia Street, and 492.6 feet of frontage on the east side of De LaRone Street (formerly Village Square Road).

Chalmette Medical Center, which was previously located on the property, formerly consisted of 99,706 square feet, including a 1,590 square foot MRI building and drive-under canopy. The original 64,233 hospital was constructed in 1981. A 5,368 square foot ER/radiology addition was completed in 1990 and a 2,925 square foot ICU addition was added in 1992. A 20-bed, 25,590 square foot medical and surgery wing was added in 1998.



SOUTHWEST HEALTHCARE SYSTEM – INLAND VALLEY CAMPUS

The capital addition to the Inland Valley Campus will expand capacity by adding a second story to the hospital primarily consisting of 44 new medical/surgical beds and an ICU expansion. The planned expansion consists of 3,462 square feet on the first floor, and 20,522 square feet on the second floor, for a total of 23,984 square feet. The center core of the first floor will consist of a mechanical room, electrical equipment room, and a refrigerated body holding area. The remaining area of the first floor will consist of covered parking. The second floor will house 44 new beds, which will connect via an enclosed second floor bridge to the current 2-west med/surg unit. The total cost of this capital addition is expected to be \$12,160,000 and it is expected to be completed in the fourth quarter of 2006.

THE BRIDGEWAY

The capital addition to The Bridgeway was a two story, 20,000 square foot freestanding psychiatric unit, which includes 14 semi-private rooms for a total of 28 additional patient beds. The total cost of this project was \$4,071,823 and it was completed January 1, 2005.

WELLINGTON REGIONAL MEDICAL CENTER

The capital addition to Wellington Regional Medical Center was a bed tower expansion including eight ICU beds, six beds of NICU, conversion of 24 semi-private rooms to private, the conversion of seven LDRP rooms to LDR and the addition of ten observation beds. The total cost of this project was \$8,925,718 and it was completed April 1, 2004.

## AMENDMENT NO. 1 TO MASTER LEASE

**THIS AMENDMENT** (the “*Amendment*”), dated as of the 24th day of April, 2006, between Universal Health Realty Income Trust (“*Lessor*”), a Maryland real estate investment trust having an address at 367 South Gulph Road, King of Prussia, Pennsylvania 19406, and the certain wholly-owned subsidiaries of Universal Health Services, Inc. (“*UHS*”) set forth on Exhibit A hereto (each a “*Lessee*,” and together, the “*Lessees*”), a Delaware corporation having an address at 367 South Gulph Road, King of Prussia, Pennsylvania 19406.

WITNESSETH

**WHEREAS**, that certain Master Lease Document, General Terms and Conditions, by and among Lessor and certain wholly-owned subsidiaries of UHS, dated December 24, 1986, as the same heretofore has been amended (said Lease, as amended, is hereinafter referred to as the “*Lease*”), governs certain leases between Lessor and Lessees;

**WHEREAS**, certain premises (each a “*Leased Property*” and together, the “*Leased Properties*”), as therein described, are now leased and demised by Lessor to the Lessees subject to the terms of the Master Lease;

**WHEREAS**, UHS has requested that Lessor modify certain provisions of the Master Lease and Lessor has agreed to do so subject to and in accordance with the terms and provisions of this Amendment;

**WHEREAS**, the parties hereto mutually desire to amend the Master Lease as herein set forth, and are executing and delivering this Amendment for such purpose;

**NOW, THEREFORE**, the parties hereto, in consideration of the terms and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby amend the Master Lease as follows.

1. **Amendment.** Notwithstanding anything to the contrary contained in the Master Lease, effective on and after April 24, 2006, Article XXXVIII of the Master Lease is hereby amended by adding the following sub-section:

“38.4 Change of Control.

- a) A “Change of Control” shall occur in the event that, directly or indirectly:
  - i. Lessor shall consolidate with, or merge with and into, any individual, firm, corporation or other entity (each a “Person”) (other than a wholly-owned subsidiary of Lessor in a transaction the principal purpose of which is to change the state of organization of Lessor);
  - ii. any Person shall consolidate with Lessor, or merge with and into Lessor and Lessor shall be the continuing or surviving entity of such consolidation or merger and, in connection with such merger, all or part of

the shares of beneficial interest of Lessor be changed into or exchanged for stock or other securities of any other Person (or Lessor);

- iii. any Person or “group” other than Lessor or an affiliate of Lessor becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) directly or indirectly of securities of Lessor representing more than 20% of the voting power of Lessor’s securities in one more transactions (including by way of merger, reorganization or consolidation); or
  - iv. there is a change in the composition of the Board of Trustees of Lessor as a result of which the majority of the Trustees are not Incumbent Trustees. “Incumbent Trustees” shall mean Trustees who either (i) are Trustees of Lessor as of the date hereof, or (ii) are elected, or nominated for election, to the Board or Trustees of Lessor with the affirmative votes of at least a majority of the Incumbent Trustees at the time of such election or nomination.
- b) Lessor agrees to provide Notice to Lessee not less than 60 days prior to any proposed Change of Control.
  - c) In the event of a Change of Control, Lessee shall have the option exercisable at any time within 12 months of the Change of Control to purchase the Leased Property, upon not less than one month’s Notice, at the Fair Market Value Purchase Price of the Leased Property as of the date Lessee exercises its option to purchase the Leased Property.”

**2. Brokerage.** Lessee and Lessor represent that neither has dealt with a broker or finder in connection with this Amendment. Lessee or Lessor, as applicable, shall indemnify, defend (with legal counsel reasonably acceptable to the other) and save harmless the other from and against all liability, claims, suits, demands, judgments, costs, interest and expenses (including, without limitation, reasonable counsel fees and disbursements incurred in the defense thereof) to which the other may be subject or suffer by reason of any claim made for any commission, reimbursement or other compensation arising from or as a result of a claim by any broker or finder that it dealt with such party in connection with the consummation of this Amendment.

**3. Full Force and Effect.** The Lease, as hereby amended, shall remain in full force and effect according to its terms and conditions.

**4. Defined Terms.** All capitalized terms used but not defined in this Amendment shall, for the purposes hereof, have the respective meanings ascribed to such terms in the Lease.

**5. Successors and Assigns.** The covenants, agreements, terms and conditions contained in this Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

6. **Amendments in Writing.** This Amendment may not be changed orally, but only by a writing signed by the party against whom enforcement thereof is sought.

7. **Effectiveness.** This Amendment shall not be binding in any respect upon Lessor until a counterpart hereof is executed by Lessor and delivered to Lessee.

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Amendment as of the day and year first above written.

UNIVERSAL HEALTH REALTY INCOME TRUST

By: /s/ Cheryl K. Ramagano

Name: Cheryl K. Ramagano

Title: Vice President

UNIVERSAL HEALTH SERVICES OF RANCHO SPRINGS,  
INC.

By: /s/ Steve Filton

Name: Steve Filton

Title: Vice President

THE BRIDGEWAY, INC.

By: /s/ Steve Filton

Name: Steve Filton

Title: Vice President

WELLINGTON REGIONAL MEDICAL CENTER  
INCORPORATED

By: /s/ Steve Filton

Name: Steve Filton

Title: Vice President

MCALLEN HOSPITALS, L.P.

By: South Texas Heart, Inc., General Partner

By: /s/ Steve Filton

Name: Steve Filton

Title: Vice President

**Lessees**

UNIVERSAL HEALTH SERVICES OF RANCHO SPRINGS, INC.  
THE BRIDGEWAY, INC.  
WELLINGTON REGIONAL MEDICAL CENTER INCORPORATED  
MCALLEN HOSPITALS, L.P

UNIVERSAL HEALTH REALTY INCOME TRUST

Universal Corporate Center  
367 S. Gulph Road  
P.O. Box 61558  
King of Prussia, PA 19406  
(610) 265-0688

FOR IMMEDIATE RELEASE

CONTACT: Cheryl K. Ramagano  
Vice President & Treasurer

April 25, 2006

**UNIVERSAL HEALTH REALTY INCOME TRUST  
REPORTS FIRST QUARTER 2006 FINANCIAL RESULTS, PROPERTY EXCHANGE  
AND SUBSTITUTION AGREEMENT AND LEASE RENEWALS AND AMENDMENTS**

Universal Health Realty Income Trust (NYSE:UHT) announced today that net income per diluted share for the quarter ended March 31, 2006 was \$.42 compared to \$.64 for the same period in the prior year. Favorably impacting net income and net income per diluted share during the quarter ended March 31, 2005 was our share of a gain on the sale of real property by an unconsolidated limited liability company of approximately \$1.1 million or \$.09 per diluted share and \$1.5 million or \$.13 per diluted share related to the recovery of replacement costs of real estate assets at Wellington Regional Medical Center ("Wellington") that were damaged by a hurricane during 2004. Unfavorably impacting net income and net income per diluted share during the quarter ended March 31, 2005 was a charge, included in interest expense, of approximately \$300,000 or \$.03 per diluted share related to an interest-rate swap agreement that became ineffective based upon the forecasted borrowings under our revolving credit facility.

Funds from operations ("FFO") per diluted share for the quarter ended March 31, 2006 were \$.62 compared to \$.61 for the same period in the prior year. Included in the FFO per diluted share during the quarter ended March 31, 2005 is the charge of \$.03 related to interest-rate swap ineffectiveness mentioned above. The first quarter dividend of \$.56 per share was paid on March 31, 2006.

At March 31, 2006, our shareholders' equity was \$154.0 million and our liabilities for borrowed funds were \$39.2 million, including mortgage debt of consolidated entities, which is non-recourse to us, totaling \$25.4 million.

As previously reported, Chalmette Medical Center ("Chalmette") our 138-bed acute care hospital located in Chalmette, Louisiana was severely damaged and closed as a result of Hurricane Katrina. In accordance with the terms of the Chalmette lease with a subsidiary of Universal Health Services, Inc. ("UHS"), we accepted an asset exchange and substitution proposal from UHS whereby we agreed to transfer the real property assets of Chalmette, and all rights attendant thereto, to UHS in exchange for newly constructed real property assets ("Capital

Additions”) owned by UHS on the campuses of three hospital facilities owned by us. The Capital Additions include a bed tower addition at Wellington, a 28-bed addition at The Bridgeway (“Bridgeway”) and a new 44-bed unit and ICU expansion at Southwest Healthcare System-Inland Valley (“Inland Valley”), which is currently under construction and expected to be completed by the end of 2006.

During the past three years, the total rent earned by us on Chalmette was approximately \$1.6 million to \$1.7 million annually (including base and bonus rental). The total rent payable to us on the Capital Additions included in the substitution package, excluding the rent on the Capital Additions in excess of Chalmette’s appraised value of \$24.0 million, is expected to closely approximate the total rent earned by us under the Chalmette lease. UHS will pay incremental rent on the Capital Additions in excess of \$24.0 million (excess Capital Additions are expected to approximate \$1.2 million) at a rate equal to the prevailing five-year treasury rate plus 200 basis points (minimum rate of 6.75%).

As part of the overall arrangement, UHS agreed to early renew, for five-year terms, the four remaining leases between us and Inland Valley, Wellington and McAllen Medical Center, each of which were scheduled to mature on December 31, 2006, and Bridgeway, which was scheduled to mature on December 31, 2009, on the same economic terms as the current leases.

Pursuant to the master lease, which governs the leases of all hospital properties with subsidiaries of UHS, UHS has the right to purchase the leased properties at the end of each lease term at each property’s fair market value purchase price. As part of the overall exchange and substitution proposal, as well as the early five-year lease renewal proposal on the four facilities mentioned above, we agreed to amend the master lease to include a change of control provision (as defined in the agreement) and a provision granting UHS the right to purchase each of the leased properties, at their fair market value purchase price, on one month’s notice to us in the event such change of control occurs.

Miles L. Berger, Lead Independent Trustee, said “We are pleased to announce the Chalmette asset exchange and substitution agreement and early renewal of the leases with UHS. As a result of these transactions, the rental revenue generated from the leases on the UHS hospital facilities, which comprised 48% of the Trust’s 2005 revenue, will be maintained and will provide increased stability to the Trust’s future income and dividends and provide a solid base for continued growth.”

Also during the quarter, Kindred Healthcare, Inc. provided notice that they were exercising their option to renew their lease of Kindred Hospital Chicago-Central located in Chicago, IL for another 5-year term. This lease was renewed on the same economic terms as the current lease and is scheduled to expire on December 31, 2011.

Universal Health Realty Income Trust, a real estate investment trust, invests in healthcare and human service related facilities including acute care hospitals, behavioral healthcare facilities, rehabilitation hospitals, sub-acute care facilities, surgery centers, childcare centers and medical office buildings. We have forty-three real estate investments in fifteen states.

Funds from operations, is a widely recognized measure of REIT performance. Although FFO is a non-GAAP financial measure, we believe that information regarding FFO is helpful to shareholders and potential investors. We compute FFO in accordance with standards established



by the National Association of Real Estate Investment Trusts (“NAREIT”), which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we interpret the definition. To facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income determined in accordance with GAAP. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income determined in accordance with GAAP. In addition, FFO should not be used as: (i) an indication of our financial performance determined in accordance with GAAP; (ii) as an alternative to cash flow from operating activities determined in accordance with GAAP; (iii) as a measure of our liquidity; (iv) nor is FFO an indicator of funds available for our cash needs, including our ability to make cash distributions to shareholders. A reconciliation of our reported net income to FFO is shown below.

The matters discussed in this report, as well as the news releases issued from time to time by us, include certain statements containing the words “believes”, “anticipates”, “intends”, “expects” and words of similar import, which constitute “forward-looking statements” within the meaning of Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers should not place undue reliance on such forward-looking statements which reflect management’s view only as of the date hereof. We undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

(more)

**Universal Health Realty Income Trust**  
**Consolidated Statements of Income**  
**For the Three Months Ended March 31, 2006 and 2005**  
(amounts in thousands, except per share amounts)  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>		
Base rental—UHS facilities	\$ 3,092	\$ 3,157
Base rental—Non-related parties	3,067	3,011
Bonus rental—UHS facilities	1,151	1,223
Tenant reimbursements and other—Non-related parties	946	974
Tenant reimbursements and other—UHS facilities	103	126
	<u>8,359</u>	<u>8,491</u>
<b>Expenses:</b>		
Depreciation and amortization	1,416	1,408
Advisory fees to UHS	347	355
Other operating expenses	1,698	1,574
	<u>3,461</u>	<u>3,337</u>
Income before equity in unconsolidated limited liability companies (“LLCs”), property damage recovered from UHS and interest expense	4,898	5,154
Equity in income of unconsolidated LLCs (including gain on sale of real property of \$1,061 during the three month period ended March 31, 2005)	725	1,981
Property damage recovered from UHS—Wellington	—	1,528
Interest expense	(675)	(1,083)
<b>Net income</b>	<u><u>\$ 4,948</u></u>	<u><u>\$ 7,580</u></u>
Basic earnings per share	<u><u>\$ 0.42</u></u>	<u><u>\$ 0.64</u></u>
Diluted earnings per share	<u><u>\$ 0.42</u></u>	<u><u>\$ 0.64</u></u>
Weighted average number of shares outstanding—Basic	11,778	11,756
Weighted average number of share equivalents	78	74
Weighted average number of shares and equivalents outstanding—Diluted	<u><u>11,856</u></u>	<u><u>11,830</u></u>

**Calculation of Funds From Operations (“FFO”):**

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Net income	\$ 4,948	\$ 7,580
Plus: Depreciation and amortization expense:		
Consolidated investments	1,343	1,345
Unconsolidated affiliates	1,026	895
Less: Gain on LLC’s sale of real property	—	(1,061)
Property damage recovered from UHS—Wellington	—	(1,528)
Funds from operations (FFO)	<u><u>\$ 7,317</u></u>	<u><u>\$ 7,231</u></u>
Funds from operations (FFO) per share—Basic	<u><u>\$ 0.62</u></u>	<u><u>\$ 0.62</u></u>
Funds from operations (FFO) per share—Diluted	<u><u>\$ 0.62</u></u>	<u><u>\$ 0.61</u></u>
Dividend paid per share	<u><u>\$ 0.560</u></u>	<u><u>\$ 0.505</u></u>

**Universal Health Realty Income Trust**

Consolidated Balance Sheets

(dollar amounts in thousands)

(unaudited)

	March 31, 2006	December 31, 2005
<b>Assets:</b>		
<b>Real Estate Investments:</b>		
Buildings and improvements	\$ 187,925	\$ 187,451
Accumulated depreciation	(59,072)	(57,729)
	128,853	129,722
Land	23,143	23,143
Construction in progress	—	—
Net Real Estate Investments	151,996	152,865
Investments in and advances to limited liability companies (“LLCs”)	32,345	29,572
<b>Other Assets:</b>		
Cash and cash equivalents	1,784	1,717
Bonus rent receivable from UHS	1,306	1,088
Rent receivable—other	750	1,000
Note receivable from sale of property	3,102	3,102
Property damage receivable from UHS	6,259	6,259
Deferred charges and other assets, net	1,397	1,286
Total Assets	<u>\$ 198,939</u>	<u>\$ 196,889</u>
<b>Liabilities and Shareholders’ Equity:</b>		
<b>Liabilities:</b>		
Line of credit borrowings	\$ 13,800	\$ 10,000
Mortgage note payable, non-recourse to us	3,941	3,972
Mortgage notes payable of consolidated LLCs, non-recourse to us	21,446	21,576
Deferred gain on sale of property	1,860	1,860
Accrued interest	340	357
Accrued expenses and other liabilities	2,476	2,575
Fair value of derivative instruments	52	100
Tenant reserves, escrows, deposits and prepaid rents	736	697
Total Liabilities	44,651	41,137
Minority interests	302	302
<b>Shareholders’ Equity:</b>		
Preferred shares of beneficial interest, \$.01 par value; 5,000,000 shares authorized; none outstanding	—	—
Common shares, \$.01 par value; 95,000,000 shares authorized; issued and outstanding:		
2006—11,781,367; 2005 -11,777,829	118	118
Capital in excess of par value	187,079	186,943
Cumulative net income	275,125	270,177
Accumulated other comprehensive loss	(52)	(100)
Cumulative dividends	(308,284)	(301,688)
Total Shareholders’ Equity	153,986	155,450
Total Liabilities and Shareholders’ Equity	<u>\$ 198,939</u>	<u>\$ 196,889</u>