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FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the fiscal year ended December 31, 1994
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from _____ to _____
Commission File No. 1-9321

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

Maryland
(State or other jurisdiction of
incorporation or organization)

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

23-6858580
(I.R.S. Employer
Identification Number)

19406
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class
Shares of beneficial interest,
\$.01 par value

Name of exchange on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports to be
filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934
during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to
the best of Registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K. ☒

Aggregate market value of voting shares held by non-affiliates as of February 15, 1995: \$137,314,188. Number of shares of beneficial interest outstanding of registrant as of February 15, 1995: 8,947,192.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 1995 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1994 (incorporated by reference under Part III).

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PART I

Item 1. BUSINESS

General

Universal Health Realty Income Trust, (the "Trust") was organized under the laws of the State of Maryland as a real estate investment trust on August 6, 1986. The Trust may invest in income-producing, healthcare related facilities, including acute care, rehabilitative care, long-term care, psychiatric and substance abuse recovery facilities, retirement housing facilities, custodial care, medical care office buildings, and ancillary support facilities associated with any of the foregoing. The Trust qualifies as a real estate investment trust within the meaning of the Internal Revenue Code of 1986. Consequently, the Trust is not taxed under federal income tax laws at the Trust level on the taxable income which it distributes to its shareholders.

The Trust has investments in fourteen facilities located in nine states. These investments include: (i) ownership of five acute care, one comprehensive rehabilitation and two psychiatric hospitals leased to subsidiaries of Universal Health Services, Inc. ("UHS"); (ii) ownership of one comprehensive rehabilitation hospital leased to an affiliate of Rehab Systems Company ("Rehab Systems"), a subsidiary of NovaCare, Inc.; (iii) ownership of one sub-acute care facility leased to THC-Chicago, Inc. ("THC"), an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"); (iv) ownership of one medical office building leased to several tenants including an outpatient surgery center operated by Medical Care America ("MCA"); (v) a loan made to a company for the construction and potential purchase of one single tenant and two multi-tenant medical office buildings; (vi) a mortgage loan made to Crouse Irving Memorial Properties for the purchase of the real property of the Madison Irving Medical Center, an ambulatory treatment center and; (vii) a shared appreciation mortgage on Lake Shore Hospital, (which is fully reserved) which is currently in default under the terms of its mortgage loan agreement with the Trust. In addition, the Trust agreed to provide up to \$4.1 million of construction financing, over a seven to nine month period, for construction of a medical office building which it intends to purchase, subject to certain contingencies, during the third quarter of 1995. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another. The lease to the affiliate of Rehab Systems is guaranteed by Rehab Systems, the lease on the sub-acute care facility to THC is guaranteed by CPC and the lease to the outpatient surgery center is guaranteed by MCA.

The facilities owned by the Trust had an original aggregate purchase price of approximately \$143 million and contain 1,285 licensed beds. The leases with respect to such facilities have fixed terms with an average of six years remaining and provide for renewal options for up to six five-year terms. Minimum rents are payable based on the initial acquisition costs of the facilities and, with respect to all facilities other than the one leased to THC, additional rents are payable based upon a percentage of increased revenues over specific base period revenues of the respective properties. The lessees have rights of

first refusal to purchase the facilities exercisable during, and in most cases for 180 days after, the lease terms and also have purchase options exercisable upon three to six months notice at the end of each lease term at the facilities' fair market value. The ratio of earnings (exclusive of certain special Medicaid reimbursements at one of the Trust's facilities located in Texas) before depreciation, amortization, interest, rent and income taxes to minimum rent plus additional rent payable to the Trust of the various facilities owned by the Trust was approximately 3.6, 3.8 and 3.0 for the years ended December 31, 1994, 1993 and 1992, respectively. The ratio of earnings (including \$12.4 million in 1994, \$13.5 million in 1993 and \$29.8 million in 1992 of special Medicaid reimbursements received by one of the Trust's facilities located in Texas) before depreciation, amortization, interest, rent and income taxes to minimum rent plus additional rent payable to the Trust of the various facilities owned by the Trust was approximately 4.3, 4.5 and 4.6 for the years ended December 31, 1994, 1993 and 1992, respectively.

Lessees are required to maintain all risk, replacement cost and commercial property insurance policies on the leased properties. The Trust is one of the named insureds and believes the leased properties are adequately insured.

Relationship to Universal Health Services, Inc.

Leases. As of December 31, 1994, subsidiaries of UHS leased eight of the ten hospital facilities owned by the Trust with initial terms expiring in 1999 through 2003. Each of the leases contains renewal options of up to six 5-year periods. These leases accounted for 87% of the total revenue of the Trust for the five years ended December 31, 1994. For the twelve months ended December 31, 1994, three of the leases with UHS subsidiaries, not including the lease on Westlake Medical Center (Westlake), were with facilities that did not generate sufficient earnings before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to cover the 1994 rent expense payable to the Trust. These leases, one of which matures in 1999, one in 2000 and one in 2001, generated rental income to the Trust equal to 7%, 6% and 11%, respectively, of the Trust's total rental income for the twelve months ended December 31, 1994. For the twelve months ended December 31, 1994, Westlake, which generated 13% of the Trust's 1994 total rental income and whose lease matures in 2000, also did not generate sufficient EBITDAR to cover its 1994 rent expense payable to the Trust. Subsequent to December 31, 1994, the Trust has accepted substitution properties in exchange for the real estate assets of Westlake (see discussion below). Management of the Trust cannot predict whether the remaining three leases, with subsidiaries of UHS, (which have initial renewal options at the existing lease rates), or any of the Trust's other leases, will be renewed at the end of their initial terms. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another.

During the fourth quarter of 1994, UHS signed a letter of intent to purchase an acute and psychiatric care facility in exchange for cash and two acute care facilities including the real estate assets of Westlake, a 126 bed hospital of

which the Trust owns the majority of real estate assets. In exchange for the real estate assets of Westlake and the termination of the lease, the Trust has accepted substitution properties valued at approximately \$19 million (approximating the Trust's original purchase price of Westlake) consisting of additional real estate assets currently owned by UHS but related to three acute care facilities (McAllen Medical Center, Inland Valley Regional Medical Center and Wellington Regional Medical Center), currently owned by the Trust and operated by UHS. These additional real estate assets represent major additions and expansions made to these facilities since the purchase of the properties from UHS in 1986. Total annual base rental payments from UHS to the Trust on substituted properties will be \$2.4 million which equals the total base and

bonus rental earned by the Trust on the Westlake facility during 1994 (\$2.1 million base and \$300,000 bonus). Bonus rental on the substituted properties will be equal to 1% of the revenues generated by these additional assets. The guarantee by UHS under the existing leases will continue. The exchange of real estate assets between the Trust and UHS is expected to occur during the second quarter of 1995.

Pursuant to the terms of the leases with UHS, the lessees have rights of first refusal to purchase the respective leased facilities exercisable during, and for 180 days after, the lease terms, and 180-day rights of first refusal at the end of the lease terms to lease the respective facilities. The leases also grant the lessees options, exercisable on at least six months notice, to purchase the respective leased facilities at the end of the lease term or any renewal term at the facility's then fair market value. The terms of the leases also provide that in the event UHS discontinues operations at the leased facility for more than one year, or elects to terminate its lease for prudent business reasons, UHS is obligated to offer a substitution property. If the Trust does not accept the substitution property offered, UHS is obligated to purchase the leased facility back from the Trust at a price equal to the greater of its then fair market value or the original purchase price paid by the Trust. As noted below, transactions with UHS must be approved by a majority of Trustees who are unaffiliated with UHS (the "Independent Trustees"). However, the purchase options and rights of first refusal granted to the respective lessees to purchase or lease, after the expiration of the lease term, the respective leased facilities may, in addition to adversely affecting the Trust's ability to sell or lease a facility, present a potential conflict of interest between the Trust and UHS since the price and terms offered by a third party are likely to be dependent, in part, upon the financial performance of the facility during the final years of the lease term.

Advisory Agreement. 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 the Trust), to provide administrative services to the Trust and to conduct the Trust's day-to-day affairs. In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal and other services, for which the Advisor is reimbursed directly by the Trust. The Advisory Agreement expires on December 31 of each year, however, it is renewable

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by the Trust, subject to a determination by the Independent Trustees that the Advisor's performance has been satisfactory and to the termination rights of the parties. 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 1995. All transactions with UHS must be approved by the Independent Trustees.

The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to .60% of the average invested real estate assets of the Trust, as derived from its consolidated balance sheet from time to time. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders for each year exceeds 15% of the Trust's equity as shown on its balance sheet, determined in accordance with generally accepted accounting principles without reduction for return of capital dividends. No incentive fees were paid during 1994, 1993 and 1992. The advisory fee is payable quarterly, subject to adjustment at year end based upon audited financial statements of the Trust.

Share Purchase Option. UHS has the option to purchase shares of beneficial interest in the Trust at their fair market value to maintain a 5% interest in

the Trust. As of December 31, 1994, UHS owned 7.7% of the outstanding shares of beneficial interest.

Competition

The Trust believes that is one of twelve real estate investment trusts (REITs) currently investing primarily in income-producing real estate with an emphasis on healthcare related facilities. The REITs compete with one another in that each is continually seeking attractive investment opportunities in healthcare related facilities.

The Trust may also compete with banks and other companies, including UHS, in the acquisition, leasing and financing of healthcare related facilities.

In most geographical areas in which the Trust's facilities operate, there are other facilities which provide services comparable to those offered by the Trust's facilities, some of which are owned by governmental agencies and supported by tax revenues, and others of which are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. Such support is not available to the Trust's facilities. In addition, certain hospitals which are located in the areas served by the Trust's facilities are special service hospitals providing medical, surgical and psychiatric services that are not available at the Trust's hospitals or other general hospitals. The competitive position of a hospital is to a large degree dependent upon the number and quality of staff physicians. Although a physician may at any time terminate his or her affiliation with a hospital, the Trust's hospitals seek to retain doctors of varied specializations on its hospital

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staffs and to attract other qualified doctors by improving facilities and maintaining high ethical and professional standards. The competitive position of a hospital is also affected by alternative health care delivery systems such as preferred provider organizations, health maintenance organizations and indemnity insurance programs. Such systems normally involve a discount from a hospital's established charges. Outpatient treatment and diagnostic facilities, outpatient surgical centers, and freestanding ambulatory surgical centers also impact the healthcare marketplace.

The Trust anticipates investing in additional healthcare related facilities and leasing the facilities to qualified operators, perhaps including UHS and subsidiaries of UHS.

Regulation

Private as well as federal and state payment programs, and the impact of other laws and regulations, could have a significant effect on the utilization of the Trust's properties and its revenues. A number of legislative initiatives have been proposed that could result in major changes in the healthcare system, either nationally or at the state level. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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Executive Officers of the Registrant

The executive officers of the Trust are as follows:

Name	Age	Position
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Alan B. Miller	57	Chairman of the Board,

Kirk E. Gorman	44	President, Chief Financial Officer, Secretary and Trustee
Charles F. Boyle	35	Vice President and Controller
Cheryl K. Ramagano	32	Vice President and Treasurer
Timothy J. Fowler	39	Vice President, Acquisitions and Development

Mr. Kirk E. Gorman has been President and Chief Financial Officer of the Trust since March, 1990 and was elected to the Board of Trustees and Secretary in December, 1994. Mr. Gorman had previously served as Vice President and Chief Financial Officer of the Trust since April, 1987. Mr. Gorman was elected Senior Vice President, Treasurer and Chief Financial Officer of UHS in December, 1992 and served as its Senior Vice President and Treasurer since March, 1989.

Ms. Cheryl K. Ramagano was elected Vice President and Treasurer of the Trust in September, 1992. Ms. Ramagano was promoted to Assistant Treasurer of UHS in December, 1994 and served as its Director of Finance since May, 1990.

The Trust has no employees and the Trust's officers are all employees of UHS and receive no cash compensation from the Trust.

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The following table shows the Trust's individual investments by the type of healthcare facility, capacity in terms of beds, and five-year occupancy levels based on information provided by the lessees or mortgagors.

Facility Name and Location	Type of facility	Number of available beds @ 12/31/1994	Average Occupancy (1)					Lease Term		
			1994	1993	1992	1991	1990	Minimum rent	End of initial term	Renewal term (years)
Chalmette Hospital	Rehabilitation	64	65%	57%	57%	57%	52%	\$1,261,000	1999	25
Chalmette Medical Center Chalmette, Louisiana (2)	Acute Care	118	66%	68%	69%	69%	70%	879,000	2003	15
Inland Valley Regional Medical Center Wildomar, California	Acute Care	80	45%	50%	53%	62%	61%	1,427,000	2001	30
McAllen Medical Center McAllen, Texas	Acute Care	280	89%	86%	91%	79%	69%	4,047,000	2001	30
Wellington Regional Medical Center West Palm Beach, Florida	Acute Care	120	32%	35%	33%	38%	45%	1,773,000	2001	30

Westlake Medical Center Westlake Village, California (3)	Acute Care	90	31%	26%	32%	39%	46%	2,126,000	2000	20
The BridgeWay North Little Rock, Arkansas	Psychiatric	70	61%	57%	54%	63%	65%	683,000	1999	25
Meridell Achievement Center Austin, Texas (4)	Psychiatric	114	47%	44%	61%	81%	93%	1,071,000	2000	20
Tri-State Regional Rehabilitation Hospital Evansville, Indiana (5)	Rehabilitation	80	61%	71%	78%	70%	58%	1,105,000	1999	25
THC - Chicago Chicago, Illinois (6)	Sub-Acute Care	53	38%	N/M	-	-	-	1,065,000	2001	25
Fresno - Herndon Medical Plaza Fresno, California (7)	Medical Office Building	N/A	N/A	N/A	N/A	N/A	N/A	650,000	1999-2003	Various
Crouse Irving Memorial Properties Syracuse, New York (8)	Ambulatory Treatment Cntr.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professional Center at Kings Crossing Kingwood, Texas (9)	Medical Office Buildings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lake Shore Hospital Manchester, New Hampshire (10)	Psychiatric	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/M - not meaningful; N/A - not applicable

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(1) Average occupancy rate is based on the average number of available beds occupied during the years ended December 31, 1994, 1993, 1992, 1991 and 1990. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for effects of various occupancy levels at the Trust's properties. Average available beds is the number of beds which are actually in service at any given time for immediate patient use with the necessary equipment and staff available for patient care. A hospital may have appropriate licenses for more beds than are in service for a number of reasons, including lack of demand, incomplete construction, and anticipation of future needs.

(2) At the end of 1989, Chalmette General Hospital and DeLaRonde Hospital consolidated their acute care operations into the DeLaRonde facility. The DeLaRonde facility now operates under the name Chalmette Medical Center. The Chalmette facility, now operating as Chalmette Hospital, had been dedicated to other uses, including rehabilitation programs, but no assurance can be given as to the effect of the consolidation on the underlying value of the Chalmette facility. Rental commitments and the guarantee by UHS under the existing lease continue.

(3) During the fourth quarter of 1994, UHS signed a letter of intent to purchase an acute and psychiatric care facility in exchange for cash and two acute care facilities including the real estate assets of Westlake, a 126 bed hospital of which the Trust owns the majority of real estate assets. In exchange for the real estate assets of Westlake and the termination of the lease, the Trust has accepted substitution properties valued at approximately \$19 million (the Trust's original purchase price of Westlake was approximately \$19 million) consisting of additional real estate assets currently owned by UHS but related to three acute care facilities (McAllen Medical Center, Inland Valley Regional Medical Center and Wellington Regional Medical Center), currently owned by the Trust and operated by UHS. These additional real estate assets represent major additions and expansions made to these facilities since the purchase of the properties from UHS in 1986. Total annual base rental payments from UHS to the Trust on substituted properties will be \$2.4 million which equals the total base and bonus rental earned by the Trust on the Westlake facility during 1994 (\$2.1 million base and \$300,000 bonus). Bonus rental on the substituted properties will be equal to 1% of the revenues generated by these additional assets. The guarantee by UHS under the existing leases will continue. The exchange of real estate assets between the Trust and UHS is expected to occur during the second quarter of 1995.

(4) During 1991, the Trust acquired from UHS for approximately \$4.1 million, newly constructed patient buildings on the campus of the facility already owned by the Trust. The buildings are leased back to UHS on

substantially the same terms as the lease already governing the Hospital's existing assets.

(5) The Trust purchased this Hospital during 1989 for approximately \$7.5 million. During 1993, the Trust purchased for approximately \$1.1 million, 20 additional beds which were added to the facility. The Trust entered into an agreement with the operator, an unaffiliated third party, to lease the facility for an initial fixed term of 10 years, with the operator having the option to extend the lease for five 5-year renewal terms.

(6) During December of 1993, UHS the former lessee and operator of Belmont Community Hospital, sold the operations of the facility to THC-Chicago,

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Inc. ("THC"), an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"). Concurrently, the Trust purchased certain related real property from UHS for \$1 million in cash and a note payable with a carrying value of \$963,000 at December 31, 1994. The note payable has a face value of \$1 million and is due on December 31, 2001. The amount of interest payable on this note is contingent upon the financial performance of this leased facility and its estimated fair value at the end of the initial lease term. The Trust has estimated the total amount payable under the terms of this note and has discounted the payments to their net present value using a 6% rate. Included in the Trust's 1994 financial results is approximately \$55,000 of interest expense related to this note. In connection with this transaction, UHS' lease with the Trust was terminated and the Trust entered into an eight year lease agreement with THC, which is guaranteed by CPC, for the real property of this facility, now operating as THC-Chicago.

(7) In November of 1994, the Trust purchased the Fresno-Herndon Medical Plaza located in Fresno, California for \$6.3 million. The 37,800 square foot Medical Office Building is leased to seven tenants, including an outpatient surgery center operated by Medical Care America, under the terms of leases with expiration dates ranging from November, 1999 to March, 2003. The Trust has granted the seller the option to repurchase the property in November, 2001 for \$7,250,000.

(8) In December of 1993, the Trust provided a \$6.5 million mortgage loan to Crouse Irving Memorial Hospital, a 612 bed general acute care hospital located in Syracuse, New York for the purchase of the real property of the Madison Irving Medical Center, an ambulatory treatment center. The loan has a fifteen year repayment term.

(9) In December of 1994, the Trust agreed to provide up to \$4.1 million of construction financing for the Professional Center at Kings Crossing, and intends to purchase, subject to certain contingencies, the property upon its completion and occupancy. The construction loan accrues interest monthly at a margin over the one month LIBOR. The Trust expects to disburse funds related to the construction financing (\$1.1 million advanced in December, 1994) over a seven to nine month period and anticipates purchasing the property during the third quarter of 1995.

(10) During the first quarter of 1994, the Trust reached a settlement agreement with Lake Shore Hospital, Inc. and Community Care Systems, Inc. concerning the default of their obligations under the Trust's mortgage loan on Lake Shore Hospital. Under the terms of the settlement agreement, the Trust received \$1.5 million in cash payments (\$600,000 during the first quarter of 1994 and \$900,000 during the second quarter of 1994) and was originally scheduled to receive free and clear title to Lake Shore Hospital by June 30, 1994. Due to delays in removing liens recorded against the real property of Lake Shore Hospital, Community Care Systems, Inc. has not yet conveyed free and clear title of Lake Shore Hospital to the Trust. A foreclosure sale is scheduled to be completed in the second quarter of 1995

which is expected to result in the Trust's receipt of the real property of Lake Shore Hospital free and clear of all liens. The Trust continues to market the property in an effort to sell or lease it to a qualified operator. Of the \$1.5 million received during the first six months of 1994, \$450,000 has been reserved for future expenses related to the settlement of Lake Shore Hospital and the remaining \$1,050,000 was included in net income as recovery of investment losses.

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Item 3. LEGAL PROCEEDINGS

Not Applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable. No matter was submitted during the fourth quarter of the fiscal year ended December 31, 1994 to a vote of security holders.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Trust's shares of beneficial interest are listed on the New York Stock Exchange. The high and low closing sales prices for the Trust shares of beneficial interest for each quarter in the two years ended December 31, 1994 and 1993 are summarized below:

1994		1993	
-----	-----	-----	-----
High Price	Low Price	High Price	Low Price
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First Quarter	\$ 17 3/4	\$ 16 3/8	\$ 18 5/8	\$ 14 1/2
Second Quarter	\$ 17 3/4	\$ 16	\$ 18 1/8	\$ 16 1/4
Third Quarter	\$ 17 7/8	\$ 16 3/4	\$ 17 3/8	\$ 16
Fourth Quarter	\$ 17	\$ 15 7/8	\$ 17 3/8	\$ 16 1/8

As of February 1, 1995 there were approximately 1,199 shareholders of record of the Trust's shares of beneficial interest. It is the Trust's intention to declare quarterly dividends to the holders of its shares of beneficial interest so as to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Covenants relating to the revolving credit facility limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution unless additional distributions are required to be made as to comply with applicable sections of the Internal Revenue Code and related regulations governing real estate investment trusts. In each of the past five years, dividends per share were declared as follows:

	1994	1993	1992	1991	1990
	----	----	----	----	----
First Quarter	\$.415	\$.415	\$.40	\$.375	\$.37
Second Quarter	.415	.415	.41	.380	.37
Third Quarter	.415	.415	.41	.390	.37
Fourth Quarter	.420	.415	.41	.395	.37
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	\$1.665	\$1.66	\$1.63	\$1.54	\$1.48
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Item 6. SELECTED FINANCIAL DATA

Financial highlights for the Trust for the years ended December 31, 1994, 1993, 1992, 1991 and 1990 were as follows:

	1994 (1)	1993 (1)	1992 (1)	1991	1990

Revenues	\$18,826,000	\$18,263,000	\$19,047,000	\$19,865,000	\$19,435,000
Net Income (Loss)	\$14,312,000	\$12,259,000	(\$ 1,782,000)	\$10,795,000	\$ 9,205,000
Cash Available for Distribution (2)	\$17,656,000	\$15,028,000	\$13,829,000	\$14,253,000	\$12,899,000
Per Share Data:					
Net Income (Loss)	\$1.60	\$1.45	(\$ 0.25)	\$ 1.53	\$ 1.31
Dividends	\$ 1.665	\$ 1.66	\$ 1.63	\$ 1.54	\$ 1.48

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Cash available for distribution or reinvestment, which does not represent

cash flows from operations as defined by Generally Accepted Accounting Principles and should not be considered as an alternative to net income as an indicator of the Trust's operating performance or to cash flows as a measure of liquidity, is calculated as follows:

	1994	1993	1992	1991	1990
Net Income (Loss)	\$14,312,000	\$12,259,000	(\$ 1,782,000)	\$10,795,000	\$ 9,205,000
Depreciation and amortization	3,282,000	3,140,000	3,144,000	3,165,000	3,152,000
Amortization of interest rate cap	62,000	--	--	--	--
Provision for investment losses (Gain) loss on investment in marketable securities	--	--	12,467,000	350,000	150,000
Gain on disposal of assets	--	(371,000)	--	(57,000)	392,000
Total	\$17,656,000	\$15,028,000	\$13,829,000	\$14,253,000	\$12,899,000

At End of Period	1994	1993	1992	1991	1990
Total Assets	\$128,907,000	\$126,657,000	\$126,885,000	\$136,369,000	\$141,227,000
Debt	\$ 21,283,000	\$ 18,947,000	\$ 49,600,000	\$ 45,845,000	\$ 50,940,000

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Trust commenced operations on December 24, 1986. The Trust has investments in fourteen facilities located in nine states. These investments include: (i) ownership of five acute care, one comprehensive rehabilitation and two psychiatric hospitals leased to subsidiaries of Universal Health Services, Inc. ("UHS"); (ii) ownership of one comprehensive rehabilitation hospital leased to an affiliate of Rehab Systems Company ("Rehab Systems"), a subsidiary of NovaCare, Inc. (NovaCare, Inc. has agreed to sell the stock of Rehab Systems Company to HEALTHSOUTH Corp., however, this transaction has not yet been completed); (iii) ownership of one sub-acute care facility leased to THC-Chicago, Inc. ("THC"), an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"); (iv) ownership of one medical office building leased to several tenants including an outpatient surgery center operated by Medical Care America ("MCA") (v) a loan made to a company for the construction and potential purchase of one single tenant and two multi-tenant medical office buildings; (vi) a mortgage loan made to Crouse Irving Memorial Properties for the purchase of the real assets of the Madison Irving Medical Center, an ambulatory treatment center and; (vii) a shared appreciation mortgage on Lake Shore Hospital, a psychiatric hospital which is currently in default under the terms of its mortgage loan agreement with the Trust. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another. The lease to the affiliate of Rehab Systems is guaranteed by Rehab Systems and the lease to the outpatient surgery center is guaranteed by MCA. The terms of the medical office building construction loan are described below.

It is the Trust's intention to declare quarterly dividends to the holders of its shares of beneficial interest so as to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Covenants relating to the revolving credit facility limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution unless additional distributions are required to be made to comply with applicable sections of the Internal Revenue Code and related regulations governing real estate investment

trusts. During 1994, dividends of \$1.665 per share, or \$14,897,000 in the aggregate, were declared and paid.

Net cash generated by operating activities increased to \$18.2 million in 1994 from \$14.7 million in 1993 and \$13.8 million in 1992. The \$3.5 million increase in net cash provided by operating activities in 1994 as compared to 1993 was due primarily to the \$1.5 million of cash received during 1994 related to the settlement agreement on Lake Shore Hospital and a \$1.4 million decrease in interest paid due to the reduction in the Trust's average outstanding borrowings and lower effective interest rates together with the timing of 1992 accrued interest which was paid in early 1993. The \$900,000 increase in cash provided by operating activities in 1993 as compared to 1992 was due primarily to a \$1.4 million reduction in interest paid due to a reduction in the average outstanding borrowings and the timing of 1992 accrued interest payments as mention above. During 1994, the \$18.2 million of cash flows generated from operations and the \$2.1 million of additional borrowings were used primarily to pay dividends (\$14.9 million) and purchase the real property of a medical building held for lease (\$6.3 million).

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During 1993, the Trust generated \$14.7 million from operations, \$32.6 million from the issuance of an additional 1.9 million shares of beneficial interest at \$18.25 per share and \$3.2 million from the sale of the real estate assets of a psychiatric facility. These funds were used primarily to repay indebtedness under the Trust's revolving credit facility (\$31.6 million), pay dividends (\$14.1 million), invest in a mortgage loan receivable and acquire additional real estate assets. During 1992, the \$13.8 million of cash generated from operations and \$3.8 million of additional net borrowings were used primarily to pay dividends (\$11.5 million) and advance funds pursuant to the terms of a construction note receivable (\$5.0 million).

From 1992 through 1994, the Trust funded \$11.8 million (\$5.1 million in 1992, \$6.1 million in 1993 and \$584,000 in 1994) including interest due on the loan, under the terms of a \$14.1 million construction loan agreement for a medical office building and expansion of a hospital owned by an unaffiliated major hospital company. The Trust received principal and interest payments on the loan totaling \$9.0 million in 1993 and \$2.8 million in 1994 thereby repaying and terminating the loan agreement.

During the first quarter of 1994, the Trust reached a settlement agreement with Lake Shore Hospital, Inc. and Community Care Systems, Inc. concerning the default of their obligations under the Trust's mortgage loan on Lake Shore Hospital. Under the terms of the settlement agreement, the Trust received \$1.5 million in cash payments (\$600,000 during the first quarter of 1994 and \$900,000 during the second quarter of 1994) and was originally scheduled to receive free and clear title to Lake Shore Hospital by June 30, 1994. Due to delays in removing liens recorded against the real property of Lake Shore Hospital, Community Care Systems, Inc. has not yet conveyed free and clear title of Lake Shore Hospital to the Trust. A foreclosure sale is scheduled to be completed in the second quarter of 1995, which is expected to result in the Trust's receipt of the real property of Lake Shore Hospital free and clear of all liens. The Trust continues to market the property in an effort to sell or lease it to a qualified operator. Of the \$1.5 million received during the first six months of 1994, \$450,000 has been reserved for future expenses related to the settlement of Lake Shore Hospital and the remaining \$1,050,000 was included in net income and recorded as recovery of investment losses.

In November of 1994, the Trust purchased the Fresno-Herndon Medical Plaza located in Fresno, California for \$6.3 million. The 37,800 square foot medical office building is leased to seven tenants, including an outpatient surgery center operated by Medical Care America, under terms of leases with expiration dates ranging from November of 1999 to March of 2003. The Trust has granted the seller the option to repurchase the property in November, 2001 for \$7,250,000.

In December of 1994, the Trust agreed to provide up to \$4.1 million of construction financing for the Professional Center at Kings Crossing, and intends to purchase, subject to certain contingencies, the property upon its completion and occupancy. The construction loan accrues interest monthly at a margin over the one month LIBOR. The Trust expects to disburse funds related to the construction financing (\$1.1 million advanced in December, 1994) over a seven to nine month period and anticipates purchasing the property during the third quarter of 1995.

During 1994, the Company entered into a new \$45 million non-amortizing revolving credit agreement (the "Agreement") which provides for interest at the Trust's option, at the certificate of deposit rate plus 3/4%, Eurodollar rate plus 3/4% or the prime rate. A fee of 3/8% is required on the unused portion of this

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commitment. As of December 31, 1994, the Trust has \$25 million of unused borrowing capacity under its revolving credit facility. The Agreement matures on February 28, 1997 at which time all amounts then outstanding are required to be repaid. The Agreement contains a provision whereby the commitments will be reduced by 50% of the proceeds of any new equity proceeds offering.

The Trust has entered into interest rate swap agreements and an interest rate cap agreement to reduce the impact of changes in the interest rates on its floating rate revolving credit notes. The outstanding swap agreements in the amounts of \$5 million each mature in April, 1997 and May, 1999 and effectively fix the interest rate on \$10 million of variable rate debt at 7.6%. The interest rate cap, for which the Trust paid \$622,750, matures in June, 1999 and fixes the maximum rate on \$15 million of variable rate revolving credit notes at 7.75%. The interest rate cap was purchased in June, 1994 in anticipation of certain borrowing transactions by the Trust. A portion of the borrowings were made in 1994 and the remaining borrowings are expected to be made in 1995. The Trust is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap agreements. These counterparties are major financial institutions and the Trust does not anticipate nonperformance by the counterparties, which are rated A or better by Moody's Investors Service. At December 31, 1994, termination of the interest rate swaps would have resulted in payments to the Trust of \$321,074 and termination of the interest rate cap would have resulted in a payment to the Trust of \$733,723.

Covenants related to the revolving credit facility require the maintenance of a minimum tangible net worth and specified financial ratios, limit the Trust's ability to incur additional debt, increase dividends in excess of 95% of cash flow and limit the aggregate amount of mortgage receivables. Management of the Trust believes that cash generated from operations and other available sources of capital will be sufficient to fund current operations, repay current maturities of long-term debt, finance planned expenditures and permit distributions to shareholders so as to comply with the applicable sections of the Internal Revenue Code governing real estate investment trusts.

Results of Operations

1994 Compared to 1993

Total revenues increased 3% in 1994 to \$18.8 million from \$18.3 million in 1993. The \$563,000 increase in net revenue was attributable to (i) a \$194,000 increase in total base rentals resulting from a \$1,006,000 increase in base rentals from non-related parties partially offset by a \$812,000 decrease in base rentals from UHS facilities (see below); (ii) an increase of \$307,000 in interest income consisting of \$633,000 of interest earned on the \$6.5 million mortgage loan advanced in December of 1993, partially offset by a \$320,000 decrease in the interest earned under the terms of the construction loan which was fully repaid during the third quarter of 1994; and (iii) a \$62,000 increase in bonus rentals which are computed as a percentage of each facilities revenue in excess of base year amounts. The decrease in the base rentals from UHS facilities and corresponding increase in base rentals from non-related parties is due to the

increase in the invested real estate assets and the lease rate of an acute care facility which was sold by UHS, the former owner and operator, to THC in December of 1993. A new eight year lease on this facility commenced in December, 1993. Approximately \$124,000 and \$130,000 of the Trust's 1994 and 1993 bonus rentals, respectively, were attributable to special Medicaid reimbursement programs which relate to an acute care hospital owned by the Trust. The facility, which participates in the Texas Medical Assistance Program, became

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eligible and received additional reimbursements from the state's disproportionate share hospital fund since the facility met certain conditions of participation and served a disproportionately high share of the state's low income patients. This program is scheduled to terminate in August, 1995 and the Trust can not predict whether these programs will continue beyond the scheduled termination date.

For the twelve months ended December 31, 1994, three of the leases with UHS subsidiaries, not including the lease on Westlake Medical Center (Westlake), and one with a non-related party, were with facilities that did not generate sufficient earnings before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to cover the total 1994 rent expense payable to the Trust. These leases, one of which matures in 1999, one in 2000 and two in 2001, generated rental income to the Trust equal to 7%, 6% and 17%, respectively, of the Trust's total rental income for the twelve months ended December 31, 1994. For the twelve months ended December 31, 1994, Westlake, which generated 13% of the Trust's 1994 total rental income and whose lease matures in 2000, also did not generate sufficient EBITDAR to cover its 1994 rent expense payable to the Trust. Subsequent to December 31, 1994, the Trust has accepted substitution properties in exchange for the real assets of Westlake (see Relationship to Universal Health Services, Inc. in Item 1). Management of the Trust cannot predict whether the remaining three leases with subsidiaries of UHS (which have initial renewal options at the existing lease rates), or any of the Trust's other leases will be renewed at the end of their initial terms. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another.

The average occupancy rate of a hospital is affected by a number of factors, including the number of physicians using the hospital, changes in the number of beds, the composition and size of the population of the community in which the hospital is located, general and local economic conditions, variations in local medical and surgical practices and the degree of outpatient use of the hospital services. Current industry trends in utilization and occupancy have been significantly affected by changes in reimbursement policies of third party payers. A continuation of such industry trends could have a material adverse impact upon the future operating performance of the Trust's facilities. The Trust's facilities have experienced growth in outpatient utilization over the past several years. The increase is primarily the result of advances in medical technologies, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, health maintenance organizations (HMOs), preferred provider organizations (PPOs) and insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis. The Trust expects growth in outpatient services to continue, although the rate of growth may be moderated in the future.

An increased proportion of the Trust's hospitals revenue is derived from fixed payment services, including Medicare and Medicaid. Management of the Trust's hospitals expects the Medicare and Medicaid revenues to continue to increase as a larger portion of the general population qualifies for coverage as a result of the aging of the population and expansion of state Medicaid programs. The Medicare program reimburses the Trust's hospitals primarily based on established rates by a diagnosis related group for acute care hospitals and by a cost based formula for psychiatric hospitals. In addition to the Medicare and Medicaid programs, other payers continue to actively negotiate the amounts they will pay

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for services performed. In general, management of the Trust's hospitals expects the percentage of its business from managed care programs, including HMOs and PPOs to grow. The consequent growth in managed care networks and the resulting impact of these networks on the operating results of the Trust's facilities vary among the markets in which the Trust's facilities operate. The Trust is unable to predict the rate of growth of the net revenues of its facilities and the resulting impact on bonus revenues, which are computed as a percentage of each facility's revenues in excess of base year amounts, because the net revenues of the Trust's facilities are dependent upon developments in medical technologies and physician practice patterns, both of which are beyond the control of management of the facilities.

In addition to the trends described above that continue to have an impact on the revenues of the Trust's facilities, there are a number of other, more general factors affecting the Trust's facilities. The healthcare industry faces increased uncertainty with respect to the level of payer payments because of national and state efforts to reform healthcare. These efforts include proposals at all levels of government to contain healthcare costs while making quality, affordable health services available to more Americans. The Trust is unable to predict which proposals, if any, will be adopted or the resulting implications for healthcare providers at this time.

Cash available for distribution or reinvestment, which is the sum of net income plus depreciation & amortization and amortization of interest rate cap, less gain on disposal of assets, totalled \$17.7 million and \$15.0 million for 1994 and 1993, respectively. Cash available for distribution or reinvestment does not represent cash flows from operations as defined by Generally Accepted Accounting Principles and should not be considered as an alternative to net income as an indicator of the Trust's operating performance or to cash flows as a measure of liquidity.

Included in the financial results for 1994, and recorded as (recovery of)/provision for investment losses, was (\$1.5 million) of cash payments received related to the Lake Shore Hospital settlement agreement and (\$184,000) of proceeds received during the year related to an investment in marketable equity securities which was written down to zero in a prior year. Partially offsetting these amounts was a \$450,000 increase in the reserve established for future expenses related to the settlement of Lake Shore Hospital.

Interest expense decreased \$759,000 in 1994 as compared to 1993, due to lower average outstanding borrowings and lower effective interest rates.

Depreciation and amortization increased \$142,000 in 1994 as compared to 1993 due primarily to \$79,000 of accelerated amortization of financing fees related to the old revolving credit agreement recorded during 1994 and increased depreciation expense on the \$1.9 million of additional real estate assets purchased by the Trust in December of 1993 related to its sub-acute care facility in Chicago, Illinois leased to THC.

Included in the financial results for 1993 was a \$371,000 gain on the disposition of a psychiatric facility sold by the Trust during the first quarter of 1993.

Net income for 1994 was \$14.3 million or \$1.60 per share compared to \$12.3 million or \$1.45 per share in 1993.

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Total revenues decreased 4% in 1993 to \$18.3 million from \$19.0 million in 1992. The decrease in revenues in 1993 as compared to 1992 was partially due to a \$423,000 decrease in base rentals due to the disposition of a psychiatric facility in the first quarter of 1993 and a reduction in the base rate, effective March 1993, on a UHS facility which is adjusted every five years to a 4% margin over the then prevailing five-year Treasury rate. Interest income decreased \$348,000 in 1993 as compared to 1992 due to approximately \$700,000 of interest income on the Lake Shore Hospital mortgage covering the period of January through mid-May 1992 being included in the 1992 revenue. Partially offsetting this decrease in interest income was a \$360,000 increase in the interest income earned on a construction loan which commenced in the third quarter of 1992. Approximately \$130,000 and \$300,000 of the Trust's 1993 and 1992 bonus rentals, respectively, were attributable to special Medicaid reimbursement programs (see discussion of 1994 Results of Operations).

Interest expense decreased \$1.9 million in 1993 as compared to 1992, due primarily to lower outstanding borrowings. During 1993, the Trust issued an additional 1,900,000 shares of beneficial interest which generated approximately \$32.6 million of net proceeds. These proceeds were used primarily to repay indebtedness under the Trust's revolving credit agreement.

Included in the financial results for 1993 was a \$371,000 gain on the disposition of a psychiatric facility sold by the Trust during the first quarter of 1993. During 1992, the Trust recorded a \$12.5 million provision for investment loss to fully reserve the Lake Shore Hospital mortgage note receivable.

Net income for 1993 was \$12.3 million or \$1.45 per share compared to a net loss for 1992 of (\$1.8) million or (\$0.25) per share.

Cash available for distribution or reinvestment, which is the sum of net income plus depreciation and amortization, plus provision for investment losses, minus gain on disposal of assets, totaled \$15.0 million in 1993 and \$13.8 million in 1992, respectively. Cash available for distribution or reinvestment does not represent cash flows from operations as defined by Generally Accepted Accounting Principles and should not be considered as an alternative to net income as an indicator of the Trust's operating performance or to cash flows as a measure of liquidity.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Trust's Balance Sheets and its Statements of Operations, Changes in Shareholders' Equity and Cash Flows, together with the report of Arthur Andersen LLP, independent public accountants, are included elsewhere herein. Reference is made to the "Index to Financial Statements and Schedules."

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information to appear under the caption "Election of Trustees" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1994. See also "Executive Officers of the Registrant" appearing in Part I hereof.

Item 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information under the caption "Executive Compensation" and "Compensation Pursuant to Plans" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1994.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT

There is hereby incorporated by reference the information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1994.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information under the caption "Transactions With Management and Others" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1994.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules:

- 1) Report of Independent Public Accountants
- 2) Financial Statements
Balance Sheets - December 31, 1994 and December 31, 1993.
Statements of Operations - Years Ended December 31, 1994, 1993 and 1992.
Statements of Changes in Shareholders' Equity - Years Ended December 31, 1994, 1993 and 1992.
Statements of Cash Flows - Years Ended December 31, 1994, 1993 and 1992.
Notes to Financial Statements
- (3) Schedules
Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 1994, 1993 and 1992.
Schedule III - Real Estate and Accumulated Depreciation - December 31, 1994.
Notes to Schedule III - December 31, 1994.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the last quarter of the year ended December 31, 1994.

(c) Exhibits:

3.1 Declaration of Trust, dated as of August 1986, previously filed as Exhibit 3.1 to Amendment No. 3 of the Registration Statement on Form S-11 and Form S-2 of Universal Health Services, Inc. and the Trust (Registration No. 33-7872), is incorporated herein by reference.

3.2 Amendment to Declaration of Trust, dated as of June 23, 1993, previously filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

3.3 Amended and restated bylaws, filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1988, is incorporated herein by reference.

10.1 Advisory Agreement, dated as of December 24, 1986, between UHS of Delaware, Inc. and The Trust, previously filed as Exhibit 10.2 to the Trust's Current Report on Form 8-K dated December 24, 1986, is incorporated herein by reference.

10.2 Agreement effective January 1, 1995, to renew Advisory Agreement dated as of December 24, 1986 between Universal Health Realty Income Trust and UHS of Delaware, Inc.

10.3 Contract of Acquisition, dated as of August 1986, between the

Trust and certain subsidiaries of Universal Health Services, Inc., previously filed as Exhibit 10.2 to Amendment No. 3 of the Registration Statement on Form S-11 and S-2 of Universal Health Services, Inc. and the Trust (Registration No. 33-7872), is incorporated herein by reference.

10.4 Form of Leases, including Form of Master Lease Document Leases, between certain subsidiaries of Universal Health Services, Inc. and the Trust, previously filed as Exhibit 10.3 to Amendment No. 3 of the Registration Statement on Form S-11 and Form S-2 of Universal Health Services, Inc. and the Trust (Registration No. 33-7872), is incorporated herein by reference.

10.5 Share Option Agreement, dated as of December 24, 1986, between the Trust and Universal Health Services, Inc., previously filed as Exhibit 10.4 to the Trust's Current Report on Form 8-K dated December 24, 1986, is incorporated herein by reference.

10.6 Corporate Guaranty of Obligations of Subsidiaries Pursuant to Leases and Contract of Acquisition, dated December 1986, issued by Universal Health Services, Inc. in favor of the Trust, previously filed as Exhibit 10.5 to the Trust's Current Report on Form 8-K dated December 24, 1986, is incorporated herein by reference.

10.7 Loan Agreement dated August 30, 1988 between the Trust and Lake Shore Hospital, Inc., previously filed as Exhibit 10.1 to the Trust's quarterly report on Form 10-Q for the quarter ended September 30, 1988, is incorporated herein by reference.

10.8 Contract of Acquisition dated August 31, 1988 between the Trust, Rehab Systems Company, Inc. and Tri-State Regional Rehabilitation Hospital, Inc., previously filed as Exhibit 10.2 to the Trust's September 30, 1988 Form 10-Q, is incorporated herein by reference.

10.9 Key Employees' Restricted Share Purchase Plan approved by the Trustees on December 1, 1988 which authorized the issuance of up to 50,000 common shares, previously filed as Exhibit 10.11 to the Trust's Annual Report on form 10-K for the year ended December 31, 1988, is incorporated herein by reference.

10.10 Share Compensation Plan for Outside Trustees, previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

10.11 1988 Non-Statutory Stock Option Plan, as amended, previously filed as Exhibit 10.13 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

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10.12 Loan Agreement and Deed of Trust Note between Concord/Reston Limited Partnership and Universal Health Realty Income Trust dated August 13, 1992, previously filed as Exhibit 10.16 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1992, is incorporated herein by reference.

10.13 Revolving Credit Agreement dated as of March 7, 1994, by and among Universal Health Realty Income Trust, CoreStates Bank, N.A., as agent, The First National Bank of Boston and First Fidelity Bank, National Association, previously filed as Exhibit 10.13 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1993, as incorporated herein by reference.

10.14 Lease dated December 22, 1993, between Universal Health Realty Income Trust and THC-Chicago, Inc. as lessee, previously filed as Exhibit 10.14 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

10.15 Mortgage Modification, Consolidation and Extension Agreement and

Consolidated Note dated December 28, 1993 in the amount of \$6,500,000.00 from Crouse Irving Memorial Properties, Inc. to Universal Health Realty Income Trust, previously filed as Exhibit 10.15 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1993, is incorporated herein by reference.

10.16 Agreement for Purchase and Sale and Repurchase Agreement dated as of November 4, 1994 between Fresno-Herndon Partners, Limited and Universal Health Realty Income Trust.

10.17 Agreement of Purchase and Sale, and Construction Loan Agreement dated as of December 20, 1994 between Turner Adreac, L.C. and Universal Health Realty Income Trust.

27. Financial Data Schedule.

28.1 Dividend Reinvestment Plan for Stockholders, previously filed as Exhibit 28.1 to the Trust's Form 10-Q for the quarter ended March 31, 1987, is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 14, 1995

UNIVERSAL HEALTH REALTY INCOME TRUST
(Registrant)

By: /s/ Alan B. Miller

Alan B. Miller, Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date ----	Signature and Title -----
March 14, 1995	/s/ Alan B. Miller ----- Alan B. Miller, Chairman of the Board and Chief Executive Officer
March 15, 1995	/s/ Daniel M. Cain ----- Daniel M. Cain, Trustee
March 15, 1995	/s/ Peter Linneman ----- Peter Linneman, Trustee
March 15, 1995	/s/ Myles H. Tanenbaum ----- Myles H. Tanenbaum, Trustee
March 15, 1995	/s/ Michael R. Walker ----- Michael R. Walker, Trustee

March 14, 1995	/s/ Kirk E. Gorman ----- Kirk E. Gorman, President, Chief Financial Officer, Secretary and Trustee
March 14, 1995	/s/ Charles F. Boyle ----- Charles F. Boyle, Vice President and Controller
March 14, 1995	/s/ Cheryl K. Ramagano ----- Cheryl K. Ramagano, Vice President and Treasurer
March 16, 1995	/s/ Timothy J. Fowler ----- Timothy J. Fowler, Vice President, Acquisitions and Development

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Report of Independent Public Accountants

To The Shareholders and Board of Trustees of
Universal Health Realty Income Trust:

We have audited the accompanying balance sheets of Universal Health Realty Income Trust (a Maryland real estate investment trust) as of December 31, 1994 and 1993 and the related statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1994. These financial statements and the schedules referred to below are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Universal Health Realty Income Trust, as of December 31, 1994 and 1993 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Schedules on Page F-1 are presented for the purpose of complying with the Securities and Exchange Commission's Rules and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Philadelphia, Pennsylvania
January 17, 1995

	December 31,	
	1994	1993
Assets:		
-----	----	----
Real Estate Investments:		
Buildings & improvements	\$119,587,000	\$114,321,000
Accumulated depreciation	(22,646,000)	(19,519,000)
	-----	-----
	96,941,000	94,802,000
Land	23,482,000	22,463,000
Mortgage loans receivable, net (Note 7)	6,440,000	6,436,000
Construction loan note receivable, net (Note 7)	1,143,000	2,103,000
Reserve for investment losses (Note 7)	(490,000)	(77,000)
	-----	-----
Net Real Estate Investments	127,516,000	125,727,000
Other Assets:		
Cash	2,000	44,000
Bonus rent receivable from UHS	621,000	769,000
Rent receivable from non-related parties	68,000	--
Construction and mortgage loan interest receivable	3,000	14,000
Deferred charges, net	697,000	103,000
	-----	-----
	\$128,907,000	\$126,657,000
	=====	=====
Liabilities and Shareholders' Equity:		

Liabilities:		
Bank borrowings	\$ 20,320,000	\$ 18,040,000
Note payable to UHS	963,000	907,000
Accrued interest	117,000	39,000
Accrued expenses & other liabilities	698,000	641,000
Tenant reserves, escrows, deposits and prepaid rental	364,000	--
Commitments and Contingencies		
Shareholders' Equity:		
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: 8,947,192 shares in 1994 and 1993.....	89,000	89,000
Capital in excess of par value.....	128,643,000	128,643,000
Cumulative net income	70,412,000	56,100,000
Cumulative dividends	(92,699,000)	(77,802,000)
	-----	-----
Total Shareholders' Equity	106,445,000	107,030,000
	-----	-----
	\$128,907,000	\$126,657,000
	=====	=====

The accompanying notes are an integral part of these financial statements.

Universal Health Realty Income Trust
Statements of Operations

	Year ended December 31,		
	1994	1993	1992
Revenues (Note 2):			
Base rental - UHS facilities	\$13,267,000	\$14,079,000	\$14,596,000
Base rental - Non-related parties	2,097,000	1,091,000	997,000
Bonus rental	2,629,000	2,567,000	2,580,000
Interest (Note 7)	833,000	526,000	874,000
	18,826,000	18,263,000	19,047,000
Expenses:			
Depreciation and amortization	3,282,000	3,140,000	3,144,000
Interest expense	1,146,000	1,905,000	3,838,000
Advisory fees to UHS (Note 2)	909,000	880,000	913,000
Other operating expenses	411,000	450,000	467,000
(Recovery of) provision for investment losses (Notes 7 & 9)	(1,234,000)	--	12,467,000
	4,514,000	6,375,000	20,829,000
Income (loss) before gain on disposal of assets	14,312,000	11,888,000	(1,782,000)
Gain on disposal of assets	--	371,000	--
Net Income (Loss)	\$14,312,000	\$12,259,000	(\$1,782,000)
Net Income (Loss) Per Share	\$1.60	\$1.45	(\$0.25)
Weighted Average Shares Outstanding	8,947,486	8,457,082	7,047,192

The accompanying notes are an integral part of these financial statements.

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Universal Health Realty Income Trust
Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 1994, 1993 and 1992

	Common Shares		Capital in excess of par value	Cumulative net income	Cumulative dividends
	Number of Shares	Amount			
January 1, 1992	7,047,192	\$70,000	\$96,085,000	\$45,623,000	(\$52,251,000)
Net Loss	--	--	--	(1,782,000)	--
Dividends (\$1.63/share)	--	--	--	--	(11,487,000)
Amortization of deferred compensation	--	--	7,000	--	--
January 1, 1993	7,047,192	70,000	96,092,000	43,841,000	(63,738,000)

Net Income	--	--	--	12,259,000	--
Dividends (\$1.66/share)	--	--	--	--	(14,064,000)
Net proceeds from issuance of shares of beneficial interest	1,900,000	19,000	32,551,000	--	--
January 1, 1994	8,947,192	89,000	128,643,000	56,100,000	(77,802,000)
Net income	--	--	--	14,312,000	--
Dividends (\$1.665/share)	--	--	--	--	(14,897,000)
December 31, 1994	8,947,192	\$89,000	\$128,643,000	\$70,412,000	(\$92,699,000)

The accompanying notes are an integral part of these financial statements.

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Universal Health Realty Income Trust
Statements of Cash Flows

	Year ended December 31,		
	1994	1993	1992
Cash flows from operating activities:			
Net income (loss)	\$14,312,000	\$12,259,000	(\$1,782,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation & amortization	3,282,000	3,140,000	3,144,000
Provision for investment losses	450,000	--	12,467,000
Amortization of interest rate cap	62,000	--	--
Loss (gain) on disposal of assets	15,000	(371,000)	--
Gain on investment in marketable securities	(184,000)	--	--
Changes in assets and liabilities:			
Rent receivable	80,000	(161,000)	(118,000)
Accrued expenses and other accrued liabilities	57,000	137,000	11,000
Prepaid rental	92,000	--	--
Construction and mortgage loan interest receivable	11,000	488,000	(113,000)
Accrued interest	78,000	(477,000)	68,000
Reserve for investment losses	(37,000)	(173,000)	--
Deferred charges & other	(19,000)	(114,000)	119,000
Net cash provided by operating activities	18,199,000	14,728,000	13,796,000
Cash flows from investing activities:			
Sale of real property	40,000	3,218,000	--
Acquisition of real property	(6,340,000)	(2,062,000)	--
Advances under construction note receivable	(1,727,000)	(6,103,000)	(5,016,000)
Repayments under construction note receivable	2,759,000	8,612,000	--
Proceeds from investments in marketable securities	184,000	--	--
Other	272,000	--	--
Advances under mortgage loan receivable	--	(6,500,000)	--
Net cash used in investing activities	(4,812,000)	(2,835,000)	(5,016,000)
Cash flows from financing activities:			
Additional borrowings, net of financing costs	2,091,000	--	5,350,000
Repayment of debt	--	(31,560,000)	(1,595,000)
Purchase of interest rate cap	(623,000)	--	--
Dividends paid	(14,897,000)	(14,064,000)	(11,487,000)
Proceeds from issuance of shares of beneficial interest, net	--	32,570,000	--
Net cash used in financing activities	(13,429,000)	(13,054,000)	(7,732,000)
(Decrease) increase in cash	(42,000)	(1,161,000)	1,048,000
Cash, beginning of period	44,000	1,205,000	157,000
Cash, end of period	\$2,000	\$44,000	\$1,205,000

Supplemental disclosures of cash flow information:

Interest paid	\$1,012,000	\$2,382,000	\$3,770,000
---------------	-------------	-------------	-------------

The accompanying notes are an integral part of these financial statements.

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Universal Health Realty Income Trust
Notes to Financial Statements
December 31, 1994

(1) Summary of Significant Accounting Policies

Universal Health Realty Income Trust (the "Trust") is organized as a Maryland real estate investment trust. The Trust operates as a real estate investment trust and owns or holds mortgages and construction loan receivables on acute care, sub-acute care, and other health care facilities, some of which are leased to subsidiaries of Universal Health Services, Inc., ("UHS").

Federal Income Taxes

No provision has been made for Federal income tax purposes since the Trust qualifies as a real estate investment trust under Sections 856 to 860 of the Internal Revenue Code of 1986, and intends to continue to remain so qualified. As such, it is required to distribute at least 95 percent of its real estate investment taxable income to its shareholders.

The Trust is subject to a Federal excise tax computed on a calendar year basis. The excise tax equals 4% of the excess, if any, of 85% of the Trust's ordinary income plus 95% of any capital gain income for the calendar year over cash distributions during the calendar year, as defined. No provision for excise tax has been reflected in the financial statements as no tax was due.

Earnings and profits, which will determine the taxability of dividends to shareholders, will differ from net income reported for financial reporting purposes due to the differences for federal tax purposes in the cost basis of assets and in the estimated useful lives used to compute depreciation and the recording of provision for investment losses.

Real Estate Properties

The Trust records acquired real estate at cost and uses the straight-line method of depreciation for buildings and improvements over estimated useful lives of 25 to 45 years.

Per Share Data

Net income per share is based on the weighted average number of common shares of beneficial interest outstanding during the year adjusted to give effect to common share equivalents, consisting of stock options.

Statements of Cash Flows

For purposes of the Statements of Cash Flows, the Trust considers all highly liquid investment instruments with maturities of three months or less to be cash equivalents.

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Interest Rate Protection Agreements

In managing interest rate exposure, the Trust at times enters into interest rate swap agreements and interest rate cap agreements. When interest rates change, the differential to be paid or received under the Trust's interest rate swap agreements is accrued as interest expense and is recognized over the life of the agreements. Premiums paid for purchased interest rate cap agreements are amortized to interest expense over the terms of the caps. Unamortized premiums are included in deferred charges in the accompanying balance sheet. Amounts receivable under the cap agreements is accrued as a reduction of interest expense.

(2) Related Party Transactions

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 the Trust), to provide administrative services to the Trust and to conduct the Trust's day-to-day affairs. In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal and other services, for which the Advisor is reimbursed directly by the Trust. 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 that the Advisor's performance has been satisfactory and to the termination rights of the parties. 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 1995. All transactions with UHS must be approved by the Independent Trustees.

The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to .60% of the average invested real estate assets of the Trust, as derived from its consolidated balance sheet from time to time. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders for each year exceeds 15% of the Trust's equity as shown on its balance sheet, determined in accordance with generally accepted accounting principles without reduction for return of capital dividends. No incentive fees were paid during 1994, 1993 and 1992. The advisory fee is payable quarterly, subject to adjustment at year end based upon audited financial statements of the Trust.

For the years ended December 31, 1994, 1993 and 1992, 83%, 91% and 89%, respectively, of the Trust's gross revenues were earned under the terms of the leases with wholly-owned subsidiaries of UHS. UHS has unconditionally guaranteed

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the obligations of its subsidiaries under these leases. Revenues received from UHS and from other non-related parties were as follows:

	Year Ended December 31,		
	1994	1993	1992
Base rental - UHS facilities	\$13,267,000	\$14,079,000	\$14,596,000
Base rental - Non-related parties	2,097,000	1,091,000	997,000
Total base rental	15,364,000	15,170,000	15,593,000
Bonus rental - UHS facilities	2,414,000	2,474,000	2,450,000
Bonus rental - Non-related parties	215,000	93,000	130,000

Total bonus rental	2,629,000	2,567,000	2,580,000
	-----	-----	-----
Interest - Non-related parties	833,000	526,000	874,000
	-----	-----	-----
Total revenues	\$18,826,000	\$18,263,000	\$19,047,000
	=====	=====	=====

At December 31, 1994, approximately 7.7% of the Trust's outstanding shares of beneficial interest were held by UHS. The Trust has granted UHS the option to purchase Trust shares in the future at fair market value to enable UHS to maintain a 5% interest in the Trust.

Certain officers and directors of the Trust are also officers and/or directors of UHS.

(3) Acquisitions and Dispositions

1994 - In November of 1994, the Trust purchased the Fresno-Herndon Medical Plaza located in Fresno, California, for \$6.3 million. The 37,800 square foot Medical office Building is leased to seven tenants, including an outpatient surgery center operated by Medical Care America, under the terms of leases with expiration dates ranging from November, 1999 to March, 2003. The Trust has granted the seller the option to repurchase the property in November, 2001 for \$7,250,000.

In December of 1994, the Trust agreed to provide up to \$4.1 million of construction financing for the Professional Center at Kings Crossing, and intends to purchase, subject to certain contingencies, the property upon its completion and occupancy. The construction loan accrues interest monthly at a margin over the one month LIBOR. The Trust expects to disburse funds related to the construction financing (\$1.1 million advanced in December, 1994) over a seven to nine month period and anticipates purchasing the property during the third quarter of 1995.

During the fourth quarter of 1994, UHS signed a letter of intent to purchase an acute and psychiatric care facility in exchange for cash and two acute care facilities including the real estate assets of Westlake, a 126 bed hospital of which the Trust owns the majority of real estate assets. In exchange for the

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real estate assets of Westlake and the termination of the lease, the Trust has accepted substitution properties valued at approximately \$19 million (the Trust's original purchase price of Westlake was approximately \$19 million) consisting of additional real estate assets currently owned by UHS but related to three acute care facilities (McAllen Medical Center, Inland Valley Regional Medical Center and Wellington Regional Medical Center), currently owned by the Trust and operated by UHS. These additional real estate assets represent major additions and expansions made to these facilities since the purchase of the properties from UHS in 1986. Total annual base rental payments from UHS to the Trust on substituted properties will be \$2.4 million which equals the total base and bonus rental earned by the Trust on the Westlake facility during 1994 (\$2.1 million base and \$300,000 bonus). Bonus rental on the substituted properties will be equal to 1% of the revenues generated by these additional assets. The guarantee by UHS under the existing leases will continue. The exchange of real estate assets between the Trust and UHS is expected to occur during the second quarter of 1995.

1993 - The Trust sold the real property of Live Oak Hospital, which had a net book value of approximately \$2.8 million, to UHS for the Trust's original purchase price of \$3.2 million. Operations at this facility were discontinued during the first quarter of 1992. The base rental payments continued under the existing lease until the date of sale. The transaction resulted in a \$371,000 gain which is included in the Trust's first quarter 1993 financial results.

In December of 1993, UHS, the former lessee and operator of Belmont Community Hospital, sold the operations of the facility to THC-Chicago, Inc. ("THC"), an indirect wholly-owned subsidiary of Community Psychiatric Centers. Concurrently, the Trust purchased certain related real property from UHS for \$1 million in cash and a note payable with a carrying value of \$907,000 at December 31, 1993. The note payable has a face value of \$1 million and is due on December 31, 2001. The amount of interest payable on this note is contingent upon the financial performance of this leased facility and its estimated fair value at the end of the initial lease term. The Trust has estimated the total amount payable under the terms of this note and has discounted the payments to their net present value using a 6% rate. In connection with this transaction, UHS' lease with the Trust was terminated and the Trust entered into an eight year lease agreement with THC for the real property of this facility.

Also during 1993, the Trust purchased for approximately \$1.1 million, 20 additional beds which were added to the Tri-State Regional Rehabilitation Hospital.

(4) Leases

All of the Trust's leases are classified as operating leases with initial terms ranging from 5 to 15 years with up to six 5-year renewal options. Under the terms of the leases, the Trust earns fixed monthly base rents and may earn periodic additional rents (see Note 2). The additional rent payments are generally computed as a percentage of facility net patient receipts or CPI increase in excess of a base amount. The base year amount is net patient receipts for the first full year of the lease.

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Minimum future base rents on noncancelable leases are as follows:

1995	\$ 16,082,000
1996	16,112,000
1997	16,142,000
1998	16,166,000
1999	16,182,000
Later Years	24,800,000

Total Minimum Base Rents	\$105,484,000
	=====

Under the terms of the hospital leases, the lessees are required to pay all operating costs of the properties including property insurance and real estate taxes. Tenants of the Fresno-Herndon Medical Plaza are required to pay their pro-rata share of the property's operating costs.

(5) Debt

During 1994, the Company entered into a new \$45 million non-amortizing revolving credit agreement (the "Agreement") which provides for interest at the Trust's option, at the certificate of deposit rate plus 3/4%, Eurodollar rate plus 3/4% or the prime rate. A fee of 3/8% is required on the unused portion of this commitment. There are no compensating balance requirements. The Agreement matures on February 28, 1997 at which time all amounts then outstanding are required to be repaid. The Agreement contains a provision whereby the commitments will be reduced by 50% of any new equity proceeds. At December 31, 1994, the Trust had \$24,680,000 of unused borrowing capacity.

The average amounts outstanding under the revolving credit agreement during 1994, 1993 and 1992 were \$15,218,000, \$21,400,000, and \$45,237,000, respectively, with corresponding effective interest rates, including commitment fees but not including the effect of interest rate swaps of 5.3%, 4.5% and 4.8%. The maximum amounts outstanding at any month end were \$20,320,000, \$47,565,000, and \$49,600,000 during 1994, 1993 and 1992, respectively.

Covenants relating to the revolving credit facility require the maintenance of a minimum tangible net worth and specified financial ratios, limit the Trust's ability to incur additional debt, limit the aggregate amount of mortgage receivables and limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution, unless additional distributions are required to be made to comply with the applicable section of the Internal Revenue Code and regulated regulations governing real estate investment trusts.

During 1994, the Trust has entered into two interest rate swap agreements and an interest rate cap agreement to reduce the impact of changes in the interest rates on its floating rate revolving credit notes. The outstanding swap agreements in the amounts of \$5 million each mature in April, 1997 and May, 1999 and effectively fix the interest rate on \$10 million of floating rate revolving credit notes at 7.6%. The interest rate cap, for which the Trust paid \$622,750,

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(unamortized premium of \$560,475 at December 31, 1994) matures in June, 1999 and fixes the maximum rate on \$15 million of variable rate revolving credit notes at 7.75%. The interest rate cap was purchased in June, 1994 in anticipation of certain borrowing transactions by the Trust. A portion of the borrowings were made in 1994 and the remaining borrowings are expected to be made in 1995. The effective rate on the Trust's revolving credit notes including commitment fees and interest rate swap expense was 6.7%, 8.3% and 8.3% during 1994, 1993 and 1992, respectively. Additional interest expense recorded as a result of the Trust's hedging activity was \$109,427, \$410,876 and \$1,609,475 in 1994, 1993 and 1992, respectively. The Trust is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap and cap agreements. These counterparties are major financial institutions and the Trust does not anticipate nonperformance by the counterparties which are rated A or better by Moody's Investors Service. Termination of the interest rate swaps would have resulted in payments to the Trust of \$321,074 and termination of the interest rate cap would have resulted in a payment to the Trust of \$733,723. The fair value of the interest rate swap and cap agreements at December 31, 1994 reflects the estimated amounts that the Trust would receive to terminate the contracts based on quotes from the counterparties.

(6) Dividends

Dividends of \$1.665 per share were declared and paid in 1994, of which \$1.528 was ordinary income and \$0.137 was a return of capital distribution. Dividends of \$1.66 per share were declared and paid in 1993, of which \$0.75 was ordinary income, \$0.81 was a return of capital distribution and \$0.10 was capital gain to the shareholders for income tax purposes. Dividends of \$1.63 per share were declared and paid in 1992, none of which represented a return of capital or capital gain distribution.

(7) Financing

During the fourth quarter of 1993, the Trust funded \$6.5 million for the purchase of the real assets of the Madison Irving Medical Center, by Crouse Irving Memorial Properties, located in Syracuse, New York. The loan, which can be prepaid without penalty at any time after six months from the loan commencement date, has a fifteen-year repayment term. The Trust has received prepaid commitment fees related to this mortgage note receivable totaling \$65,000. The unearned portion (\$60,000 as of December 31, 1994) is being recognized as income over the fifteen-year repayment term. The loan accrues interest monthly at a margin over the one month LIBOR or at a margin over the five-year Treasury rate. The interest rate is selected at the borrower's option. Interest on the mortgage loan, including amortization of prepaid commitment fees, accrued at an average rate of 9.8% during 1994.

In December of 1994, the Trust agreed to provide up to \$4.1 million of construction financing for the Professional Center at Kings Crossing, and

intends to purchase, subject to certain contingencies, the property upon its completion and occupancy. The construction loan accrues interest monthly at a

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margin over the one month LIBOR. The Trust expects to disburse funds related to the construction financing (\$1.1 million advanced in December, 1994) over a seven to nine month period and anticipates purchasing the property during the third quarter of 1995.

From 1992 through 1994, the Trust funded \$11.8 million (\$5.1 million in 1992, \$6.1 million in 1993 and \$584,000 in 1994) including interest due on the loan, under the terms of a \$14.1 million construction loan agreement for a medical office building and expansion of a hospital owned by an unaffiliated major hospital company. The Trust received principal and interest payments on the loan totaling \$9.0 million in 1993 and \$2.8 million in 1994 thereby repaying and terminating the loan agreement.

During the first quarter of 1994, the Trust reached a settlement agreement with Lake Shore Hospital, Inc. and Community Care Systems, Inc. concerning the default of their obligations under the Trust's mortgage loan on Lake Shore Hospital. Under the terms of the settlement agreement, the Trust received \$1.5 million in cash payments (\$600,000 during the first quarter of 1994 and \$900,000 during the second quarter of 1994) and was originally scheduled to receive free and clear title to Lake Shore Hospital by June 30, 1994. Due to delays in removing liens recorded against the real property of Lake Shore Hospital, Community Care Systems, Inc. has not yet conveyed free and clear title of Lake Shore Hospital to the Trust. A foreclosure sale is scheduled to be completed in the second quarter of 1995, which is expected to result in the Trust's receipt of the real property of Lake Shore Hospital free and clear of all liens. The Trust continues to market the property in an effort to sell or lease it to a qualified operator. Of the \$1.5 million received during the first six months of 1994, \$450,000 has been reserved for future expenses related to the settlement of Lake Shore Hospital and the remaining \$1,050,000 was included in net income as recovery of investment losses.

(8) Incentive Plans

During 1988, the Trustees approved a Key Employees' Restricted Share Purchase Plan. Under the terms of this plan, which expires in 1998, up to 50,000 shares have been reserved for issuance to key employees. Eligible employees may purchase shares of the Trust at par value subject to certain restrictions. The restrictions lapse over four years if the employee remains employed by the Trust. In 1988, 2,500 shares were issued under this plan. As of December 31, 1992, the restrictions had lapsed on the entire 2,500 shares.

In 1991, the Trustees adopted a share compensation plan for Trustees who are neither employees nor officers of the Trust ("Outside Trustees"). Pursuant to the plan, each Outside Trustee may elect to receive, in lieu of all or a portion of the quarterly cash compensation for services as a Trustee, shares of the Trust based on the closing price of the shares on the date of issuance. As of December 31, 1994, no shares have been issued under the terms of this plan.

During 1992, the Trust amended the 1988 Non-Statutory Stock Option Plan to increase the number of shares reserved under the plan from 50,000 to 200,000. As of December 31, 1994, options to purchase 115,000 shares of beneficial interest

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were outstanding, of which 105,000 were granted to officers of the Trust during 1992 at an exercise price of \$16.875 per share and 10,000 were granted to an officer of the Trust during 1993 at an exercise price of \$16.125. As of December

31, 1994, none of the options had been exercised. As of December 31, 1994, all of the options were exercisable at an aggregate purchase price of \$1,993,125.

(9) Sale of Marketable Securities

During 1994, the Trust received \$107,000 related to a class action lawsuit settlement filed against a real estate investment trust in which the Trust owned marketable securities. Also during the year, the Trust sold the remainder of its investment in the marketable securities of the real estate investment trust for total net proceeds of \$77,000. The entire \$184,000 generated from the settlement and sale transactions are included in net income (recovery of provision for investment losses) since the carrying value of this investment was reduced to zero in 1990.

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(10) Quarterly Results (Unaudited)

1994					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 4,653,000	\$ 4,820,000	\$ 4,661,000	\$ 4,692,000	\$18,826,000
Net Income	\$ 3,632,000	\$ 4,199,000	\$ 3,232,000	\$ 3,249,000	\$14,312,000
Earnings Per Share	\$ 0.41	\$ 0.47	\$ 0.36	\$ 0.36	\$ 1.60

During 1994, the Trust received \$1.5 million of cash payments (recorded as recovery of investment losses) related to the settlement agreement on Lake Shore Hospital (See Note 7) of which \$600,000 was received during the first quarter and \$900,000 was received during the second quarter. Partially offsetting the net income effect of these cash proceeds was a \$450,000 increase in the reserve established for future expenses related to the settlement of Lake Shore Hospital (recorded as provision for investment losses) of which \$300,000 was recorded in the first quarter of 1994 and \$150,000 was recorded in the second quarter.

1993					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 4,558,000	\$ 4,580,000	\$ 4,535,000	\$ 4,590,000	\$18,263,000
Net Income	\$ 2,870,000	\$ 2,926,000	\$ 3,124,000	\$ 3,339,000	\$12,259,000
Earnings Per Share	\$ 0.41	\$ 0.33	\$ 0.35	\$ 0.37	\$ 1.45

In March and April of 1993, the Trust issued a total of 1,900,000 additional shares of beneficial interest. This issuance generated approximately \$32.6 million of net proceeds which were used primarily to repay indebtedness under the Trust's revolving credit agreement, resulting in lower interest expense in the second, third and fourth quarters of 1993.

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Universal Health Realty Income Trust
Schedule II - Valuation and Qualifying Accounts

Description -----	Balance at beginning of period -----	Charged to costs and expenses -----	Other -----	Balance at end of period -----
Reserve for Investment Losses:				
Year ended December 31, 1994	\$77,000 =====	\$450,000 =====	(\$37,000) (a) =====	\$490,000 =====
Year ended December 31, 1993	\$250,000 =====	- =====	(\$173,000) (a) =====	\$77,000 =====
Year ended December 31, 1992	\$700,000 =====	\$12,467,000 =====	(\$12,917,000) (b) =====	\$250,000 =====

(a) Amounts charged against the reserve.

(b) Reclassified to reserve for Lake Shore Hospital mortgage loan.

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Schedule III
Universal Health Realty Income Trust
Real Estate and Accumulated Depreciation - December 31, 1994
(amounts in thousands)

Description -----	Initial Cost to Universal Health Realty Income Trust -----		Cost capitalized subsequent acquisition -----		Gross amount at which carried at close of period -----		
	Land ----	Building & Improv. -----	Improv. -----	Carrying Costs -----	Land ----	Building & Improvements -----	Total -----
Chalmette Hospital Chalmette, Louisiana	\$1,825	\$9,445	-	-	\$1,770	\$9,445	\$11,215
Chalmette Medical Center Chalmette, Louisiana	2,000	7,473	-	-	2,000	7,473	9,473
Inland Valley Regional Medical Center Wildomar, California	2,050	10,701	-	-	2,050	10,701	12,751
McAllen Medical Center McAllen, Texas	4,720	31,442	-	-	4,720	31,442	36,162
Wellington Regional Medical Center West Palm Beach, Florida	1,190	14,652	-	-	1,190	14,652	15,842
Westlake Medical Center Westlake Village, California	8,520	10,475	-	-	8,520	10,475	18,995
The Bridgeway North Little Rock, Arkansas	150	5,395	499	-	150	5,894	6,044
Meridell Achievement Center Austin, Texas	1,350	3,782	4,139	-	1,350	7,921	9,271
Tri-State Rehabilitation Hospital Evansville, Indiana	500	6,945	1,062	-	500	8,007	8,507
THC - Chicago Chicago, Illinois	158	6,404	1,907	-	158	8,311	8,469
Fresno - Herndon Medical Plaza Fresno, California	1,074	5,266	-	-	1,074	5,266	6,340

TOTALS	----- \$23,537 -----	----- \$111,980 -----	----- \$7,607 -----	----- \$ - -----	----- \$23,482 -----	----- \$119,587 -----	----- \$143,069 -----
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	Accumulated Depreciation as of Dec. 31, 1994 -----	Date of construction or most recent significant expansion or renovation -----	Date Acquired -----	Depreciable Life -----
Chalmette Hospital Chalmette, Louisiana	\$ 2,164	1975	1986	35 Years
Chalmette Medical Center Chalmette, Louisiana	1,485	1981	1988	34 Years
Inland Valley Regional Medical Center Wildomar, California	1,907	1986	1986	45 Years
McAllen Medical Center McAllen, Texas	5,604	1985	1986	45 Years
Wellington Regional Medical Center West Palm Beach, Florida	2,612	1986	1986	45 Years
Westlake Medical Center Westlake Village, California	2,801	1972	1986	30 Years
The Bridgeway North Little Rock, Arkansas	1,327	1983	1986	35 Years
Meridell Achievement Center Austin, Texas	1,576	1991	1986	30 Years
Tri-State Rehabilitation Hospital Evansville, Indiana	1,007	1993	1989	40 Years
THC - Chicago Chicago, Illinois	2,153	1993	1986	25 Years
Fresno - Herndon Medical Plaza Fresno, California	10 ----- \$22,646 -----	1992	1994	45 Years
TOTALS				

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Universal Health Realty Income Trust
Notes to Schedule III
December 31, 1994

(1) Reconciliation of Real Estate Properties

The following table reconciles the Real Estate Properties from January 1, 1992 to December 31, 1994:

	1994 -----	1993 -----	1992 -----
Balance at January 1	\$136,784,000	\$137,033,000	\$137,033,000
Acquisitions	6,340,000	2,969,000	--
Dispositions	(55,000)	(3,218,000)	--
Balance at December 31	\$143,069,000 =====	\$136,784,000 =====	\$137,033,000 =====

(2) Reconciliation of Accumulated Depreciation

The following table reconciles the Accumulated Depreciation from January 1, 1992 to December 31, 1994:

	1994	1993	1992
	-----	-----	-----
Balance at January 1	\$19,519,000	\$16,867,000	\$13,815,000
Current year depreciation expense	3,127,000	3,023,000	3,052,000
Dispositions	--	(371,000)	--
	-----	-----	-----
Balance at December 31	\$22,646,000	\$19,519,000	\$16,867,000
	=====	=====	=====

The aggregate cost basis and net book value of the properties for federal income tax purposes at December 31, 1994 are approximately \$127,000,000 and \$106,000,000, respectively.

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INDEX TO EXHIBITS

- 10.2 Agreement, effective January 1, 1995, to renew Advisory Agreement dated as of December 24, 1986 between Universal Health Realty Income Trust and UHS of Delaware, Inc.
- 10.16 Agreement for Purchase and Sale and Repurchase Agreement, dated as of November 4, 1994, between Fresno-Herndon Partners, Limited and Universal Health Realty Income Trust.
- 10.17 Agreement of Purchase and Sale and Construction Loan Agreement, dated as of December 20, 1994, between Turner Adreac, L.C. and Universal Health Realty Income Trust.
- 27. Financial Data Schedule.

UNIVERSAL HEALTH REALTY INCOME TRUST

Universal Corporate Center
367 South Gulph Road
King of Prussia, Pennsylvania 19406
(215) 265-0688

January 10, 1995

Mr. Alan B. Miller
President
UHS of Delaware, Inc.
367 South Gulph Road
King of Prussia, PA 19406

Dear Alan:

The Board of Trustees of Universal Health Realty Income Trust at their December 1, 1994, meeting authorized the renewal of the current Advisory Agreement between the Trust and UHS of Delaware, Inc. ("Agreement") upon the same terms and conditions.

This letter constitutes the Trust's offer to renew the Agreement until December 31, 1995, upon the same terms and conditions. Please acknowledge UHS of Delaware, Inc.'s acceptance of this offer by signing in the space provided below and returning one copy of this letter to me.

Sincerely yours,

/s/ Kirk E. Gorman

Kirk E. Gorman
President and Secretary

KEG/jds

cc: Warren J. Nimetz, Esquire
Charles Boyle

Agreed to and Accepted:

UHS of Delaware, Inc.

By: /s/ Alan B. Miller

Alan B. Miller, President

AGREEMENT FOR PURCHASE AND SALE

AGREEMENT made as of the ____ day of November, 1994 by and between FRESNO-HERNDON PARTNERS, LIMITED, a California limited partnership having an office at 701 North First Street, San Jose, California 95112 ("Seller") and UNIVERSAL HEALTH REALTY INCOME TRUST having an office at 367 South Gulph Road, King of Prussia, Pennsylvania 19406 ("Purchaser")

W I T N E S S E T H :

ARTICLE 1

AGREEMENT FOR PURCHASE AND SALE

Seller agrees to sell and cause to be conveyed to Purchaser, and Purchaser agrees to purchase, the following property (collectively, the "Project"):

(a) The property located in the City of Fresno, State of California more particularly described on Exhibit A (the "Land") together with the existing improvements thereon, consisting of the building and improvements having the street address of 7055 North Fresno Street, Fresno, California 93720 (together, the "Property");

(b) The Seller's interest in and to the Tenant Leases (as hereinafter defined) affecting the Property;

(c) All of Seller's right, title and interest in and to all intangible property now or hereafter owned or held by Seller in connection with its ownership of the Property, including but not limited to any leases, contracts, leasing materials and forms, keys, records and correspondence relating to tenants, security deposits, prepaid rentals, telephone exchange numbers and the use of the name "Fresno- Herndon Medical Plaza";

(d) Seller's right, title and interest in and to all easements, licenses, appurtenances, rights, privileges and hereditaments belonging or appertaining to the Property, and in and to any land lying in the bed of any street, road or avenue, in front of or adjoining the Property to the center line thereof; and

(e) All fixtures and articles of personal property attached or appurtenant to or used in connection with the Property which are owned by Seller and located at the Property, free from all liens and encumbrances and, without limiting the generality of the foregoing, such fixtures and articles of personal property shall include machinery, computer hardware and software, plumbing, heating and lighting fixtures, mail boxes, tools, and maintenance equipment or supplies, if any, owned by Seller and located at the Property.

ARTICLE 2

PURCHASE PRICE

2.1 The purchase price for the Project is SIX MILLION THREE HUNDRED THOUSAND DOLLARS (\$6,300,000) (the "Purchase Price") plus or minus the adjustments provided for in this Agreement (the "Closing Payment"), to be paid to Seller in federal funds in such manner, place and account as Seller may

reasonably request, by notice given to Purchaser at least three (3) business days prior to the Closing (as hereinafter defined).

ARTICLE 3

PHYSICAL CONDITION OF PROJECT, ETC.

Purchaser has inspected the Property and will continue to inspect the Property during the hereinafter described Inspection Period to the extent Purchaser deems necessary in connection with the transaction contemplated by this Agreement. Purchaser agrees to purchase the Property in its "AS IS" condition on the date hereof, subject to Seller's representations and warranties as set forth in this Agreement and ordinary wear and tear between the date hereof and the Closing Date. Purchaser has not relied upon, and Seller is not liable or bound in any manner, by any verbal or written statements, representations, real estate brokers' "set-ups" or information pertaining to the Project furnished by any real estate broker, agent, employee, servant or other persons unless the same are expressly set forth in this Agreement.

ARTICLE 4

PERMITTED ENCUMBRANCES TO TITLE

4.1 Seller shall deliver to Purchaser good, marketable and indefeasible fee simple title to the Property, subject only to the Permitted Encumbrances (as hereinafter defined).

4.2 Purchaser agrees to accept title to the Property subject to the following matters (collectively, the "Permitted Encumbrances"):

(a) The leases and tenancies affecting the Property set forth and described in Exhibit B annexed hereto (the "Tenant Leases");

(b) Liens securing payment of all ad valorem, intangible and other real and personal property taxes, school taxes, and water and sewer charges against the Property or the personal property covered by this Agreement for the tax year in which the Closing Date occurs;

(c) the exceptions listed as numbers 1, 2, 3, 4, 5, 6, 7, 8, 9, 15, 16, 17, 18 and 21 together with portions of 11, 12 and 13 other than references to assignments of lease in the Preliminary Title Report dated as of August 9, 1994 (the "Title Commitment") of Chicago Title Insurance Company (the "Title Company") to issue an owner's policy of title insurance (the "Title Policy"); and

(d) the exception listed as number 10 on the updated Title Commitment, dated October 12, 1994, provided that the City of Fresno provides written confirmation to Purchaser that the covenants and conditions contained in such instrument have been satisfied;

(e) Such other exceptions to title as shall be approved by Purchaser.

4.3 If at the time of the Closing the Property or any part thereof shall be or shall have been affected by an assessment or assessments which are or may become payable in annual installments of which the first installment is then due or has been paid, then for the purpose of this Agreement all the unpaid annual installments of any such assessment, including those which are to become due and payable after Closing, shall be prorated between Seller and Purchaser as of the Closing Date and adjusted accordingly at that time. The terms and provisions of this Section 4.3 shall survive the Closing.

ARTICLE 5

CONDITION OF TITLE, TITLE INSURANCE

5.1 Seller has delivered to Purchaser the Title Commitment. Purchaser has given written notice (the "Objection Notice") to Seller of the conditions of title which Purchaser is not obligated to take the Property subject to pursuant to the provisions of this Agreement (the "Objections").

5.2 If Seller gives Purchaser notice (the "Response Notice") within five (5) days of the date hereof, that Seller is unable to convey title to the Property as required by this Agreement, Purchaser may, as its exclusive remedy, elect by written notice given to Seller within five (5) days after the Response Notice is given, either (a) to accept such title as Seller is able to convey without any reduction or abatement of the Purchase Price, (b) extend the time for the cure or removal of the objections, provided such extension does not derogate from Purchaser's rights under clause (d) below, (c) cause the Objections to be cured at Seller's expense (or by Purchaser curing the Objections and taking a credit in such amount against the Purchase Price) and proceed to the Closing or (d) to terminate this Agreement, in which event Seller shall pay the Cancellation Fee (as hereinafter defined) to Purchaser promptly.

5.3 The existence of liens or encumbrances other than the Permitted Encumbrances or those which are permitted by this Agreement shall be deemed to be Permitted Encumbrances if the Title Company will insure Purchaser's title clear of the matter or will insure against the enforcement of such matter out of the Property, on the condition that both Purchaser's counsel shall agree to accept title with such insurance. Any unpaid liens for real estate and personal property taxes for years prior to the fiscal year in which the Closing Date occurs and any other matter which Seller is obligated to pay and discharge at the Closing shall not be deemed objections to title, but the amount thereof chargeable to Seller, plus interest and penalties thereon, if any, shall be shown as chargeable to Seller in Purchaser's and Seller's settlement statement on the Closing Date and paid to the Title Company for the payment of such matters.

5.4 Seller shall pay any costs for obtaining the Title Commitment and the portion of the title insurance premium for California Land Title Association Standard Coverage under the Title Policy. Seller and Purchaser each shall pay one half of (a) the portion of the title insurance premium for ALTA coverage under the Title Policy, (b) the cost of the ALTA survey and (c) the escrow fees of the Title Company. Except as noted herein, Seller shall pay all deed transfer, documentary stamp tax, intangible and other taxes and other recording costs and expenses in connection with the Closing.

5.5 Seller shall, at its sole expense except as specified in Section 5.4, deliver or cause to be delivered to Purchaser within five (5) days from and after the date of execution of this Agreement the following documents, to the extent they are in Seller's possession:

(a) All architectural drawings and plans and specifications for the Improvements including an "As Built" set of plans, if available;

(b) A copy of the paid real estate tax bill for the most recent period for which real estate taxes have been due and payable;

(c) A recent, accurate ALTA survey (the "Survey") of the Property prepared by a reputable and established surveyor in the Fresno area;

(d) True and correct copies of all equipment leases, service, maintenance, union and management contracts, as well as all other documents or agreements relating to or affecting the Project;

(e) A current rent roll for the Property, listing for each tenant the name, rent, arrearages, offsets or credits to rent, reimbursement for expenses, amount of deposits, cleaning fees, preparation charges, advance rent and prepaid rent, if any, lease commencement dates, lease termination dates,

lease options, option rent, and cost of living clauses;

(f) A schedule of any employees employed by Seller or contractors retained by Seller in the operation of the Project, setting forth names, salaries, other compensation, and other pertinent information concerning such employees or contractors;

(g) Current engineering and asbestos reports with respect to the Property reasonably satisfactory to Purchaser and Purchaser's counsel;

(h) True and correct copies of any insurance policies covering the Project;

(i) A schedule and copies of all violations outstanding against the Property;

(j) A schedule of any litigation which is pending, or for which notice has been given against the Property as well as any papers received or sent by Seller in connection with such litigation;

(k) True and correct copies of any uncompleted work letters relating to the Property;

(l) True and correct copies of operating statements for the Property for the period commencing with the date of Seller's occupancy through September 30, 1994 as well as escalation statements for operations, taxes, electric, utilities and other expenses relating to the Property during the same period;

(m) True and complete copies of any real estate tax information available to the Seller relating to the Property as well as a schedule of any tax reduction proceedings on a historical basis relating to the Property;

(n) A copy of the present 1994 operating budget of the Property as well as a copy of any projections for future operating budgets relating to the Property;

(o) True and complete copies of the certificate of occupancy for the Property as well as a true and complete copy of any other permits relating to the Project; and

(p) True and complete copies of any notices from any insurance carriers or mortgagee under any existing mortgage on the Property to make repairs or improvements to the Property.

5.6 Purchaser hereby acknowledges that the items set forth in Section 5.5 a, c, d and h have been delivered to Purchaser prior to the date hereof. At Seller's request, Purchaser shall acknowledge receipt of any of such items delivered after the date hereof.

ARTICLE 6

CLOSING

6.1 The consummation of the transactions described in this Agreement (the "Closing") shall occur on November 18, 1994 (the "Closing Date") by escrow closing through the Title Company at their office in Fresno, California or in such other manner or in such other place as the parties may agree upon. Purchaser shall have the right to adjourn the Closing Date for up to seven (7) days.

6.2 Upon Purchaser's delivery of all required documents and instruments and its payment of the balance of the Purchase Price and other amounts required herein, Purchaser and Seller shall prepare and sign a closing statement reflecting the adjustments and payments made and agreements in connection therewith (the "Closing Statement"). The Closing Statement and all of

the aforesaid documents executed by Purchaser or Seller, or both, as appropriate, and be delivered to the Title Company which shall do the following:

(a) Record the deed.

(b) Deliver to Seller and Purchaser or other appropriate party the documents and payments delivered to it as escrow holder for delivery to such party; and

(c) Pay all recording, tax and other transfer fees and all filing fees reflected on the Closing Statement.

6.3 Notwithstanding anything contained in this Agreement to the contrary, Purchaser and Seller acknowledge that the requirements for the Closing set forth in this Agreement may be supplemented by written escrow instructions to the Title Company and a settlement statement executed by both Seller and Purchaser, whereupon the delivery of any document or other item required to be delivered hereunder shall be deemed duly delivered if such document or item is delivered to the Title Company in accordance with such escrow instructions.

ARTICLE 7

DOCUMENTS REQUIRED ON CLOSING DATE

7.1 At or prior to the Closing, Seller shall execute and deliver the following to Purchaser:

(a) Partnership Grant Deed;

(b) Bill of Sale pursuant to which Seller assigns and conveys to Purchaser all personal property covered by this Agreement, with any applicable sales tax to be paid by Seller;

(c) Assignment and Assumption of the Tenant Leases in the form annexed hereto as Exhibit C;

(d) Assignment and Assumption of Warranties and Service Contracts, in the form annexed hereto as Exhibit D, pursuant to which Seller assigns to Purchaser its interest in (i) all service contracts as approved and designated by Purchaser to remain in effect at the Property and (ii) all transferable guaranties and warranties relating to the Property;

(e) A rent roll for the Property (the "Rent Roll") listing each tenant, the size and location of the space covered by the applicable Tenant Lease, the date and term (including commencement and termination dates) of the applicable Tenant Lease, the provisions of renewal options (including term and rental provisions), if any, of the applicable Tenant Lease, the monthly rent and other charges payable, lease expiration date and unapplied security deposit (including the name of the bank, branch address and account in which such deposit is held) as of a date not more than three (3) days prior to the Closing Date, certified by Seller and Seller's managing agent;

(f) The originals or certified copies of the Tenant Leases described in the Rent Roll;

(g) A written notice of the acquisition of the Property by Purchaser, originally executed by Seller and Purchaser, which Seller shall transmit to all tenants and to other parties affected by the sale and purchase of the Property (the "Tenant Notices"). Such Tenant Notices shall be prepared by Seller in the form of Exhibit E, and shall inform the addressees of the sale and transfer of the Property to Purchaser and contain appropriate instructions relating to the payment of future rentals, the giving of future notices, the naming of Purchaser as an additional insured on each tenant's insurance policies and other matters reasonably required by Purchaser. The Tenant Notices shall specify that unapplied security deposits under the tenant leases have been

delivered to Purchaser;

(h) A non-foreign status affidavit for Seller complying with the requirements of Internal Revenue Code Section 1445(f)(3) and the regulations promulgated thereunder;

(i) All costs and fees required to be paid by Seller pursuant to Articles 4 or 8 hereof;

(j) A mechanics' lien and general title affidavit, if required by the Title Company to issue its policy of title insurance without exception for mechanics' liens, verifying it to be the fact that, as of the Closing Date, there are no unpaid bills for work, labor, service or materials furnished to the real property upon the request or order of Seller which may be made the basis of a lien, and that Seller is in possession of the Project, subject only to the rights of tenants in possession under the Tenant Leases;

(k) Estoppel certificates from all tenants under the Tenant Leases dated no earlier than October 10, 1994, as provided in Article 16 hereof;

(l) The documents in the form of Exhibit F required to evidence (i) the obligations of Seller to Dr. Bakar and Woodward Park Imaging Center ("WPIC") to install a metal shield to protect Dr. Baker's space from the MRI equipment in WPIC's space and the electro-magnetic emissions from such equipment and (ii) the release by Dr. Bakar and WPIC of Purchaser from any claims or liability relating to such emissions;

(m) The fifth addendum to the Tenant Lease with Vision Care Center of Central California, Inc. ("VCC") in the form previously accepted by Purchaser's counsel evidencing the obligations of the landlord under Tenant Leases with VCC to pay certain amounts to VCC including, without limitation, the cost of construction or improvement of any space leased or to be leased by VCC;

(n) A lease in the form of Exhibit G (the "Seller Lease") between Seller, as tenant and Purchaser, as landlord for all vacant space on the third floor of the Property, which Seller Lease shall be guaranteed by Green Valley Corporation d/b/a Barry Swenson Builders ("Green Valley");

(o) A repurchase agreement in the form of Exhibit H (the "Repurchase Agreement") between Seller, as purchaser and Purchaser, as seller for the Project;

(p) Reaffirmation of guaranties or restatements of guaranties in form and substance satisfactory to Purchaser's counsel by all guarantors under the respective Tenant Leases for VCC and WPIC;

(q) A Reciprocal Easement Agreement in the form of Exhibit I (the "Reciprocal Easement") between Seller and Purchaser;

(r) A copy of all necessary consents required by the Agreement of Limited Partnership of Seller dated December 21, 1990 as amended by amendments dated August 21, 1991 and September 23, 1991, respectively, authorizing the execution, delivery and performance by Seller of this Agreement and each document to be executed and delivered by Seller in connection with this Agreement, and designating one or more partners to execute documents in Seller's name;

(s) Such other documents and instruments as may be required by the Title Company in order to consummate the transactions described in this Agreement and to issue the Title Policy to Purchaser; and

(t) Such documents in the form of Exhibit J (the "Agreement for Post-Closing Repairs") to evidence the obligations of Seller and Green Valley pursuant to subsection 15.1(v) hereof.

7.2 At or prior to the Closing, Purchaser shall execute, where

appropriate, and deliver the following to Seller:

- (a) The Closing Payment;
- (b) The Assignment and Assumption of Tenant Leases;
- (c) The Assignment and Assumption of Warranties and Service Agreements;
- (d) The Seller Lease;
- (e) The Repurchase Agreement;
- (f) The Reciprocal Easement;
- (g) The Agreement for Post-Closing Repairs;
- (h) The Escrow Agreement (as hereinafter defined); and
- (i) Such other documents and instruments as may be required by the Title Company in order to consummate the transactions described in this Agreement.

7.3 If at any time after the Closing it becomes apparent that any necessary closing documents were either not delivered or improperly executed or that any closing adjustments were improperly calculated, the parties shall act in good faith and take all such steps including the execution or re-execution of documents and the payment of monies as may be reasonably necessary to rectify such errors or miscalculations. The provisions of this Section 7.3 shall survive the Closing for a period of one (1) year.

ARTICLE 8

APPORTIONMENTS AND ADJUSTMENTS

8.1 Seller shall be responsible for and shall pay all accrued expenses with respect to the Project accruing up to 11:59 P.M. on the Closing Date and shall be entitled to receive and retain all revenue from the Project accruing up to the Closing Date.

8.2 On the Closing Date, the following adjustments and apportionments shall be made in cash as follows:

(a) Rents for the month in which the Closing Date occurs (the "Closing Month") as and when collected. If past due rents are owing by tenants for any period prior to the Closing Month (the "Rent Arrearages"), then after request made by Seller subsequent to the Closing Date, Purchaser shall bill all tenants for such sums, provided however, that Purchaser shall have no liability or responsibility for the collection of any such Rent Arrearages. Seller shall be entitled to those funds received by Purchaser from tenants having Rent Arrearages after the Closing Date, only where such funds are in payment of such Rent Arrearages and are excess of amounts then owing or otherwise required to be paid to Purchaser from such tenants. Notwithstanding the foregoing, for any "pass-through" expenses which are collected from tenants on the basis of Seller's estimates of such expenses, promptly following the end of the fiscal period for which such estimated expenses are allocable, Seller and Purchaser shall determine the actual expenses allocable to such period and shall adjust for any difference between the estimated expenses and the actual expenses and the responsible party promptly shall pay the other the amount of any such difference.

(b) Real estate taxes, ad valorem taxes, school taxes, annual assessments and personal property, intangible and use taxes, if any;

(c) Charges under service contracts affecting the Project which Purchaser has agreed to assume on the Closing Date; and

(d) Water and sewer charges on the basis of the period for which assessed; provided that if a final bill is not available at Closing, a reasonable estimate will be made based on prior bills and an amount reasonably estimated to be adequate to pay such charges through the Closing Date shall be escrowed with the Title Company pending receipt of final bills.

8.3 At the Closing, Purchaser shall receive a credit against the Purchase Price in the following amounts: (i) in the amount of \$5,000 representing a recalculation in the rentable area of the Project, (ii) in the amount of \$120,000 for the landlord's contribution to Seller for the construction of certain additional space known as Suite 307 pursuant to the Seller Lease, (iii) in the amount of \$8,500 representing the rental on Dr. Hadden's space known as Suite 305 at a rate of \$1.45 per square foot per month for the period commencing on the Closing Date through 62 days following the Closing Date, (iv) the amount of \$100,000 for any damages, costs, expenses and lost rents from the potential insolvency or bankruptcy of WPIC or its affiliates and (v) in the amount of \$5,000 to reimburse Purchaser for a portion of Purchaser's legal fees.

8.4 At the Closing, Purchaser will receive a credit against the Purchase Price in an amount equal to all unapplied security deposits (and interest, if any) payable to tenants under Tenant Leases in effect on the Closing Date, against Purchaser's receipt and indemnification therefor. Seller hereby acknowledges that Dr. Hadden's security deposit has been applied and Purchaser shall not receive a credit therefor. Upon making such credit, Purchaser will be deemed to have received all such security deposits and shall be fully responsible for the same as if a cash amount equal to such security deposits were actually delivered to Purchaser. During the period prior to the Closing, Seller agrees to obtain Purchaser's prior written consent, such consent not to be unreasonably withheld, before applying any security deposit(s), or portions thereof, against any tenant default pursuant to the terms of the defaulting tenant's lease.

8.5 The provisions of this Article 8 shall survive the closing of title and the delivery of the deed.

ARTICLE 9

REMEDIES

9.1 If Purchaser defaults in its obligation to purchase the Project pursuant to this Agreement, then Seller shall have the right, in addition to any other remedies available to it at law or in equity, to terminate this Agreement by giving Purchaser written notice thereof and, upon receipt of such notice, this Agreement shall wholly cease and terminate, no party to this Agreement shall have any further claim, agreement, or obligation to any other party to this Agreement, and any lien of Purchaser against the Project shall automatically cease, terminate and be released.

9.2 If the sale contemplated by this Agreement is not consummated because of Seller's failure to perform its obligations hereunder, Purchaser shall be entitled, as its exclusive remedies, to elect either (a) to terminate this Agreement whereupon Seller shall pay to Purchaser the amount of \$63,000 plus the amount of Purchaser's legal fees and expenses (the "Cancellation Fee") or (b) to enforce specific performance of Seller's obligations under this Agreement; provided, however, that Seller shall not be required to expend any money other than the amounts provided in Article 8, or take any action other than delivery of the items provided in Article 7, in connection with such specific performance.

ARTICLE 10

DAMAGE, DESTRUCTION OR CONDEMNATION

10.1 Seller agrees to maintain its present policies of fire insurance covering the Project in full force and effect from the date of this Agreement through and including the Closing Date.

10.2 If on or before the Closing Date either (a) all or a Substantial Part (as hereinafter defined) of the improvements on the Land are damaged or destroyed by fire or the elements or by any other cause, or (b) any part of the Property is taken by condemnation or other power of eminent domain, Purchaser may, by written notice given to Seller within ten (10) days after Purchaser shall have notice of the occurrence or the taking (but in no event after the Closing Date), elect to terminate this Agreement (and have any monies paid on account of the Purchase Price returned to Purchaser).

10.3 If either (a) a Substantial Part of the improvements on the Land are damaged or destroyed or a part of the Property is taken by condemnation or other power of eminent domain, but this Agreement is not canceled as provided in Section 10.2, or (b) on or before the Closing Date, an insubstantial part of the improvements on the Land are damaged or destroyed, then neither Seller nor Purchaser shall have the right to terminate this Agreement based upon such damage, destruction or taking, provided, however, that on the Closing Date:

(i) Seller shall credit the Purchase Price with an amount equal to any sums of money collected by Seller under its policies of insurance or renewals thereof insuring against the loss in question (after deducting (1) any expenses incurred by Seller in collecting such insurance and (2) any amount that Seller shall have paid, for repairs or restoration of the damage), and Seller shall assign, transfer and set over to Purchaser all of Seller's right, title and interest in and to said policies with respect to the Property and any further sums payable under said policies,

(ii) Seller shall assign, transfer and set over to Purchaser all of Seller's right, title and interest in and to any awards that may be made for any taking by condemnation or any other power of eminent domain, and

(iii) Seller shall deliver to Purchaser a sum, reasonably determined by Purchaser, which when added to then available or estimated available insurance proceeds shall be reasonably sufficient to fully repair and restore the damage to the Property provided, however, that no payment shall be required if such damage is caused by a peril for which insurance could not be obtained.

10.4 For the purposes of this Article, a substantial part ("Substantial Part") of the Property or the improvements on the Land shall mean (a) a portion having a value of One Hundred Thousand (\$100,000.00) Dollars or more or (b) a casualty which would require expenditure of One Hundred Thousand (\$100,000.00) Dollars or more for repair or restoration, or (c) such portion of the Property as Purchaser's mortgage lender shall determine to be of a magnitude that said lender is unwilling to provide its acquisition financing for the Property on account of such damage.

ARTICLE 11

BROKER

11.1 Purchaser and Seller mutually represent and warrant to each other that neither they nor any entity related to them have dealt with any broker, finder or other person or entity who would be entitled to a commission or other brokerage fee in connection with the transactions described in this Agreement other than CB Commercial Real Estate Group, Inc. and Scott Lauritzen Mathias Associates which entities Seller agrees to pay pursuant to separate agreements. Purchaser and Seller each agree to indemnify, defend and hold the other harmless

of and from and against any loss, costs, damage or expense (including reasonable attorneys' fees and court costs) arising out of (i) any inaccuracy in the representation and warranty contained in the immediately preceding sentence or (ii) the claims of any broker or finder (or anyone claiming to be a broker or finder) other than the entities identified in the immediately preceding sentence regarding any services claimed to have been rendered to the indemnifying party in connection with the transactions contemplated by this Agreement.

11.2 Notwithstanding any other provision of this Agreement to the contrary, the provisions of this Article shall survive the closing of title and the delivery of the deed and any prior termination of this Agreement for any reason whatsoever.

ARTICLE 12

NOTICES

Any notice given or required to be given pursuant to any provision of this Agreement shall be in writing and shall either be personally delivered, sent by facsimile or sent by a reputable commercial courier service guaranteeing overnight delivery, and shall be deemed to have been given upon receipt if personally delivered or sent by facsimile, or, upon delivery to such courier, with delivery charges prepaid, if sent by such a courier, in either case addressed as follows:

Purchaser: Universal Health Realty Income Trust
367 South Gulph Road
King of Prussia, PA 19406
Attn: Mr. Kirk E. Gorman

with a copy to: Universal Health Realty Income Trust
3525 Piedmont Road, N.E.
7 Piedmont Center; Suite 202
Atlanta, Georgia 30305
Attn: Mr. Timothy J. Fowler

AND

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

Seller: Fresno-Herndon Partners, Limited
701 North First Street
San Jose, California 95112
Attn: Mr. Barry Swenson

with copy to: Fresno-Herndon Partners, Limited
701 North First Street
San Jose, California 95112
Attn: Mr. Jeff Lauritzen

Either party may, by giving notice to the other in the manner set forth above, change the address to which notices shall be sent to it, provided that any such change of address shall be effective three (3) business days after it is given. If a reputable commercial courier service guaranteeing overnight delivery shall not service the area to which notice is required to be given, notice to such area shall be by registered or certified mail, return receipt requested, and shall be deemed given one day after the same is deposited in an official U.S. mail depository, with all postage and other charges prepaid, enclosed in a properly addressed and sealed wrapper. The attorney for each party to this Agreement may give notices on behalf of his client with the same force and effect as if such notice was given directly by such party.

ARTICLE 13

PERMITTED ASSIGNMENT

Purchaser may assign its interest under this Agreement without Seller's consent.

ARTICLE 14

INSPECTION PERIOD

14.1 Purchaser intends to continue its due diligence on the Project and physical inspection of the Project through and including November 4, 1994 ("Inspection Period"). Seller shall assist with such inspection, but shall not be obligated to incur any cost or expense or to furnish any information other than at the place where same is maintained in connection therewith other than as specified in this Agreement. All information received by Purchaser relating to the Project from Seller or its affiliates shall be used solely for the purpose of determining the advisability of proceeding with the transaction described in this Agreement or in connection with Purchaser obtaining mortgage financing for the acquisition of the Project. Purchaser shall have the right to terminate this Agreement if Purchaser, in its sole discretion, deems the Project or any aspect thereof, to be unsatisfactory; provided, however, that Purchaser may only exercise such right by giving Seller written notice of such termination on or before the last day of the Inspection Period.

14.2 If Purchaser exercises its right to terminate this Agreement under this Article 14, this Agreement shall be deemed to be canceled and neither party have any further claim, agreement, or obligation to the other party.

ARTICLE 15

REPRESENTATIONS AND WARRANTIES

Seller and Purchaser hereby make the following mutual representations and warranties to each other, which representations and warranties are materially true and accurate in every respect as of the date hereof and shall be materially true and accurate as of the Closing Date and shall survive the delivery of the deed and the closing of title for one (1) year thereafter:

15.1 Of Seller:

(a) Authority. Seller has the full and unrestricted power and capacity to enter into and carry out the terms of this Agreement and all other agreements referred to herein. This Agreement constitutes, and all other agreements, documents and instruments to be executed by Seller pursuant hereto, when executed and delivered by Seller, will each constitute a valid and binding obligation of Seller as the case may be, enforceable in accordance with its terms;

(b) No Defaults. Neither the execution, delivery or performance of this Agreement or any other agreement contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute any default under, any agreement or instrument to which Seller is a party or is subject; (ii) violate any restriction to which Seller is a party or is subject; or (iii) constitute a violation of any applicable law, statute, regulation, ordinance, rule, judgment, decree, writ or order;

(c) No Litigation. There are no actions, suits, claims, arbitrations, proceedings, orders, judgments or investigations pending or, to the knowledge of

Seller, threatened against or affecting Seller or the Project or any of the Tenant Leases or which question the validity of this Agreement or any action taken or to be taken under any of the provisions of this Agreement, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality except the claims threatened by Dr. Bakar and WPIC for WPIC's use of the MRI equipment;

(d) MRI Equipment. Upon the completion of the construction of the metal shield described in Section 16.1(f), the use and operation of the MRI equipment by WPIC is in compliance with all applicable laws, regulations and guidelines except for emissions from the MRI equipment occurring solely within WPIC's space, and no dispute exists between WPIC and any tenant, other than the dispute with Dr. Bakar as described in this Agreement;

(e) Assessments. Seller has received no notice and has no knowledge of any pending improvements, liens or special assessments to be made against the subject property by any governmental authority;

(f) Condemnation. There is no exercise of eminent domain or condemnation pending, or to the best of Seller's knowledge threatened, against or affecting the Property (or any part thereof), nor does Seller know or have reasonable grounds to know of any basis for any of same;

(g) Tax Reduction Proceedings. There are no pending ad valorem tax reduction proceedings affecting the Property;

(h) Rents. The schedule attached hereto as Exhibit B and made a part hereof is a complete and accurate list of all the leases as amended (the "Tenant Leases") in effect at the Property, the dates thereof and of any amendments thereto, the names of the tenants thereunder, the rentable area occupied by each tenant, the expiration dates thereof; the fixed and additional rental currently payable thereunder, a statement as to rent arrearages, any amounts paid for parking, storage facilities or other charges not included in rent and the security (if any) held by Seller for each such tenant. The executed copies of all the Tenant Leases delivered to Purchaser concurrently with the execution hereof (and to be assigned at the Closing), are true, complete and correct and Seller is not in default thereunder, nor is there in existence any condition or fact which with notice or lapse of time, or both, would constitute a default thereunder; Seller is in possession of tenant security deposits in the amounts set forth in the Tenant Leases; no tenants are in default of their Tenant Leases except for the default claimed against WPIC for the use of the MRI equipment; no tenant is in arrears in the payment of rents or other charges; no such tenants shall be entitled to any rebates, rent concessions or free rent or renewal options, except as provided in the Tenant Leases; no commitments have been made to any tenant, except to VCC, for repairs or improvements, by Seller, as landlord, which remain to be completed or paid for in full; the Tenant Leases

constitute the entire agreement between the landlord and tenant thereunder, and there are no side letters or other agreements between the Landlord and each of the tenants; all Tenant Leases are the result of bona fide arm's-length negotiations with persons who are not affiliates of Seller; no rents due under any of said Tenant Leases have been assigned, hypothecated or encumbered; no rents under any Tenant Leases have been prepaid in advance of the then current month; and there are no fees or commissions payable to any third person or entity in regard to the subject property or any of said Tenant Leases (including any commissions payable upon the exercise of any renewal option under the Tenant Leases); and Seller will not, hereafter and prior to the Closing Date, modify any Tenant Lease, accept any termination or surrender of any Tenant Lease or enter into any agreement extending the term of any Tenant Lease, without the prior written consent of Purchaser;

(i) Zoning. The Property is properly zoned for use as and for medical offices and an ambulatory surgical facility and no restrictions, easements, limitations or conditions of any sort whatsoever exist affecting the use of the Property, other than as specifically set forth in the Title Commitment;

(j) Permits. All permits and licenses necessary for the operation and occupancy of the Property, including, but not limited to, all building and use permits, and permits, licenses and other authorization required under any applicable local, state or federal environmental laws, orders, rules, regulations or requirements have been obtained on all operations to date and shall be maintained through the Closing Date and the continued existence use and occupancy of the Project by Purchaser is not dependent on the granting of any special permit, exception, approval or variance. No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental authority with respect to any alleged failure by Seller to have any permit, license or authorization required in connection with the use, maintenance and operation of the Property, or with respect to any generation, treatment, storage, recycling, transportation, release or disposal of any "hazardous substances" (as hereinafter defined);

(k) Certificate of Occupancy. Final certificates of occupancy have been issued for the Property, including all medical offices and ambulatory surgical facilities (copies of which are annexed hereto as Exhibit K) and have not been amended, revoked or canceled;

(l) Access. Seller has no knowledge or notice of any fact or condition existing which would result or could result in the termination or reduction of the current access from the Property to existing roads or to sewer or other utility services presently serving the Property;

(m) Utilities. All utilities as shown in the Plans and Specifications (including, but not limited to, water, sewer, electricity and telephone facilities) are available at the Project;

(n) No Option to Purchase. No third party has an option to purchase the Project;

(o) No Bankruptcy. There are no attachments, executions, assignments for the benefit of creditors or voluntary or involuntary proceedings in bankruptcy pending, contemplated or, to the knowledge of Seller, threatened against Seller;

(p) Service, Maintenance Agreements, etc. There are no contracts, oral or written, with any employees nor any service contract, maintenance contract, nor any union or other contract or agreement with respect to the Property which is not listed in Schedule 1 to Exhibit D. All such agreements are in full force and effect without default. Seller will not enter into any new such agreement or modify any such agreement prior to the Closing;

(q) No Lease of Space. Seller will not, hereafter and prior to the Closing Date, lease any space which is now or may become vacant without the prior written approval of Purchaser;

(r) Seller to Maintain Premises. Seller will maintain the physical condition of the Property in the same condition as of the date hereof through the Closing Date, reasonable wear and tear excepted, will make any ordinary repairs and continue maintenance of the Property from the date hereof until Closing, as it would in the normal course of operations;

(s) Insurance Requirements. There are no outstanding requirements by the holder of any existing note and mortgage on the Property, or any insurance company, insurance rating board, fire underwriting board or governmental agency requiring or recommending any repairs or work to be done at the Property or any equipment to be installed thereon;

(t) Income and Operating Expenses. The schedule attached hereto as Exhibit L and made a part hereof accurately sets forth the income and expenses of the Property on an annual basis for the period ended December 31, 1993 and for the current year through September 30, 1994. There was no tax abatement or

exemption in effect for the Property during said period. There has been no material adverse change in the operation or income of the Property since that date, other than as set forth in Exhibit L;

(u) Employees. There are no employees employed by Seller in the operation and maintenance of the Property;

(v) No Defective Condition. There is no defective condition, structural or otherwise, in the buildings or other improvements on the Property; All heating, electrical, plumbing, air conditioning, and other mechanical and electrical systems are in good condition and working order and are adequate in quantity and quality for the operation of the Project, and the roof is free from leaks and in sound structural condition. Seller shall repair or replace immediately any defective condition or defective system for a period of one (1) year following the Closing, specifically excluding, however, any such repairs or replacements that are reimbursable to Purchaser under a Tenant Lease. Seller shall cause Green Valley to guarantee Seller's obligations under this clause (v);

(w) No Hazardous Substances. Except as set forth in Exhibit M attached hereto, to Seller's knowledge (i) the Property has not been used for the production, storage, deposit or disposal of toxic, dangerous or "hazardous substances", as such term is defined in the Comprehensive Environmental Response and Liability Act, 42 U.S.C. Section 9601 et. seq., as amended, or under any other state or local environmental statutes or regulations issued pursuant thereto; (ii) No asbestos-containing materials are located on the Property; (iii) No electrical transformers, florescent light fixtures with ballasts or other equipment containing PCBs are or were located on the Property; (iv) There is no activity on the Property which would subject the owner of the Property to damages or penalties under any federal, state or local law, ordinance, code or regulation, or under any civil action respecting hazardous substances on the Property; (v) Seller has at all times operated the Project in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of environmental laws and related orders of any court or other governmental entity; (vi) There are not any existing, pending or, to the knowledge of Seller, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other governmental entity directed against Seller in connection with the operation of the Project which pertain or relate to (i) any remedial obligations under any applicable

environmental law, (ii) violations by Seller of any environmental law, (iii) personal injury or property damage claims relating to a release of chemicals or hazardous substances by Seller, or (iv) response, removal, or remedial costs under the Comprehensive Environmental Response, Compensation, and Liability Act or any similar state law; (vii) There has been no release of any hazardous substances on or underlying the real property nor any release or seepage from any property adjoining the Real Property; (viii) There are no underground storage tanks for hazardous substances, active or abandoned, with respect to the Project.

(x) No Violations. There are no outstanding notes or notices of violations of law or governmental ordinances, orders or requirement issued by any governmental department, agency, bureau or instrumentality affecting the Property or any part thereof (collecting "Property Violations") and all Property Violations affecting the Property as of the Closing Date (as the same may be adjourned) shall be complied with and removed of record by Seller, at its expense, at Closing;

(y) Vendors. All vendors, suppliers and other contractors or persons supplying goods or services to the Property, have been paid in full to date or will be paid on the Closing Date;

(z) No Landmark. The Property is not a landmark under any applicable federal, state or local laws, statutes, ordinances, regulations or orders; and

(aa) No Unpaid Bills. As of the Closing Date, there are no unpaid

bills for work, labor, service or materials furnished to the Project upon the request or order of Seller, which may be made the basis of a lien.

15.2 Of Purchaser:

(a) Authority. Purchaser has the full and unrestricted power and capacity to enter into and carry out the terms of this Agreement and all other agreements referred to herein. This Agreement constitutes, and all other agreements, documents and instruments to be executed by Purchaser pursuant hereto, when executed and delivered by Purchaser, will each constitute a valid and binding obligation of Purchaser as the case may be, enforceable in accordance with its terms;

(b) No Defaults. Neither the execution, delivery or performance of this Agreement or any other agreement contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute any default under, any agreement or instrument to which Purchaser is a party or is subject; (ii) violate any restriction to which Purchaser is a party or is subject; or (iii) constitute a violation of any applicable law, statute, regulation, ordinance, rule, judgment, decree, writ or order; and

(c) No Litigation. There are no actions, suits, claims, arbitrations, proceedings, orders, judgments or investigations pending or, to the knowledge of Purchaser, threatened against or affecting or which question the validity of this Agreement or any action taken or to be taken under any of the provisions of this Agreement, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality.

ARTICLE 16

CONDITIONS PRECEDENT TO CLOSING

16.1 The obligation of Purchaser to purchase the Project pursuant to the provisions of this Agreement shall be subject to the following conditions (all or any of which may be waived in writing, in whole or in part, by Purchaser):

(a) the representations and warranties of Seller in this Agreement shall be true and correct and the covenants and agreements of Seller contained herein shall have been complied with as of the date of Closing;

(b) Seller shall deliver the documents described in Articles 5 and 7 of this Agreement;

(c) There shall have been no material changes in the zoning laws and regulations applicable to the Project;

(d) Seller shall have obtained an estoppel certificate from tenants occupying the Property's leased space under the Tenant Leases, described on Exhibit B annexed hereto dated no earlier than October 10, 1994 setting forth that (i) there are no defaults thereunder by landlord or tenant, (ii) their respective leases are valid, unmodified and in full force and effect, (iii) that all rent and additional rent has been paid through the month of Closing and (iv) such other matters as are set forth in Exhibit B annexed hereto;

(e) Seller shall deliver title to the Property as provided in Article 5 hereof;

(f) Seller shall have commenced and shall be proceeding with due diligence to construct a metal shield along the length of the wall separating Dr. Bakar's space from certain portions of WPIC's space containing the examining room and the control room for the MRI Equipment. Seller shall construct such wall in accordance with the design by Picker International, Inc. Seller shall

complete such construction on or before January 31, 1995. Seller shall indemnify and hold Purchaser harmless from all liability, damages, suits, costs and expenses arising from any claims by Dr. Bakar or WPIC or both relating to the emissions from the MRI equipment or the construction of the wall. The provisions of this Section 16.1(f) shall survive the Closing; and

(g) Seller shall deposit the aggregate amount of \$75,000 in escrow with Purchaser's counsel to be held in accordance with the escrow agreement in the form of Exhibit N. Such amount represents security for Seller's continuing post-closing obligations to Purchaser as provided herein and is allocated as follows: (i) the amount of \$25,000 for the satisfactory completion of the metal shield as described in Section 16.1(f) above, (ii) the amount of \$25,000 for rental payments and construction work on the space currently occupied by Dr. Hadden and (iii) the amount of \$25,000 for the timely completion of the adjustment of the lot line of the Property such that the lot line runs through the centerline of the driveway on North Fresno Avenue. Such deposit may be made by Seller at the Closing from the proceeds of the payment by Purchaser of the Purchase Price; and

(h) Seller shall have completed, in a manner satisfactory to Purchaser, the repairs and other work described on Exhibit O attached hereto.

16.2 If Seller shall fail to satisfy any of the conditions set forth herein or any other covenant or closing obligation of Seller shall not have been complied with as of the Closing Date, then in such event Purchaser shall have the right, in addition to any other rights or remedies available to Purchaser under this Agreement or in equity or at law, to rescind this transaction in which event Seller shall pay to Purchaser the Cancellation Fee and the parties shall be relieved and released from any further obligations to each other or Purchaser may close the transaction in accordance with its terms.

ARTICLE 17

POST-CLOSING OBLIGATIONS

17.1 Purchaser has received a credit against the Purchase Price in the amount of \$8,500 for rent on Dr. Hadden's space. Seller shall pay promptly to Purchaser on demand any additional amount of rent payable on such space at the rate specified hereinabove for the period from 63 days following the Closing Date to the date VCC occupies the space. Seller shall also complete the alteration of such space prior to February 1, 1995 as required by VCC's Tenant Lease. Upon (i) Seller's completion of such alterations and (ii) the agreement of VCC to pay additional rent representing the amortization of the cost of such alterations, Purchaser shall reimburse Seller in the amount of \$23,500.

17.2 Seller shall complete, at Seller's cost and expense, on or before December 20, 1994 an adjustment to the lot line of the Property such that the lot line runs through the centerline of the driveway connecting the Property to North Fresno Avenue.

17.3 If Seller fails to satisfy its obligations as set forth under Sections 16.1(f), 17.1 or 17.2, Purchaser may cause such obligations to be fulfilled at Seller's cost and expense and Purchaser shall be entitled to disbursements from the amount deposited by Seller under Section 16.1(g) in the amounts specified thereunder.

17.4 Provided no monetary default has occurred under the Tenant Lease of WPIC, on the third anniversary of the date hereof, Purchaser shall pay the amount of \$57,881 to Seller and, on the fifth anniversary of the date hereof, Purchaser shall pay the amount of \$63,814 to Seller. Notwithstanding the foregoing, if no monetary default has occurred under the Tenant Lease of WPIC and such Tenant Lease shall have been assumed by a successor tenant having an Acceptable Financial Status (as hereinafter defined) for a continuous period of at least four consecutive quarters, Purchaser shall pay to Seller the amount of \$100,000 plus interest at the rate of 5% per annum compounded annually from the

Closing Date up to the date of such payment. Acceptable Financial Status shall be calculated in accordance with generally accepted accounting principles and shall mean (i) a ratio of total liabilities to tangible net worth of not more than 1.5 and (ii) a ratio of earnings before interest and taxes to interest charges of at least 2.

17.5 The provisions of this Article 17 shall survive the Closing.

ARTICLE 18

MISCELLANEOUS

18.1 This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective heirs, successors, legal representatives and permitted assigns.

18.2 Wherever under the terms and provisions of this Agreement the time for performance falls upon a Saturday, Sunday or legal holiday, such time for performance shall be extended to the second business day thereafter.

18.3 This Agreement may be executed in one or more counterparts, all of which when taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts have been executed by each of the parties hereto and delivered to each of the other parties hereto.

18.4 The captions at the beginning of the several paragraphs, Sections and Articles are for convenience in locating the context, but are not part of the context. Unless otherwise specifically set forth in this Agreement to the contrary, all references to Exhibits contained in this Agreement refer to the Exhibits which are attached to this Agreement all of which Exhibits are incorporated in, and made a part of, this Agreement by reference. Unless otherwise specifically set forth in this Agreement to the contrary, all references to Articles, Sections, paragraphs and clauses refer to portions of this Agreement.

18.5 If any term or provision of this Agreement shall be held to be illegal, invalid, unenforceable or inoperative as a matter of law, the remaining terms and provisions of this Agreement shall not be affected thereby, but each such remaining term and provision shall be valid and shall remain in full force and effect.

18.6 This Agreement and the other writings referred to in, or delivered pursuant to, this Agreement, embody the entire understanding and contract between the parties hereto with respect to the Project and supersede any and all prior agreements and understandings between the parties hereto, whether written or oral, formal or informal, with respect to the subject matter of this Agreement. This Agreement has been entered into after full investigation by each party and its professional advisors, and neither party is relying upon any statement, representation or warranty made by or on behalf of the other which is not expressly set forth in this Agreement.

18.7 No extensions, changes, waivers, modifications or amendments to or of this Agreement, of any kind whatsoever, shall be made or claimed by Seller or Purchaser, and no notices of any extension, change, waiver, modification or amendment made or claimed by Seller or Purchaser shall have any force or effect whatsoever, unless the same is contained in a writing and is fully executed by the party against whom such matter is asserted.

18.8 This Agreement shall be governed and interpreted in accordance with the laws of the State of New York (except with respect to the enforcement of any claims against the Property or in connection with enforcement of Purchaser's right to seek specific performance of Seller's obligations hereunder, which rights shall be governed by the Laws of the State of California).

18.9 Each party hereto shall pay all charges specified to be paid by

them pursuant to the provisions of this Agreement and their own attorney's fees in connection with the negotiation, drafting and closing of this Agreement.

18.10 THE DECLARATION OF TRUST ESTABLISHING UNIVERSAL HEALTH REALTY INCOME TRUST, FILED AUGUST 6, 1986, A COPY OF WHICH, TOGETHER WITH ALL AMENDMENTS THERETO ("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.

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

SELLER: FRESNO-HERNDON PARTNERS, LIMITED

By: Green Valley Corporation, its sole general partner

By: _____
Name:
Title:

PURCHASER: UNIVERSAL HEALTH REALTY INCOME TRUST

By: _____
Name:
Title:

LIST OF EXHIBITS

EXHIBIT

- A Description of the Land
- B Tenant Leases
- C Assignment and Assumption of Tenant Leases (see attached)
- D Assignment and Assumption of Warranties and Service Contracts (see attached)
- E Tenant Notice (to be prepared by Seller)
- F Documents re Bakar and WPIC Settlement (to be provided by Seller)
- G Seller Lease (to be provided by Seller)
- H Repurchase Agreement (to be provided by Purchaser)

- I Reciprocal Easement Agreement (to be provided by Seller)
- J Agreement for Post-Closing Repairs (to be provided by Purchaser)
- K Certificate of Occupancy (to be provided by Seller)
- L Income and Operating Statements for 1993 (to be provided by Seller)
- M Hazardous Substance Disclosure (to be provided by Seller)
- N Escrow Agreement (to be provided by Purchaser)
- O Repairs (to be provided by Purchaser)

ASSIGNMENT AND ASSUMPTION OF TENANT LEASES

KNOW THAT FRESNO-HERNDON PARTNERS LIMITED, a California limited partnership ("Assignor"), in consideration of ten dollars and other valuable consideration paid by UNIVERSAL HEALTH REALTY INCOME TRUST ("Assignee"), hereby assigns unto Assignee all its right, title and interest as landlord in and to certain leases of portions of the building know as Fresno-Herndon Medical Plaza, Fresno, California (collectively, the "Tenant Leases") as more particularly described in Schedule 1 annexed hereto and made a part hereof.

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, from the date hereof, for all of the rest of the term mentioned in the Tenant Leases, subject to the covenants, conditions and provisions therein also mentioned.

AND Assignee hereby assumes performance of all of Assignor's obligations as landlord under the Tenant Leases from and after the Closing Date and agrees to indemnify, defend and hold Assignor harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Tenant Leases from and after the Closing Date. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Tenant Leases before the Closing Date.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument this ____ day of November, 1994.

FRESNO-HERNDON PARTNERS LIMITED

By: _____
 Name:
 Title

UNIVERSAL HEALTH REALTY INCOME
 TRUST

By: _____
 Name: Timothy J. Fowler
 Title: Vice President

ASSIGNMENT AND ASSUMPTION OF
 WARRANTIES AND SERVICE CONTRACTS

KNOW THAT FRESNO-HERNDON PARTNERS LIMITED, a California limited partnership ("Assignor"), in consideration of ten dollars and other valuable consideration paid by UNIVERSAL HEALTH REALTY INCOME TRUST ("Assignee"), hereby assigns unto Assignee the warranties and service contracts listed on Schedule 1 annexed hereto, covering the operation of the building known as Fresno-Herndon Medical Plaza, Fresno, California (collectively, the "Warranties and Service Contracts").

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, from the date hereof, for all of the rest of the term mentioned in the Warranties and Service Contracts, subject to the covenants, conditions and provisions therein also mentioned.

AND Assignee hereby assumes performance of all of Assignor's obligations under the Warranties and Service Contracts after the Closing Date and agrees to indemnify, defend and hold Assignor harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Warranties and Service Contracts from and after the Closing Date. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Warranties and Service Contracts before the Closing Date.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument this _____ day of November, 1994.

FRESNO-HERNDON PARTNERS LIMITED

By: _____
Name:
Title:

UNIVERSAL HEALTH REALTY INCOME
TRUST

By: _____
Name: Timothy J. Fowler
Title: Vice President

REPURCHASE AGREEMENT

AGREEMENT made as of the ____ day of November, 1994 by and between FRESNO-HERNDON PARTNERS, LIMITED, a California limited partnership having an office at 701 North First Street, San Jose, California 95112 ("Purchaser") and UNIVERSAL HEALTH REALTY INCOME TRUST having an office at 367 South Gulph Road, King of Prussia, Pennsylvania 19406 ("Seller")

W I T N E S S E T H :

ARTICLE 1

AGREEMENT FOR PURCHASE AND SALE

1.1 Subject to the conditions set forth in this Agreement, Seller is granting to Purchaser an option commencing on the seventh anniversary of the date hereof (the "Repurchase Date") and continuing for a period of forty-five

(45) days (the "Expiration Date") to purchase the following property (collectively, the "Project"):

a) The property located in the City of Fresno, State of California more particularly described on Exhibit A (the "Land") together with the existing improvements thereon, consisting of the building and improvements having the street address of 7055 North Fresno Street, Fresno, California 93720 (together, the "Property");

(b) The Seller's interest in and to the Tenant Leases (as hereinafter defined) affecting the Property;

(c) All of Seller's right, title and interest in and to all intangible property now or hereafter owned or held by Seller in connection with its ownership of the Property, including but not limited to any leases, contracts, leasing materials and forms, keys, records and correspondence relating to tenants, security deposits, prepaid rentals, telephone exchange numbers and the use of the name "Fresno- Herndon Medical Plaza";

(d) Seller's right, title and interest in and to all easements, licenses, appurtenances, rights, privileges and hereditaments belonging or appertaining to the Property, and in and to any land lying in the bed of any street, road or avenue, in front of or adjoining the Property to the center line thereof; and

(e) All fixtures and articles of personal property attached or appurtenant to or used in connection with the Property which are owned by Seller and located at the Property, free from all liens and encumbrances and, without limiting the generality of the foregoing, such fixtures and articles of personal property shall include machinery, computer hardware and software, plumbing, heating and lighting fixtures, mail boxes, tools, and maintenance equipment or supplies, if any, owned by Seller and located at the Property.

1.2 Purchaser must exercise the option to purchase by notice to Seller as provided herein on a date (the "Exercise Date") prior to the Expiration Date.

ARTICLE 2

PURCHASE PRICE

2.1 The purchase price for the Project is SEVEN MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS (\$7,250,000) (the "Purchase Price") plus or minus the adjustments provided for in this Agreement (the "Closing Payment"), to be paid to Seller in federal funds in such manner, place and account as Seller may reasonably request, by notice given to Purchaser at least three (3) business days prior to the Closing (as hereinafter defined).

ARTICLE 3

PHYSICAL CONDITION OF PROJECT, ETC.

Purchaser agrees to purchase the Property in its "AS IS" condition on the Repurchase Date, subject to Seller's representations and warranties as set forth in this Agreement and ordinary wear and tear between the date hereof and the Closing Date. Purchaser has not relied upon, and Seller is not liable or bound in any manner, by any verbal or written statements, representations, real estate brokers' "set-ups" or information pertaining to the Project furnished by any real estate broker, agent, employee, servant or other persons unless the same are expressly set forth in this Agreement.

ARTICLE 4

PERMITTED ENCUMBRANCES TO TITLE

4.1 Seller shall deliver to Purchaser good, marketable and indefeasible fee simple title to the Property, subject only to the Permitted Encumbrances (as hereinafter defined).

4.2 Purchaser agrees to accept title to the Property subject to the following matters (collectively, the "Permitted Encumbrances"):

(a) The leases and tenancies affecting the Property on the Exercise Date (the "Tenant Leases");

(b) Liens securing payment of all ad valorem, intangible and other real and personal property taxes, school taxes, and water and sewer charges against the Property or the personal property covered by this Agreement for the tax year in which the Closing Date occurs;

(c) the exceptions listed as numbers 1, 2, 3, 4, 5, 6, 7, 8, 9, 15, 16, 17, 18 and 21 together with portions of 11, 12 and 13 other than references to assignments of lease in the Preliminary Title Report dated as of August 9, 1994 (the "Title Commitment") of Chicago Title Insurance Company (the "Title Company") to issue an owner's policy of title insurance (the "Title Policy");

(d) the exception listed as number 10 on the updated Title Commitment, dated October 12, 1994;

(e) the Reciprocal Easement dated the date hereof between Seller and Purchaser for ingress and egress;

(f) the adjustment to the lot line of the respective properties of Seller and Purchaser such that the lot line runs down the centerline of the driveway on North Fresno Avenue; and

(g) Such other exceptions to title as shall be approved by Purchaser.

4.3 If at the time of the Closing the Property or any part thereof shall be or shall have been affected by an assessment or assessments which are or may become payable in annual installments of which the first installment is then due or has been paid, then for the purpose of this Agreement all the unpaid annual installments of any such assessment, including those which are to become due and payable after Closing, shall be prorated between Seller and Purchaser as of the Closing Date and adjusted accordingly at that time. The terms and provisions of this Section 4.3 shall survive the Closing.

ARTICLE 5

CONDITION OF TITLE, TITLE INSURANCE

5.1 Within five (5) days of the Exercise Date, Purchaser shall give written notice (the "Objection Notice") to Seller of the conditions of title which Purchaser is not obligated to take the Property subject to pursuant to the provisions of this Agreement (the "Objections").

5.2 If Seller gives Purchaser notice (the "Response Notice") within five (5) days of the date hereof, that Seller is unable to convey title to the Property as required by this Agreement, Purchaser may, as its exclusive remedy, elect by written notice given to Seller within five (5) days after the Response Notice is given, either (a) to accept such title as Seller is able to convey without any reduction or abatement of the Purchase Price or (b) to terminate this Agreement.

5.3 The existence of liens or encumbrances other than the Permitted Encumbrances or those which are permitted by this Agreement shall be deemed to be Permitted Encumbrances if the Title Company will insure Purchaser's title clear of the matter or will insure against the enforcement of such matter out of the Property, on the condition that both Purchaser's counsel shall agree to

accept title with such insurance. Any unpaid liens for real estate and personal property taxes for years prior to the fiscal year in which the Closing Date occurs and any other matter which Seller is obligated to pay and discharge at the Closing shall not be deemed objections to title, but the amount thereof chargeable to Seller, plus interest and penalties thereon, if any, shall be shown as chargeable to Seller in Purchaser's and Seller's settlement statement on the Closing Date and paid to the Title Company for the payment of such matters.

5.4 Purchaser shall pay any costs for obtaining the Title Commitment and the Title Policy. Purchaser shall pay the escrow fees of the Title Company. Except as noted herein, Purchaser shall pay all deed transfer, documentary stamp tax, intangible and other taxes and other recording costs and expenses in connection with the Closing.

5.5 Seller shall, at its sole expense, deliver or cause to be delivered to Purchaser within five (5) days from and after the Exercise Date of execution of this Agreement the following documents, to the extent they are in Seller's possession:

(a) A copy of the paid real estate tax bill for the most recent period for which real estate taxes have been due and payable;

(b) True and correct copies of all equipment leases, service, maintenance, union and management contracts, as well as all other documents or agreements relating to or affecting the Project;

(c) A current rent roll for the Property, listing for each tenant the name, rent, arrearages, offsets or credits to rent, reimbursement for expenses, amount of deposits, cleaning fees, preparation charges, advance rent and prepaid rent, if any, lease commencement dates, lease termination dates, lease options, option rent, and cost of living clauses;

(d) A schedule of any employees employed by Seller or contractors retained by Seller in the operation of the Project, setting forth names, salaries, other compensation, and other pertinent information concerning such employees or contractors;

(e) True and correct copies of any insurance policies covering the Project;

(f) A schedule of any litigation which is pending, or for which notice has been given against the Property as well as any papers received or sent by Seller in connection with such litigation; and

(g) True and correct copies of any uncompleted work letters relating to the Property.

ARTICLE 6

CLOSING

6.1 The consummation of the transactions described in this Agreement (the "Closing") shall occur on a date mutually agreed upon by Seller and Purchaser which date shall be no later than the Expiration Date (the "Closing Date"), by escrow closing through the Title Company at their office in Fresno, California or in such other manner or in such other place as the parties may agree upon.

6.2 Upon Purchaser's delivery of all required documents and instruments and its payment of the balance of the Purchase Price and other amounts required herein, Purchaser and Seller shall prepare and sign a closing statement reflecting the adjustments and payments made and agreements in connection therewith (the "Closing Statement"). The Closing Statement and all of the aforesaid documents executed by Purchaser or Seller, or both, as

appropriate, and be delivered to the Title Company which shall do the following:

(a) Record the deed.

(b) Deliver to Seller and Purchaser or other appropriate party the documents and payments delivered to it as escrow holder for delivery to such party; and

(c) Pay all recording, tax and other transfer fees and all filing fees reflected on the Closing Statement.

6.3 Notwithstanding anything contained in this Agreement to the contrary, Purchaser and Seller acknowledge that the requirements for the Closing set forth in this Agreement may be supplemented by written escrow instructions to the Title Company and a settlement statement executed by both Seller and Purchaser, whereupon the delivery of any document or other item required to be delivered hereunder shall be deemed duly delivered if such document or item is delivered to the Title Company in accordance with such escrow instructions.

ARTICLE 7

DOCUMENTS REQUIRED ON CLOSING DATE

7.1 At or prior to the Closing, Seller shall execute and deliver the following to Purchaser:

(a) Grant Deed;

(b) Bill of Sale pursuant to which Seller assigns and conveys to Purchaser all personal property covered by this Agreement, with any applicable sales tax to be paid by Seller;

(c) Assignment and Assumption of the Tenant Leases in the form annexed hereto as Exhibit B;

(d) Assignment and Assumption of Warranties and Service Contracts, in the form annexed hereto as Exhibit C, pursuant to which Seller assigns to Purchaser its interest in (i) all service contracts as approved and designated by Purchaser to remain in effect at the Property and (ii) all transferable guaranties and warranties relating to the Property;

(e) A rent roll for the Property (the "Rent Roll") listing each tenant, the size and location of the space covered by the applicable Tenant Lease, the date and term (including commencement and termination dates) of the applicable Tenant Lease, the provisions of renewal options (including term and rental provisions), if any, of the applicable Tenant Lease, the monthly rent and other charges payable, lease expiration date and unapplied security deposit (including the name of the bank, branch address and account in which such deposit is held) as of a date not more than three (3) days prior to the Closing Date, certified by Seller and Seller's managing agent;

(f) The originals or certified copies of the Tenant Leases described in the Rent Roll;

(g) A written notice of the acquisition of the Property by Purchaser, originally executed by Seller and Purchaser, which Seller shall transmit to all tenants and to other parties affected by the sale and purchase of the Property (the "Tenant Notices"). Such Tenant Notices shall be prepared by Seller and shall inform the addressees of the sale and transfer of the Property to Purchaser and contain appropriate instructions relating to the payment of future rentals, the giving of future notices, the naming of Purchaser as an additional insured on each tenant's insurance policies and other matters reasonably required by Purchaser. The Tenant Notices shall specify that unapplied security deposits under the tenant leases have been delivered to

Purchaser;

(h) A non-foreign status affidavit for Seller complying with the requirements of Internal Revenue Code Section 1445(f)(3) and the regulations promulgated thereunder;

(i) All costs and fees required to be paid by Seller pursuant to Articles 4 or 8 hereof;

(j) A mechanics' lien and general title affidavit, if required by the Title Company to issue its policy of title insurance without exception for mechanics' liens, verifying it to be the fact that, as of the Closing Date, there are no unpaid bills for work, labor, service or materials furnished to the real property upon the request or order of Seller which may be made the basis of a lien, and that Seller is in possession of the Project, subject only to the rights of tenants in possession under the Tenant Leases; and

(k) Such other documents and instruments as may be required by the Title Company in order to consummate the transactions described in this Agreement and to issue the Title Policy to Purchaser.

7.2 At or prior to the Closing, Purchaser shall execute, where appropriate, and deliver the following to Seller:

(a) The Closing Payment;

(b) The Assignment and Assumption of Tenant Leases;

(c) The Assignment and Assumption of Warranties and Service Agreements; and

(d) Such other documents and instruments as may be required by the Title Company in order to consummate the transactions described in this Agreement.

7.3 If at any time after the Closing it becomes apparent that any necessary closing documents were either not delivered or improperly executed or that any closing adjustments were improperly calculated, the parties shall act in good faith and take all such steps including the execution or re-execution of documents and the payment of monies as may be reasonably necessary to rectify such errors or miscalculations. The provisions of this Section 7.3 shall survive the Closing for a period of one (1) year.

ARTICLE 8

APPORTIONMENTS AND ADJUSTMENTS

8.1 Seller shall be responsible for and shall pay all accrued expenses with respect to the Project accruing up to 11:59 P.M. on the Closing Date and shall be entitled to receive and retain all revenue from the Project accruing up to the Closing Date.

8.2 On the Closing Date, the following adjustments and apportionments shall be made in cash as follows:

(a) Rents for the month in which the Closing Date occurs (the "Closing Month") as and when collected. If past due rents are owing by tenants for any period prior to the Closing Month (the "Rent Arrearages"), then after request made by Seller subsequent to the Closing Date, Purchaser shall bill all tenants for such sums, provided however, that Purchaser shall have no liability or responsibility for the collection of any such Rent Arrearages. Seller shall be entitled to those funds received by Purchaser from tenants having Rent Arrearages after the Closing Date, only where such funds are in payment of such Rent Arrearages and are excess of amounts then owing or otherwise required to be paid to Purchaser from such tenants. Notwithstanding the foregoing, for any

"pass-through" expenses which are collected from tenants on the basis of Seller's estimates of such expenses, promptly following the end of the fiscal period for which such estimated expenses are allocable, Seller and Purchaser shall determine the actual expenses allocable to such period and shall adjust for any difference between the estimated expenses and the actual expenses and the responsible party promptly shall pay the other the amount of any such difference.

(b) Real estate taxes, ad valorem taxes, school taxes, annual assessments and personal property, intangible and use taxes, if any;

(c) Charges under service contracts affecting the Project which Purchaser has agreed to assume on the Closing Date; and

(d) Water and sewer charges on the basis of the period for which assessed; provided that if a final bill is not available at Closing, a reasonable estimate will be made based on prior bills and an amount reasonably estimated to be adequate to pay such charges through the Closing Date shall be escrowed with the Title Company pending receipt of final bills.

8.3 At the Closing, the Purchase Price shall be increased by (i) the amount of \$10,101 if Vision Care Center of California, Inc. ("VCC") exercises its option to lease the space known as Suite 307, as set forth in the Tenant Lease with VCC and the amendments thereto, (ii) an amount equal to the unamortized cost of any capital improvements or other alterations done to the Property, including, without limitation, any improvements or alterations done in any tenant space and (iii) an amount equal to the net present value of payments which Seller would have received from any tenant following the Closing Date to reimburse Seller for any tenant improvements financed by Seller.

8.4 At the Closing, Purchaser will receive a credit against the Purchase Price in an amount equal to all unapplied security deposits (and interest, if any) payable to tenants under Tenant Leases in effect on the Closing Date, against Purchaser's receipt and indemnification therefor. Upon making such credit, Purchaser will be deemed to have received all such security deposits and shall be fully responsible for the same as if a cash amount equal to such security deposits were actually delivered to Purchaser. During the period prior to the Closing, Seller agrees to obtain Purchaser's prior written consent, such consent not to be unreasonably withheld, before applying any security deposit(s), or portions thereof, against any tenant default pursuant to the terms of the defaulting tenant's lease.

8.5 The provisions of this Article 8 shall survive the closing of title and the delivery of the deed.

ARTICLE 9

REMEDIES

9.1 If Purchaser defaults (i) in its obligation to purchase the Project pursuant to this Agreement or (ii) in any of its post-closing obligations under the Agreement of Purchase and Sale for the Project between Purchaser, as seller and Seller, as purchaser or (iii) in its obligations under that certain lease dated the date hereof for certain space in the Project known as Suite 307 between Seller, as landlord and Purchaser, as tenant, then Seller shall have the right, in addition to any other remedies available to it at law or in equity, to terminate this Agreement by giving Purchaser written notice thereof and, upon receipt of such notice, this Agreement shall wholly cease and terminate, no party to this Agreement shall have any further claim, agreement, or obligation to any other party to this Agreement, and any lien of Purchaser against the Project shall automatically cease, terminate and be released.

9.2 If the sale contemplated by this Agreement is not consummated because of Seller's failure to perform its obligations hereunder, Purchaser shall be entitled, as its exclusive remedies, to elect either (a) to terminate

this Agreement or (b) to enforce specific performance of Seller's obligations under this Agreement; provided, however, that Seller shall not be required to expend any money other than the amounts provided in Article 8, or take any action other than delivery of the items provided in Article 7, in connection with such specific performance.

ARTICLE 10

DAMAGE, DESTRUCTION OR CONDEMNATION

10.1 Seller agrees to maintain its present policies of fire insurance covering the Project in full force and effect from the date of this Agreement through and including the Closing Date.

10.2 If on or before the Closing Date either (a) all or a Substantial Part (as hereinafter defined) of the improvements on the Land are damaged or destroyed by fire or the elements or by any other cause, or (b) any part of the Property is taken by condemnation or other power of eminent domain, Seller or Purchaser may, by written notice given to Seller within ten (10) days after the parties shall have notice of the occurrence or the taking (but in no event after the Closing Date), elect to terminate this Agreement.

10.3 If either (a) a Substantial Part of the improvements on the Land are damaged or destroyed or a part of the Property is taken by condemnation or other power of eminent domain, but this Agreement is not canceled as provided in Section 10.2, or (b) on or before the Closing Date, an insubstantial part of the improvements on the Land are damaged or destroyed, then neither Seller nor Purchaser shall have the right to terminate this Agreement based upon such damage, destruction or taking, provided, however, that on the Closing Date:

(i) Seller shall credit the Purchase Price with an amount equal to any sums of money collected by Seller under its policies of insurance or renewals thereof insuring against the loss in question (after deducting (1) any expenses incurred by Seller in collecting such insurance and (2) any amount that Seller shall have paid, for repairs or restoration of the damage), and Seller shall assign, transfer and set over to Purchaser all of Seller's right, title and interest in and to said policies with respect to the Property and any further sums payable under said policies, and

(ii) Seller shall assign, transfer and set over to Purchaser all of Seller's right, title and interest in and to any awards that may be made for any taking by condemnation or any other power of eminent domain.

10.4 For the purposes of this Article, a substantial part ("Substantial Part") of the Property or the improvements on the Land shall mean (a) a portion having a value of One Hundred Thousand (\$100,000.00) Dollars or more or (b) a casualty which would require expenditure of One Hundred Thousand (\$100,000.00) Dollars or more for repair or restoration, or (c) such portion of the Property as Purchaser's mortgage lender shall determine to be of a magnitude that said lender is unwilling to provide its acquisition financing for the Property on account of such damage.

ARTICLE 11

BROKER

11.1 Purchaser and Seller mutually represent and warrant to each other that neither they nor any entity related to them have dealt with any broker, finder or other person or entity who would be entitled to a commission or other brokerage fee in connection with the transactions described in this Agreement. Purchaser and Seller each agree to indemnify, defend and hold the other harmless of and from and against any loss, costs, damage or expense (including reasonable attorneys' fees and court costs) arising out of (i) any inaccuracy in the representation and warranty contained in the immediately preceding sentence or (ii) the claims of any broker or finder (or anyone claiming to be a broker or

finder) other than the entities identified in the immediately preceding sentence regarding any services claimed to have been rendered to the indemnifying party in connection with the transactions contemplated by this Agreement.

11.2 Notwithstanding any other provision of this Agreement to the contrary, the provisions of this Article shall survive the closing of title and the delivery of the deed and any prior termination of this Agreement for any reason whatsoever.

ARTICLE 12

NOTICES

Any notice given or required to be given pursuant to any provision of this Agreement shall be in writing and shall either be personally delivered, sent by facsimile or sent by a reputable commercial courier service guaranteeing overnight delivery, and shall be deemed to have been given upon receipt if personally delivered or sent by facsimile, or, upon delivery to such courier, with delivery charges prepaid, if sent by such a courier, in either case addressed as follows:

Seller: Universal Health Realty Income Trust
367 South Gulph Road
King of Prussia, PA 19406
Attn: Mr. Kirk E. Gorman

with a copy to: Universal Health Realty Income Trust
3525 Piedmont Road, N.E.
7 Piedmont Center; Suite 202
Atlanta, Georgia 30305
Attn: Mr. Timothy J. Fowler

AND

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

Purchaser: Fresno-Herndon Partners, Limited
701 North First Street
San Jose, California 95112
Attn: Mr. Barry Swenson

with copy to: Fresno-Herndon Partners, Limited
701 North First Street
San Jose, California 95112
Attn: Mr. Jeff Lauritzen

Either party may, by giving notice to the other in the manner set forth above, change the address to which notices shall be sent to it, provided that any such change of address shall be effective three (3) business days after it is given. If a reputable commercial courier service guaranteeing overnight delivery shall not service the area to which notice is required to be given, notice to such area shall be by registered or certified mail, return receipt requested, and shall be deemed given one day after the same is deposited in an official U.S. mail depository, with all postage and other charges prepaid, enclosed in a properly addressed and sealed wrapper. The attorney for each party to this Agreement may give notices on behalf of his client with the same force and effect as if such notice was given directly by such party.

ARTICLE 13

PERMITTED ASSIGNMENT

Purchaser may assign its interest under this Agreement without Seller's consent.

ARTICLE 14

[INTENTIONALLY DELETED]

ARTICLE 15

REPRESENTATIONS AND WARRANTIES

Seller and Purchaser hereby make the following mutual representations and warranties to each other, which representations and warranties are materially true and accurate in every respect as of the date hereof and shall be materially true and accurate as of the Closing Date and shall survive the delivery of the deed and the closing of title for one (1) year thereafter:

15.1 Of Seller:

(a) Authority. Seller has the full and unrestricted power and capacity to enter into and carry out the terms of this Agreement and all other agreements referred to herein. This Agreement constitutes, and all other agreements, documents and instruments to be executed by Seller pursuant hereto, when executed and delivered by Seller, will each constitute a valid and binding obligation of Seller as the case may be, enforceable in accordance with its terms;

(b) No Defaults. Neither the execution, delivery or performance of this Agreement or any other agreement contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute any default under, any agreement or instrument to which Seller is a party or is subject; (ii) violate any restriction to which Seller is a party or is subject; or (iii) constitute a violation of any applicable law, statute, regulation, ordinance, rule, judgment, decree, writ or order; and

(c) No Litigation. There are no actions, suits, claims, arbitrations, proceedings, orders, judgments or investigations pending or, to the knowledge of Seller, threatened against or affecting Seller or the Project or which question the validity of this Agreement or any action taken or to be taken under any of the provisions of this Agreement, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality.

15.2 Of Purchaser:

(a) Authority. Purchaser has the full and unrestricted power and capacity to enter into and carry out the terms of this Agreement and all other agreements referred to herein. This Agreement constitutes, and all other agreements, documents and instruments to be executed by Purchaser pursuant hereto, when executed and delivered by Purchaser, will each constitute a valid and binding obligation of Purchaser as the case may be, enforceable in accordance with its terms;

(b) No Defaults. Neither the execution, delivery or performance of this Agreement or any other agreement contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, will: (i) conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute any default under, any agreement or instrument to which Purchaser is a party or is subject; (ii) violate any restriction to which Purchaser is a party or is subject; or (iii) constitute a violation of any applicable law, statute, regulation, ordinance, rule, judgment, decree, writ or order; and

(c) No Litigation. There are no actions, suits, claims, arbitrations, proceedings, orders, judgments or investigations pending or, to the knowledge of Purchaser, threatened against or affecting or which question the validity of this Agreement or any action taken or to be taken under any of the provisions of this Agreement, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality.

ARTICLE 16

CONDITIONS PRECEDENT TO CLOSING

16.1 The obligation of Purchaser to purchase the Project pursuant to the provisions of this Agreement shall be subject to the following conditions (all or any of which may be waived in writing, in whole or in part, by Purchaser):

(a) the representations and warranties of Seller in this Agreement shall be true and correct and the covenants and agreements of Seller contained herein shall have been complied with as of the date of Closing;

(b) Seller shall deliver the documents described in Articles 5 and 7 of this Agreement; and

(c) Seller shall deliver title to the Property as provided in Article 5 hereof.

16.2 If Seller shall fail to satisfy any of the conditions set forth herein or any other covenant or closing obligation of Seller shall not have been complied with as of the Closing Date, then in such event Purchaser shall have the right, in addition to any other rights or remedies available to Purchaser under this Agreement or in equity or at law, to rescind this transaction and the parties shall be relieved and released from any further obligations to each other or Purchaser may close the transaction in accordance with its terms.

ARTICLE 17

MISCELLANEOUS

17.1 This Agreement is binding upon and shall inure to the benefit of the parties hereto, their respective heirs, successors, legal representatives and permitted assigns.

17.2 Wherever under the terms and provisions of this Agreement the time for performance falls upon a Saturday, Sunday or legal holiday, such time for performance shall be extended to the second business day thereafter.

17.3 This Agreement may be executed in one or more counterparts, all of which when taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts have been executed by each of the parties hereto and delivered to each of the other parties hereto.

17.4 The captions at the beginning of the several paragraphs, Sections and Articles are for convenience in locating the context, but are not part of

the context. Unless otherwise specifically set forth in this Agreement to the contrary, all references to Exhibits contained in this Agreement refer to the Exhibits which are attached to this Agreement all of which Exhibits are incorporated in, and made a part of, this Agreement by reference. Unless otherwise specifically set forth in this Agreement to the contrary, all references to Articles, Sections, paragraphs and clauses refer to portions of this Agreement.

17.5 If any term or provision of this Agreement shall be held to be illegal, invalid, unenforceable or inoperative as a matter of law, the remaining terms and provisions of this Agreement shall not be affected thereby, but each such remaining term and provision shall be valid and shall remain in full force and effect.

17.6 This Agreement and the other writings referred to in, or delivered pursuant to, this Agreement, embody the entire understanding and contract between the parties hereto with respect to the Project and supersede any and all prior agreements and understandings between the parties hereto, whether written or oral, formal or informal, with respect to the subject matter of this Agreement. This Agreement has been entered into after full investigation by each party and its professional advisors, and neither party is relying upon any statement, representation or warranty made by or on behalf of the other which is not expressly set forth in this Agreement.

17.7 No extensions, changes, waivers, modifications or amendments to or of this Agreement, of any kind whatsoever, shall be made or claimed by Seller or Purchaser, and no notices of any extension, change, waiver, modification or amendment made or claimed by Seller or Purchaser shall have any force or effect whatsoever, unless the same is contained in a writing and is fully executed by the party against whom such matter is asserted.

17.8 This Agreement shall be governed and interpreted in accordance with the laws of the State of New York (except with respect to the enforcement of any claims against the Property or in connection with enforcement of Purchaser's right to seek specific performance of Seller's obligations hereunder, which rights shall be governed by the Laws of the State of California).

17.9 Each party hereto shall pay all charges specified to be paid by them pursuant to the provisions of this Agreement and their own attorney's fees in connection with the negotiation, drafting and closing of this Agreement.

17.10 THE DECLARATION OF TRUST ESTABLISHING UNIVERSAL HEALTH REALTY INCOME TRUST, FILED AUGUST 6, 1986, A COPY OF WHICH, TOGETHER WITH ALL AMENDMENTS THERETO ("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.

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

PURCHASER: FRESNO-HERNDON PARTNERS, LIMITED

By: Green Valley Corporation, its sole general partner

By: _____
Name:

Title:

SELLER: UNIVERSAL HEALTH REALTY INCOME TRUST

By: _____
Name: Timothy J. Fowler
Title: Vice President

LIST OF EXHIBITS

EXHIBIT

- A Description of the Land
- B Assignment and Assumption of Tenant Leases (see attached)
- C Assignment and Assumption of Warranties and Service Contracts
(see attached)

EXHIBIT C

ASSIGNMENT AND ASSUMPTION OF TENANT LEASES

KNOW THAT UNIVERSAL HEALTH REALTY INCOME TRUST ("Assignor") in consideration of ten dollars and other valuable consideration paid by FRESNO-HERNDON PARTNERS LIMITED, a California limited partnership ("Assignee"), hereby assigns unto Assignee all its right, title and interest as landlord in and to certain leases of portions of the building know as Fresno-Herndon Medical Plaza, Fresno, California (collectively, the "Tenant Leases") as more particularly described in Schedule 1 annexed hereto and made a part hereof.

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, from the date hereof, for all of the rest of the term mentioned in the Tenant Leases, subject to the covenants, conditions and provisions therein also mentioned.

AND Assignee hereby assumes performance of all of Assignor's obligations as landlord under the Tenant Leases from and after the Closing Date and agrees to indemnify, defend and hold Assignor harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Tenant Leases from and after the Closing Date. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Tenant Leases before the Closing Date.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument this ____ day of _____, 1994.

FRESNO-HERNDON PARTNERS LIMITED

By: _____

UNIVERSAL HEALTH REALTY INCOME
TRUST

By:_____

[Acknowledgement]

EXHIBIT D

ASSIGNMENT AND ASSUMPTION OF
WARRANTIES AND SERVICE CONTRACTS

KNOW THAT UNIVERSAL HEALTH REALTY INCOME TRUST ("Assignor") in consideration of ten dollars and other valuable consideration paid by FRESNO-HERNDON PARTNERS LIMITED, a California limited partnership ("Assignee"), hereby assigns unto Assignee the warranties and service contracts listed on Schedule annexed hereto, covering the operation of the building known as Fresno-Herndon Medical Plaza, Fresno, California (collectively, the "Warranties and Service Contracts").

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, from the date hereof, for all of the rest of the term mentioned in the Warranties and Service Contracts, subject to the covenants, conditions and provisions therein also mentioned.

AND Assignee hereby assumes performance of all of Assignor's obligations under the Warranties and Service Contracts after the Closing Date and agrees to indemnify, defend and hold Assignor harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Warranties and Service Contracts from and after the Closing Date. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any legal actions, damages, losses, costs and expenses (including, without limitation, attorneys' fees and disbursements) arising out of the Warranties and Service Contracts before the Closing Date.

IN WITNESS WHEREOF, Assignor and Assignee have executed this instrument this _____ day of _____, 1994.

FRESNO-HERNDON PARTNERS LIMITED

By:_____

UNIVERSAL HEALTH REALTY INCOME
TRUST

By:_____

[Acknowledgement]

AGREEMENT OF PURCHASE AND SALE

BETWEEN

TURNER ADREAC, L.C.,
a Texas limited liability company,
d/b/a/ Turner Adreac Development Company

AS SELLER

AND

UNIVERSAL HEALTH REALTY INCOME TRUST,
a Maryland Real Estate Investment Trust

AS PURCHASER

covering and describing

The Professional Center at Kings Crossing

situated in

Harris County, Texas

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(ii)

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT OF PURCHASE AND SALE (this "Agreement") is made to be effective as of the date described in Section 11.22 hereof (the "Effective Date"), by and between Turner Adreac, L.C., a Texas limited liability company, d/b/a Turner Adreac Development Company ("Seller"), and Universal Health Realty Income Trust, a Maryland Real Estate Investment Trust ("Purchaser").

W I T N E S S E T H:

ARTICLE I PURCHASE AND SALE

1.1 Agreement of Purchase and Sale. Subject to the terms and conditions set forth herein and for the consideration stated herein, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller the following:

(a) All those two (2) certain tracts or parcels of land situated in Harris County, Texas, containing 1.69 acres and 1.72 acres, respectively, each as more particularly described on Exhibit A attached hereto and made a part hereof for all purposes, together with any and all improvements situated thereon, commonly known as "The Professional Center at Kings Crossing," and situated at the corner of Lake Houston Parkway and Towns Bend Drive, Kingwood, Texas, together with all rights, tenements, hereditaments, easements, appendages, privileges and appurtenances pertaining thereto, including all wastewater discharge capacity allocated or reserved thereto, all development rights with respect thereto and any right, title and interest of Seller in and to the adjacent streets, alleys, rights-of-way and any adjacent strips or gores of real estate (collectively the "Realty");

(b) A nonexclusive easement (the "Easement") encumbering that certain tract or parcel of land situated in Harris County, Texas, more particularly described as Tract 3 on Exhibit A attached hereto and made a part hereof for all purposes (the "Easement Tract"), granting the owner of all or any part of the Realty the right of ingress, egress and access to the Realty and prohibiting Seller or Seller's successors and assigns from taking any action on or with regard to the Easement Tract that would have a material, adverse effect on the rights granted to the owner of all or any part of the Realty pursuant to the Easement;

(c) All of the interest of the "Lessor" or "Landlord" under all tenant leases covering the Realty (collectively the "Leases"), and any security deposits or prepaid rent received or held by Seller in connection therewith;

(d) All tangible personal property owned by Seller and situated upon and used in connection with the complete and comfortable ownership, use, enjoyment, occupancy or operation of the Realty, including, without limitation, all raw materials, work and materials in process, stock in trade, inventory and equipment, if any (collectively the "Personalty");

(e) All right, title and interest in and to any trade name or assumed name presently or formerly used by Seller in connection with the ownership, use, enjoyment, occupancy or operation of the Realty, including, without

limitation, the name "The Professional Center at Kings Crossing" (the "Name");

(f) All assignable warranties, guaranties, indemnities and claims issued to Seller in connection with the Realty and the Personalty (collectively the "Warranties"); and

(g) All assignable contracts and agreements relating to the upkeep, repair, maintenance or operation of the Realty and the Personalty (collectively the "Operating Agreements") which Purchaser elects to assume pursuant to Section 3.3 hereof.

1.2 Property Defined. The property and interests described in Sections 1.1(a) through 1.1(g) above are hereinafter sometimes referred to collectively as the "Property."

1.3 Permitted Exceptions. The Property shall be conveyed subject to the following matters (collectively the "Permitted Exceptions"):

(a) those matters deemed to Permitted Exceptions pursuant to Section 2.4 hereof;

(b) building restrictions and zoning regulations heretofore or hereafter adopted by any municipal or other public authority relating to the Property, which in the aggregate do not have a material adverse effect on Purchaser's use or enjoyment of the Property;

(c) taxes for the year of Closing (as such term is defined in Section 6.1 hereof) (if such taxes are not yet due and payable) and subsequent years, which taxes shall be prorated at Closing;

(d) the Leases; and

(e) the matters set forth on Exhibit I.

1.4 Purchase Price. Seller is to sell and Purchaser is to purchase the Property for a total purchase price (the "Purchase Price") equal to the Total Annual Base Rental (as such term is hereinafter defined) divided by 12.096% (the "Cap Rate"), plus accrued interest (not including default interest) on the development loan through September 1, 1995. By way of example, if the Total Annual Basic Rental for the first year of each lease equaled \$474,603.53, while accrued interest equaled \$122,473.71, the Purchase Price would be \$4,046,114.00. As used in this Section 1.4, the term "Total Annual Base Rental" means the total sum of all the Annual Base Rental plus Additional Rental for Above Standard Improvements in the first year following completion as set forth in all of the Leases (including the Master Leases (hereinafter defined)) (hereinafter defined) that have been approved by Purchaser as of the date of Closing (hereinafter defined). The Total Annual Base Rental for the Leases as of the date hereof is set forth on Schedule 1, attached hereto and made a part hereof for all purposes.

1.5 Payment of Purchase Price. The Purchase Price shall be payable by Purchaser to Seller in cash or readily available funds at Closing; provided, however, that for purposes of this Section 1.5, a credit against the Construction Loan Indebtedness (as such term is defined in Section 5.1(a) hereof) shall be deemed the equivalent of cash.

ARTICLE II TITLE AND SURVEY

2.1 Commitment for Title Insurance. Seller and Purchaser hereby instruct Stewart Title Company, Fort Bend Division, 1250 Shoreline Drive, Suite 100, Sugar Land, Texas 77478, Attention: David Draper (the "Title Company") to deliver to Purchaser, Seller and the Surveyor (as such term is defined in

Section 2.3 hereof), at least forty-five (45) days prior to Closing, a Commitment for Title Insurance (the "Title Commitment") covering the Realty, showing all matters affecting title to the Realty and binding the Title Company to issue to Purchaser at Closing an Owner Policy of Title Insurance (the "Owner's Policy"), the Owner's Policy to be issued by an underwriter acceptable to Purchaser, on the standard form of policy prescribed by the Texas State Board of Insurance and in the full amount of the Purchase Price. Seller and Purchaser further instruct the Title Company to deliver to Seller, Purchaser and the Surveyor legible copies of all instruments referred to on Schedules B or C of the Title Commitment. Seller and Purchaser hereby direct the Title Company to delete the "survey exception" contained in the Title Commitment except for "shortages in area" and Seller and Purchaser shall each pay one-half of the fees charged by the Title Company in connection with such deletion.

2.2 Uniform Commercial Code Searches. Seller shall, at least thirty (30) days prior to Closing, and at Seller's sole cost and expense, obtain and deliver to Purchaser (a) a Uniform Commercial Code Search performed on Seller and any assumed name Seller uses or has used in connection with the upkeep, repair, maintenance or operation of the Property, certified by the County Clerk of Harris County, Texas, and (b) a Uniform Commercial Code Search performed on Seller and any assumed name Seller uses or has used in connection with the upkeep, repair, maintenance or operation of the Property, certified by the Secretary of State of Texas (together, the "UCC Searches").

2.3 Survey. Seller shall, at least thirty (30) days prior to Closing, and at Seller's sole cost and expense, cause a current Texas Society of Professional Surveyors Category 1A, Condition II survey (the "Survey") to be performed and completed on the Realty by a Registered Professional Land Surveyor licensed by the State of Texas (the "Surveyor") and reasonably acceptable to Purchaser and the Title Company. A copy of the Survey shall be delivered to Seller, Purchaser and the Title Company. Unless otherwise agreed by Seller and Purchaser, the metes and bounds description contained in the Survey shall be the legal description contained in the documents employed to convey the Property from Seller to Purchaser. The Survey shall contain a certification from the Surveyor satisfactory, in form and content, to Purchaser.

2.4 Title Review Period. Purchaser shall have twenty (20) days (the "Title Review Period") after the receipt of the Title Commitment, legible copies of all instruments referred to in Schedules B or C of the Title Commitment, the UCC Searches and the Survey to notify Seller, in writing, of such objections as Purchaser may have to anything contained in the Title Commitment, the UCC Searches or the Survey. Any item contained in the Title Commitment, the UCC Searches or the Survey to which Purchaser does not object during the Title Review Period shall be deemed a Permitted Exception. In the event Purchaser shall notify Seller of an objection to anything contained in the Title Commitment, the UCC Searches or the Survey prior to the expiration of the Title Review Period, Seller shall cure or remove such objection and deliver to Purchaser a revised Title Commitment, UCC Search or Survey evidencing such cure or removal; provided, however, that Purchaser shall be deemed to have objected to and Seller shall cure or remove all liens of any kind against the Property, including, without limitation, (a) mortgage liens, (b) tax liens, (c) abstracts of judgment, (d) environmental liens, and (e) materialmen's and mechanic's liens.

2.5 Owner Policy of Title Insurance. At Closing, the Title Company shall furnish to Purchaser, at Seller's sole cost and expense, the Owner's Policy, which shall be in the customary form prescribed by the Texas State Board of Insurance. The Owner's Policy may contain as exceptions the standard printed exceptions and the Permitted Exceptions; provided, however, (a) the standard exception for restrictions shall read "None of Record" (except for restrictions that are Permitted Exceptions), (b) the exception for rights of parties in possession shall be limited to the rights of tenants under the Leases, (c) the standard exception for taxes shall be limited to the year in which the Closing occurs (if such taxes are not yet due and payable), and (d) the "survey exception" shall be deleted except for "shortages in area" and Seller shall pay all fees charged by the Title Company in connection with such deletion.

ARTICLE III
DELIVERY OF MATERIALS AND INSPECTION

3.1 Delivery of Materials. Within twenty (20) days from the Effective Date, Seller, at its sole cost and expense, shall deliver to Purchaser the following:

(a) a rent roll for the Property for the period ending on the last day of the last full calendar month which will be certified as true and correct by Seller;

(b) copies of all Leases, including all amendments or addendums thereto;

(c) copies of all Operating Agreements and any amendments and letter agreements relating thereto;

(d) statements of property taxes and assessed values with respect to the Property for 1994 and for 1995, if in Seller's possession or control;

(e) as-built plans and specifications for the Property;

(f) copies of all Certificates of Occupancy or inspection reports in Seller's possession or control relating to the Property issued by any municipal or other governmental authority;

(g) current operating statements;

(h) a list and description of the Personalty;

(i) copies of any inspection reports relating to the Property in Seller's possession or control including, without limitation, any environmental inspection reports;

(j) copies of any inspection reports, correspondence or other documentation concerning the compliance of the Property with applicable rules, regulations, ordinances and laws of governmental authorities having jurisdiction, including, without limitation, any inspection reports, correspondence or documentation concerning the Property's compliance or noncompliance, as the case may be, with any applicable Life Safety Requirements; and

(k) such additional information relating to the Property in the possession or control of Seller as Purchaser may reasonably request.

In addition, Seller shall update the information provided to Purchaser pursuant to this Section 3.1 contemporaneously with any and all draw requests made by Seller pursuant to the Security Documents (as such term is defined in Section 5.1(a) hereof). Seller represents or warrants that all materials, data and information to be delivered by Seller to Purchaser in connection with the transaction contemplated hereby will be complete, true and accurate in all material respects.

3.2 Entry and Inspection. Purchaser and Purchaser's agents, employees, contractors and consultants shall have the right from and after the Effective Date, to enter onto the Property, to make a physical inspection of the Property and to examine all books and records maintained by Seller relating to the Property at such place or places as such books and records may be located in Harris County, Texas. All inspections shall occur at reasonable times agreed upon by Seller and Purchaser and shall be conducted so as not to unreasonably interfere with use of the Property by Seller or its tenants.

3.3 Assumption of Certain Operating Agreements. At least ten (10) days

prior to Closing Purchaser shall notify Seller in writing of those Operating Agreements which Purchaser elects, in its sole and absolute discretion, to assume (collectively the "Assumed Operating Agreements"); provided, however, that Purchaser shall have no obligation to assume any Operating Agreements. Seller shall cause all other Operating Agreements to be terminated and released prior to Closing.

ARTICLE IV ENVIRONMENTAL INSPECTION AND ESTOPPEL CERTIFICATES

4.1 Environmental Inspection. Prior to the execution of this Agreement, Seller has delivered to Purchaser a Phase I environmental audit on the Property (the "Environmental Audit"), stating and setting forth that the Property is free from contamination by Hazardous Materials (as such term is defined in Section 7.1(g) hereof) and in full and complete compliance with all applicable law relating to Hazardous Materials. At Closing, Seller shall, at Seller's sole cost and expense, deliver to Purchaser an updated Environmental Audit, updated to no earlier than three (3) days prior to Closing, confirming that the matters set forth in the Environmental Audit are true and correct as of such date.

4.2 Estoppel Certificates. At or prior to Closing, Seller shall, at Seller's sole cost and expense, deliver to Purchaser estoppel certificates (collectively the "Estoppel Certificates") in form and content satisfactory to Purchaser from all tenants currently occupying or scheduled to occupy part of the Property (collectively the "Tenants") setting forth such information as may be reasonably required by Purchaser.

ARTICLE V CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATIONS

5.1 It shall be an express condition precedent to Purchaser's obligations to this Agreement that prior to Closing:

(a) Seller shall have complied in full with all of its obligations under that certain Promissory Note dated December ____, 1994 (the "Note") evidencing a construction loan (the "Construction Loan Indebtedness") from Purchaser to Seller to finance the construction of the Property, and all of Seller's obligations pursuant to the other documents and instruments evidencing and securing the Construction Loan Indebtedness, including, without limitation, (i) that certain Construction Loan Agreement dated December , 1994 (the "Construction Loan Agreement"), (ii) that certain Deed of Trust, Security Agreement and Fixture Filing dated December , 1994, (iii) that certain Assignment of Leases and Rents dated December , 1994, and (iv) those certain Construction Loan Guarantys dated December , 1994 (collectively the "Security Documents");

(b) Seller shall have fully and timely performed all of its obligations under this Agreement, including, without limitation, the obligations set forth in Sections 4.1, 4.2 and 6.2 hereof;

(c) Seller's representations and warranties set forth in Section 7.1 hereof shall be true and correct in all respects;

(d) Seller shall have fully and timely complied with all of its covenants and obligations set forth in Section 7.2 hereof;

(e) Seller shall have delivered to Purchaser true and correct copies of all insurance policies relating to the Property, in form, content and amount satisfactory to Purchaser;

(f) Seller shall have paid any and all penalties and other sums due and payable pursuant to the Leases as a result of any action or inaction on the part of Seller, including, without limitation, the failure to complete the Improvements (as such term is defined in the Construction Loan Agreement) by

the dates specified in the Leases;

(g) The Independent Supervising Architect (as defined in the Construction Loan Agreement) shall have reasonably determined that the construction of the Property has been completed in compliance with the terms and provisions of the Note and the Security Documents and in full compliance with applicable law;

(h) All leasable space in the Property shall be subject to valid, binding and enforceable leases with Tenants acceptable to Purchaser; provided, however, that if no more than twenty percent (20%) of the leasable space in the Property (the "Unleased Area") is not leased as required by this Section 5.1(h), Seller shall be deemed to have complied with this condition if Seller master leases the Unleased Area pursuant to a master lease or several master leases in form and content acceptable to Purchaser and containing rental rates and other terms and provisions acceptable to Purchaser (collectively, the "Master Leases") and provides Purchaser with an irrevocable, multiple draw, unconditional letter of credit, in form and content satisfactory to Purchaser, in the amount of one (1) year's rent under the Master Leases and securing Seller's obligations under the Master Leases. Seller agrees to provide a replacement Letter of Credit annually no less than fourteen (14) calendar days prior to the expiration of the then current letter of credit, and the Letter of Credit shall provide that Seller's failure to provide such a replacement Letter of Credit shall entitle Purchaser to draw upon the Letter of Credit;

(i) Seller shall have delivered to Purchaser a sum of money equal to the rental rebate set forth in that certain Lease Agreement, Suite 103, between Seller, as landlord, and Lester J. Kocinski, D.P.M and Tommy W. Der, D.P.M., as Tenant, dated September 8, 1994 (the "Rebate");

(j) Seller shall have performed all of its obligations under the Leases and no default on the part of any party thereto shall exist and there shall be no event or occurrence which, upon the giving of notice or the passage of time or both, would constitute an event of default thereunder;

(k) Seller shall have obtained, delivered and assigned to Purchaser all guarantees from the developer and all contractors, subcontractors, suppliers, engineers, architects and others covering, among other things, the structural soundness and integrity of all improvements located on the Realty;

(l) All requirements contained in the Construction Loan Agreement regarding the structural condition, zoning classification and physical condition of the Property shall have been met; and

(m) Seller shall have delivered to Purchaser a written Management Agreement in form and content acceptable to Purchaser (the "Management Agreement"), pursuant to which Seller, Charles Turner and Michael Van, collectively, shall agree to manage the Property for a term of ten (10) years for a management fee of no more than four percent (4%) of the gross lease stream, (i) containing a lease commission structure consistent with that contained in agreements similar to the Management Agreement then existing in connection with projects similar to the Property and otherwise satisfactory to Purchaser, (ii) containing representations, warranties and covenants regarding such parties' competency as real property managers, and (iii) providing that the same may be cancelled at any time by Purchaser upon thirty (30) days' written notice.

ARTICLE VI CLOSING

6.1 Time and Place. Subject to the provisions of Article IX hereof, the closing of the transaction contemplated hereby (the "Closing") shall take place at the offices of the Title Company at 10:00 a.m., Houston, Texas time, on the thirtieth (30th) day following Final Completion (as such term is defined in the Security Documents) (or the nearest business day thereafter in the event such

thirtieth (30th) day is on a Saturday, Sunday or legal holiday in Houston, Harris County, Texas) or on such other date and at such time as may be agreed upon in writing by Seller and Purchaser. Notwithstanding anything to the contrary contained in this Section 6.1, Purchaser shall have the right, at Purchaser's sole discretion, to extend the date of Closing up to fifteen (15) days by providing written notice to such effect to Seller.

6.2 Seller's Obligations at Closing. At Closing, Seller shall:

(a) comply or provide evidence, in form and content satisfactory to Purchaser, of Seller's compliance with all of the conditions set forth in Section 5.1 hereof;

(b) deliver to Purchaser a General Warranty Deed (the "Deed") in the form of Exhibit C attached hereto and made a part hereof for all purposes, executed and acknowledged by Seller and in recordable form, conveying the Realty to Purchaser free and clear of all encumbrances except the Permitted Exceptions;

(c) join with Purchaser in the execution and acknowledgment of a Blanket Conveyance, Bill of Sale and Assignment (the "Bill of Sale") in the form of Exhibit D attached hereto and made a part hereof for all purposes, conveying the Personalty, the Name, the Warranties and the Assumed Operating Agreements to Purchaser free and clear of all encumbrances except the Permitted Exceptions;

(d) join with Purchaser in the execution and acknowledgment of an Assignment of Tenant Leases (the "Assignment") in the form of Exhibit E attached hereto and made a part hereof for all purposes, conveying the Leases to Purchaser free and clear of all encumbrances except Permitted Exceptions;

(e) deliver to Purchaser the Management Agreement;

(f) join with Purchaser in the execution and acknowledgement of any notice required by Section 50.301 of the Texas Water Code;

(g) join with Purchaser in the execution and acknowledgement of any notice required by City of Houston Ordinance No. 89-1312;

(h) deliver to Purchaser a FIRPTA Affidavit (the "FIRPTA Affidavit") in the form of Exhibit F attached hereto and made a part hereof for all purposes, duly executed by Seller, stating that Seller is not a "foreign person" as defined in the federal Foreign Investment in Real Property Tax Act of 1980 and the 1984 Tax Reform Act, and in the event Seller is unable or unwilling to deliver the FIRPTA Affidavit, in lieu thereof the funds payable to Seller shall be adjusted in such a manner as to comply with the withholding provisions of such statutes;

(i) deliver to Purchaser a Certificate, executed and sworn to by Seller, confirming that as of Closing, (i) all of the conditions set forth in Section 5.1 hereof have been performed by Seller, (ii) all of the representations and warranties set forth in Section 7.1 hereof are true and correct, (iii) all covenants set forth in Section 7.2 hereof have been satisfied, (iv) all conditions to Seller and Purchaser's obligations hereunder have occurred or been satisfied, and (v) no material adverse changes have occurred with respect to all or any part of the Property;

(j) deliver to Purchaser updated UCC Searches, updated to a date no more than three (3) days prior to the date of Closing, showing no liens or other encumbrances other than any liens or encumbrances that are Permitted Exceptions;

(k) deliver to Purchaser a certificate of an officer of Seller in form reasonably satisfactory to Purchaser, stating that Seller has complied in full with all of its obligations under the Note and the Security Documents;

(l) deliver to Purchaser the Environmental Audit;

(m) deliver to Purchaser possession and occupancy of the Property, subject to the Permitted Exceptions;

(n) join with Purchaser in the execution of a letter to each tenant under the Leases (collectively the "Tenant Letters") in the form of Exhibit G attached hereto and made a part hereof for all purposes, the Tenant Letters to be prepared by Seller and delivered for execution by Purchaser at Closing;

(o) deliver to Purchaser the originals of all Leases and all Assumed Operating Agreements;

(p) deliver to Purchaser tax certificates furnished by the taxing authorities having jurisdiction over the Property indicating that all taxes on the Property have been paid through 1994;

(q) deliver to Purchaser such evidence as Purchaser and/or the Title Company may reasonably require as to the authority of the person or persons executing documents on behalf of Seller;

(r) deliver to Purchaser all keys to the Property;

(s) deliver to Purchaser a certified rent roll dated as of the end of the last full calendar month immediately preceding the date of Closing;

(t) deliver to Purchaser the Estoppel Certificates; and

(u) if an Assumed Name has been filed by Seller in connection with the ownership, use, enjoyment, occupancy or operation of the Property, deliver to Purchaser an executed withdrawal thereof.

6.3 Purchaser's Obligations at Closing. At Closing, Purchaser shall:

(a) pay to Seller the Purchase Price in cash or readily available funds, it being agreed that the Earnest Money shall be delivered to Seller at Closing and applied towards payment of such amount;

(b) join with Seller in execution of the instruments described in Sections 6.2(c), 6.2(d), 6.2(f), 6.2(g) and 6.2(n) hereof;

(c) deliver to Seller such evidence as Seller and/or the Title Company may reasonably require as to the authority of the person or persons executing documents on behalf of Purchaser; and

6.4 Prorations.

(a) The following shall be apportioned with respect to the Property:

(i) rents payable under the Leases;

(ii) real estate taxes for the year of Closing, as of the date of Closing, any apportionment of real estate taxes to be made with respect to a tax year for which either the tax rate or assessed valuation or both have not yet been fixed, to be upon the basis of the tax rate and/or assessed valuation last fixed; provided that Seller and Purchaser agree that to the extent the actual taxes for the current year differ from the amount so apportioned at Closing, Seller and Purchaser will make all necessary adjustments by appropriate payments between themselves following Closing. The provisions of this Section 6.4(a)(iii) shall survive Closing;

(iii) current expenses under the Assumed Operating Agreements; and

(iv) gas, electricity and other utility charges.

(b) In making such apportionments, Purchaser shall be entitled to rents and other income earned and due from the Property with respect to the period up to and including the date of Closing, and Purchaser shall be responsible for taxes and other expenses accrued or incurred with respect to the period following the date of Closing. All such apportionments shall be subject to post-Closing adjustments as necessary to reflect later relevant information not available at Closing and to correct any errors made at Closing with respect to such apportionments and the party receiving more than it was entitled to hereunder shall reimburse the other party hereto in the amount of such overpayment within thirty (30) days after written demand therefor. Notwithstanding the foregoing, such apportionments shall be deemed final and not subject to further post-Closing adjustments if no such adjustments have been requested after a period of ninety (90) days from such time as all necessary information is available to make a complete and accurate determination of such apportionments. All other matters with respect to apportionments shall be governed by the Closing Memorandum. The provisions of this Section 6.4(b) shall survive Closing.

(c) At Closing, Seller shall credit to the account of Purchaser against the cash portion of the Purchase Price any security deposits or prepaid rent received by Seller pursuant to any leases executed by Seller or Seller's predecessors in interest, as lessor, which will continue in effect after Closing, and Seller shall keep all such security deposits and prepaid rents.

6.5 Closing Costs. Seller shall pay (a) the fees of any counsel representing Seller in connection with the transaction contemplated hereby, (b) the fees of any counsel representing Purchaser in connection with the transaction contemplated hereby, not to exceed \$15,000.00, (c) the premium for the Owner's Policy (specifically including the additional premium chargeable for deletion of the "survey exception"), (d) the cost of the Survey, (e) the cost of the Environmental Audit, (f) the fees for recording the Deed, the Bill of Sale and any other instruments used to convey the Property to Purchaser, and (g) any escrow fees charged by the Title Company in connection with the transaction contemplated hereby.

ARTICLE VII REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 Representations and Warranties of Seller. Seller hereby represents and warrants to Purchaser that:

(a) Seller is a limited liability company, validly existing and in good standing under the laws of the State of Texas. Seller has complete and unrestricted power and authority to enter into this Agreement and all other agreements to be executed and delivered by Seller pursuant to the terms and provisions hereof, to perform its obligations hereunder and thereunder, and to consummate the transaction contemplated hereby;

(b) This Agreement has been duly executed and delivered by Seller. All other agreements contemplated hereby to be executed and delivered by Seller will be, prior to Closing, duly authorized, executed and ready in all respects to be delivered by Seller. This Agreement and all other agreements contemplated hereby constitute legal, valid and binding obligations of Seller enforceable in accordance with their respective terms;

(c) The execution, delivery and performance of this Agreement and any other agreement contemplated hereby and the consummation of the transaction contemplated hereby or thereby do not, with or without the passage of time and/or giving of notice, (i) conflict with, constitute a breach, violation or termination of any provision of any contract or other agreement to which Seller is a party or to which all or any part of the Property is bound, (ii) result in an acceleration or increase of any amounts due from Seller to any person or entity, (iii) conflict with or violate the Articles of Incorporation or Bylaws of Seller, (iv) result in the creation or imposition of any lien on all or any part of the Property, or (v) violate any law,

statute, ordinance, regulation, judgment, writ, injunction, rule, decree, order or any other restriction of any kind or character applicable to Seller or all or any part of the Property;

(d) Seller now has and shall have at Closing good and indefeasible title to the Property in fee simple absolute, free and clear of all liens (other than the Security Documents) and no party has any material rights in, or to acquire, all or any part of the Property;

(e) There are no actions, suits, claims, assessments, or proceedings pending or, to the best of Seller's knowledge, threatened that could materially adversely affect the ownership, operation, or maintenance of the Property or Seller's ability to perform hereunder;

(f) Seller has no information of and to the best of Seller's knowledge, after reasonable inquiry, there is not (i) any change contemplated in any applicable law, statute, ordinance, rule, regulation, order, or determination of any governmental authority or any board of fire underwriters (or other body exercising similar functions), (ii) any law, ordinance, regulation, administrative ruling, restrictive covenant or deed restriction affecting the Property, including without limitation, any applicable zoning ordinances, building codes, flood disaster laws, wetlands regulation, health law or environmental law, (iii) any judicial or administrative action, (iv) any action by adjacent landowners, (v) any administrative action, (vi) any natural or artificial conditions on or about the Property, or (vii) any significant adverse fact or condition relating to the Property or its use, that would prevent, limit, impede, or render more costly the ownership, operation or maintenance of the Property;

(g) No Hazardous Materials have been incorporated, used, generated, manufactured, stored, or disposed of in, on, under, or about the Property or transferred to or from the Property and there are no claims, litigation, administrative or other proceedings, whether actual or threatened, or judgments or orders, relating to the use, generation, manufacture, storage or disposal of any Hazardous Materials on, under or about the Property. As used in this Agreement, the term "Hazardous Materials" shall mean any flammables, explosives, radioactive materials, hazardous waste, toxic substances or related materials, including, without limitation, substances defined as "hazardous substances", "hazardous materials" or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sec. 9601, et. seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Sec. 1801, et. seq.; and the Resources Conservation and Recovery Act, 42 U.S.C. Sec. 6901, et seq.;

(h) Any and all underground storage tanks previously removed from the Property were removed in accordance with all applicable laws, ordinances, regulations and administrative rulings and no underground storage tanks are presently situated on the Property;

(i) The Property includes all sewer or wastewater capacity rights and development rights which were originally obtained with the Property by Seller, and no such sewer or wastewater capacity rights or development rights have previously been conveyed or transferred to any third party by Seller;

(j) Seller is not in default under the Leases;

(k) Seller has not entered into any Leases or other agreements allowing any party to occupy all or any part of the Property on any basis such that the rental to be paid by the tenant or lessee thereunder would be based, in whole or in part, on either (i) the income or profits derived by the business activities of the tenant or lessee, or (ii) any other formula such that any portion of the rental would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar successor provision thereof; and

(1) The materials, data and information provided by Seller to Purchaser pursuant to Section 3.1 hereof are true, accurate and complete in all material respects.

The representations and warranties contained in this Section 7.1 shall be deemed to be restated at Closing and shall survive Closing.

7.2 Covenants of Seller. Seller hereby covenants with Purchaser, which covenants shall survive Closing, as follows:

(a) subsequent to the Effective Date, Seller will not, without the prior written approval of Purchaser, enter into any employment agreement, management agreement, lease or other agreement affecting the Property; provided, however, that Purchaser will not unreasonably withhold consent to any lease to any financially capable tenant containing terms at least as favorable to landlord as those contained in the Master Leases;

(b) subsequent to the Effective Date, Seller will (i) maintain and operate the Property in a good and businesslike manner and the same manner as Seller has heretofore maintained and operated the same, (ii) not commit or permit to be committed any waste to the Property, (iii) continue all Assumed Operating Agreements and all insurance policies concerning the ownership, operation, or maintenance of the Property in full force and effect and neither cancel, amend, nor renew any of the same without Purchaser's prior written consent, and (iv) not remove any item of the Personalty from the Property unless it is replaced with an item of at least equal value that is properly suited for its intended purpose;

(c) Prior to Closing, Seller shall, at its sole cost and expense, remove and/or remediate to Purchaser's reasonable satisfaction all Hazardous Materials which have been disclosed by the Environmental Audit to be situated in, on, under, or about the Property;

(d) Prior to Closing, Seller shall terminate all Operating Agreements other than the Assumed Operating Agreements and pay all leasing commissions and other accrued obligations arising out of the upkeep, repair, maintenance or operation of the Property;

(e) Prior to Closing, Seller shall, at its sole cost and expense, comply with any and all applicable subdivision regulations and similar ordinances necessary to allow for the conveyance of the Property from Seller to Purchaser;

(f) Seller shall not lease the Property on any basis such that the rental to be paid by the tenant or lessee thereunder would be based, in whole or in part, on either (i) the income or profits derived by the business activities of the tenant or lessee, or (ii) any other formula such that any portion of the rental would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated in connection therewith (the "Code"), or any similar successor provision thereof; and

(g) Seller shall notify Purchaser immediately after the same occurs of any material change concerning the Property, these representations and warranties contained in Section 7.1 hereof, or any other information heretofore or hereafter furnished to Purchaser concerning the Property.

ARTICLE VIII DEFAULT

8.1 Default by Purchaser. In the event that Purchaser should fail to consummate this Agreement for any reason, except Seller's default or the termination of this Agreement by either Seller or Purchaser as expressly provided for herein, Seller shall be entitled, as its sole and exclusive remedy,

to either (a) enforce specific performance of this Agreement, or (b) terminate this Agreement, in which event neither party shall have any further rights, duties or obligations hereunder; provided, however, that no termination or other action by Purchaser pursuant to this Section 8.1 shall have any effect on the rights, remedies and obligations of Seller or Purchaser under the Note and the Security Documents.

8.2 Default by Seller. In the event that Seller should fail to consummate this Agreement for any reason, except Purchaser's default or the termination of this Agreement by either Seller or Purchaser as expressly provided for herein, Purchaser shall be entitled, as its sole and exclusive remedies, either (a) to enforce specific performance of this Agreement, or (b) to terminate this Agreement, in which event neither party shall have any further rights, duties or obligations hereunder; provided, however, that no termination or other action by Seller pursuant to this Section 8.1 shall have any effect on the rights, remedies and obligations of Seller or Purchaser under the Note and the Security Documents.

ARTICLE IX RISK OF LOSS

9.1 In the event of any damage or destruction to the Property subsequent to the Effective Date and prior to the date of Closing, the estimated time of repair of which is in excess of sixty (60) calendar days, Purchaser, at its option, may either terminate this Agreement (provided, however, that no termination by Purchaser pursuant to this Section 9.1 shall have any effect on the rights, remedies and obligations of Seller or Purchaser under the Note and the Security Documents) or Purchaser may elect to consummate the transaction contemplated hereby, in which event Seller and Purchaser shall agree in writing to extend the date of Closing as necessary to allow Seller to repair the Property to new condition. Purchaser agrees to deliver to Seller any insurance proceeds it may have received in connection with such damage or destruction (subject in all respects to the terms and provisions, and Purchaser's rights under, the Note and the Security Documents), to the extent necessary to restore the Property, and Seller shall promptly restore the property to its new condition. In the event of any damage or destruction to the Property subsequent to the Effective Date and prior to the date of Closing, the estimated time of repair of which is less than sixty (60) calendar days, Purchaser shall have no right to terminate this Agreement as a result thereof, and Seller shall have up to an additional sixty (60) calendar days in which to restore the Property to new condition. Purchaser agrees to deliver to Seller any insurance proceeds it may have received in connection with such damage or destruction (subject in all respects to the terms and provisions, and Purchaser's rights under, the Note and the Security Documents), to the extent necessary to restore the Property, and Seller shall promptly restore the property to its new condition.

ARTICLE X COMMISSIONS

10.1 Each party represents to the other that there has been no broker, finder, real estate agent or similar agent engaged in connection with the sale of the Property from Seller to Purchaser other than Larry Marks of Harry M. Green Interests, Inc. ("Broker"). Each party agrees that should any claim be made for brokerage commissions or finder's fees by any broker, finder or agent other than Broker, by, through or on account of any acts of the indemnifying party or its agents, employees or representatives, the indemnifying party will hold the other party free and harmless from and against any and all loss, liability, cost, damage and expense (including attorneys' fees, accountants' fees and court costs) in connection therewith. The commission payable to Broker is set forth in a separate written agreement. The provisions of this Section 10.1 shall survive Closing.

ARTICLE XI MISCELLANEOUS

11.1 Assigns. Purchaser may assign or transfer its rights and obligations under this Agreement at any time to (a) any financially capable party to whom Purchaser assigns its interest under the Note and the Security Documents, and/or (b) any wholly owned, related, controlled or affiliated entity or party, without the consent of Seller, and this Agreement shall inure to the benefit of and be binding on the parties hereto and their respective heirs, legal representatives, successors, and assigns. Except as set forth above, Purchaser may not assign or transfer its rights or obligations under this Agreement without the prior written consent of Seller, which consent shall not be unreasonably withheld. If Purchaser assigns its rights and obligations under this Agreement as permitted above, Purchaser shall be automatically fully released from all of its obligations and liabilities hereunder. In such event, Seller agrees to and shall immediately upon request by Purchaser execute a written instrument in a form satisfactory to Purchaser evidencing and confirming such full release.

11.2 Title Policy or Abstract. The Texas Real Estate License Act requires written notice to Purchaser that it should have an attorney examine an abstract of title to the property being purchased or obtain a title insurance policy. Notice to that effect is, therefore, hereby given to Purchaser.

11.3 Notices. All notices or other communications required or permitted to be given pursuant to the provisions of this Agreement shall be in writing and shall be considered a properly given if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering same in person to the intended addressee, or by prepaid telegram, telex or telecopy. Notice so mailed shall be effective upon its deposit in the custody of the U.S. Postal Service. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the parties shall be as follows:

(a) if to Purchaser:

Universal Health Realty Income Trust
367 South Gulph Road
King of Prussia, Pennsylvania 19406
Attention: Cheryl K. Ramagano

with a copy to:

Universal Health Realty Income Trust
3525 Piedmont Road, N.E.
7 Piedmont Center, Suite 202
Atlanta, Georgia 30305
Attention: Timothy J. Fowler

and with a copy to:

Jonathan K. Newsome
Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095

(b) if to Seller:

Turner Adreac, L.C.
407 Julie Rivers, Suite 102
Sugar Land, Texas 77478
Attention: Michael Van

with a copy to:

Dwight Donaldson
820 Gessner, Suite 1340
Houston, Texas 77024-4259

Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days notice to the other party in the manner set forth herein.

11.4 Disbursements. All disbursements of every kind made in connection with the transaction contemplated hereby shall be made at Closing by the Title Company and all such disbursements and their respective recipients shall be clearly set forth on the applicable settlement statement.

11.5 Modification. This Agreement cannot under any circumstance be modified orally, and no agreement shall be effective to waive, change, modify or discharge this Agreement in whole or in part unless such agreement is in writing and is signed by both Seller and Purchaser.

11.6 Reporting Requirements. The Title Company hereby agrees to serve as the real estate reporting person as that term is defined in Section 6045(e) of the Internal Revenue Code of 1986, as amended. This Agreement shall constitute a designation agreement, the name and address of the transferor and transferee of the transaction contemplated hereby appear in Section 11.3 hereof and Seller, Purchaser and the Title Company each agrees to obtain a copy of this Agreement for a period of four (4) years following the end of the calendar year in which Closing occurs. The provisions of this Section 11.6 shall survive Closing.

11.7 Tenant Notification Letters. Seller and Purchaser shall deliver to each and every tenant under the Leases a signed statement prepared by Seller acknowledging Purchaser's receipt and responsibility for each tenant's security deposit (to the extent delivered or credited by Seller to Purchaser at Closing), if any, all in compliance with and pursuant to the applicable provisions of Texas law, including, without limitation, Section 92.105(b) of the Texas Property Code. The provisions of this Section 11.7 shall survive Closing.

11.8 Time of Essence. Seller and Purchaser agree that time is of the essence with regard to this Agreement.

11.9 Successors and Assigns. The terms and provisions of this Agreement are to apply to and bind the successors and assigns of the parties hereto.

11.10 Exhibits and Schedules. The following schedules or exhibits attached hereto (collectively the "Exhibits") shall be deemed to be an integral part of this Agreement:

- (a) Exhibit A--legal description of the Realty;
- (b) Exhibit B--[intentionally omitted]
- (c) Exhibit C--form of Deed;
- (d) Exhibit D--form of Bill of Sale;
- (e) Exhibit E--form of Assignment;
- (f) Exhibit F--form of FIRPTA Affidavit;
- (g) Exhibit G--form of tenant letters;
- (h) Exhibit H--form of Estoppel Certificate; and
- (i) Exhibit I--permitted encumbrances.

11.11 Entire Agreement. This Agreement, including the Exhibits, contains the entire agreement between Seller and Purchaser pertaining to the transaction contemplated hereby and fully supersedes all prior agreements and understandings between Seller and Purchaser pertaining to such transaction.

11.12 Further Assurances. Both Seller and Purchaser agree that it will

without further consideration execute and deliver such other documents and take such other action, whether prior or subsequent to Closing, as may be reasonably requested by the other party to consummate more effectively the transaction contemplated hereby. The provisions of this Section 11.12 shall survive Closing.

11.13 Attorneys' Fees. In the event of any controversy, claim or dispute between Seller and Purchaser affecting or relating to the subject matter or performance of the rights, duties and obligations under this Agreement, the prevailing party shall be entitled to recover from the nonprevailing party all of the prevailing party's reasonable expenses, including, without limitation, attorneys' fees, accountants' fees and court costs.

11.14 Counterparts. This Agreement may be executed in multiple counterparts, and all such executed counterparts shall constitute the same agreement. It shall be necessary to account for only one (1) such counterpart in proving the existence, validity or content of this Agreement.

11.15 Severability. If any provision hereof is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall nonetheless remain in full force and effect.

11.16 Section Headings. Section headings contained herein are for convenience only and shall not be considered in interpreting or construing this Agreement.

11.17 Binding Effect. This Agreement shall not be binding upon any party hereto unless and until both Seller and Purchaser have executed this Agreement.

11.18 Choice of Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas, without regard to the conflicts of laws principles thereof.

11.19 Allocation of Purchase Price. Seller and Purchaser hereby agree that, for federal income tax reporting purposes, the Purchase Price shall be allocated, in accordance with Treasury Regulation 1.1060-1T, as follows:

Class I Assets (cash, demand deposits in banks, etc.).....	\$0
Class II Assets (certificates of deposit, U.S. government securities, readily marketable stock, etc.).....	\$0
Class III Assets (furniture and fixtures, land, buildings, equipment, etc.).....	Purchase Price
Class IV Assets (Goodwill and going concern value).....	\$0
Total Purchase Price.....	Purchase Price

Seller and Purchaser agree to work and cooperate with each other to coordinate their completion of Form 8594, Asset Acquisition Statement (the "Form") under Section 1060, promulgated by the Internal Revenue Service by regulations under Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor form so that the amounts allocated as set forth on the Form will be consistent. The provisions of this Section 11.19 shall survive Closing.

11.20 No Third Party Beneficiary. The provisions hereof and of the documents to be executed and delivered at Closing are and will be for the benefit of Seller and Purchaser only and are not for the benefit of any third party, and accordingly, no third party shall have the right to enforce the

provisions hereof or of the documents to be executed and delivered at Closing.

11.21 Limitation of Liability. This Agreement is made on behalf of Purchaser by a Trustee of Purchaser, not individually, but solely in his, her or its capacity in such office as authorized by the Trustees of Purchaser pursuant to Purchaser's Declaration of Trust, and the obligations set forth in this Agreement are not binding upon, nor shall resort be had to, the private property of any of the Trustees, shareholders, officers, employees or agents of Purchaser personally, shall bind only Purchaser's property. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Seller might otherwise have to obtain injunctive relief against Purchaser or Purchaser's successors in interest, or any action not involving the personal liability of the Trustees, shareholders, officers, employees or agents, original or successor, of Purchaser.

11.22 Effective Date of Agreement. This Agreement has been executed on the dates set forth below, but shall be deemed effective date for all purposes as of December 20th, 1994 (the "Effective Date").

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective as of the Effective Date.

SELLER:

Executed by Seller this
19th day of December, 1994

TURNER ADREAC, L.C., a Texas limited
liability company, d/b/a Turner Adreac
Development Company

By /s/ Charles H. Turner

Name: Charles H. Turner
Title: President

PURCHASER:

Executed by Purchaser this
day of December, 1994.

UNIVERSAL HEALTH REALTY INCOME
TRUST, a Maryland Real Estate
Investment Trust

By /s/ Cheryl K. Ramagano

Name: Cheryl K. Ramagano
Title: Vice President

Exhibit A

Tract 1

Being a tract or parcel of land containing 1.699 acres (73,987 sq. ft.), more or less, situated in the John W. Asbury Survey, Abstract 91 in Harris County, Texas, being out of Restricted Reserve "A", Block 1 of Kingwood Town Center,

Section Two as recorded under Film Code 357060 of the Harris County Map Records and being all of the same land described in the deed to Turner Adreac, L. C. as recorded under Harris County Clerk's File Number P635826; said 1.699 acres being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8-inch iron rod found for the southerly cutback corner at the intersection of the southwesterly right-of-way line of Lake Houston Parkway (width varies) with the northwesterly right-of-way line of Bens Town Drive (60 feet wide);

THENCE South 55o30'50" West along said northwesterly right-of-way line of Bens Town Drive, a distance of 177.05 feet to a 5/8-inch iron rod found for the most southerly corner of said Turner Adreac, L. C. tract,

THENCE North 33o34'17" West along the southwesterly line of said Turner Adreac, L. C. tract, a distance of 344.81 feet to a 5/8-inch iron rod with cap found in the line common to said Reserve "A" and Restricted Reserve "B", Block 2 of Kingwood Town Center Section One as recorded under Film Code 345143 of the Harris County Map Records;

THENCE North 60o12'39" East along said common line, a distance of 237.49 feet to a 5/8-inch iron rod with cap found for the east corner common to said Reserves "A" and "B", being in said southwesterly right-of-way line of Lake Houston Parkway and being in a curve to the right,

THENCE 227.36 feet southeasterly along said southwesterly right-of-way line of Lake Houston Parkway and along the arc of said curve to the right (Central Angle = 06o30'48"; Radius = 2000.00 feet; Chord = South 27o33'32" East, 227.24 feet) to a 5/8-inch iron rod with cap found for a point of reverse curvature to the left;

THENCE 79.58 feet continuing along said southwesterly right-of-way line and along the arc of said curve to the left (Central Angle = 01o31'12"; Radius = 3000.00 feet; Chord = South 25o03'44" East, 79.58 feet) to a 5/8-inch iron rod with cap found for a point of reverse curvature to the right;

THENCE 35.49 feet continuing along said southwesterly right-of-way line and along the arc of said curve to the right (Central Angle = 81o20'09"; Radius = 25.00 feet; Chord = South 14o50'45" West, 32.58 feet) to the POINT OF BEGINNING and containing 1.699 acres (73,987 sq. ft.), more or less.

R.S. McClendon Co.
Ph: (713)240-9099
Job No. 48-9402
December, 1994

SEAL

Tract 2

Being a tract containing 1.727 acres (75,211 square feet) of land situated in the John W. Asbury Survey, A-91 of Harris County, Texas and being out of Restricted Reserve "B" of Kingwood Town Center Section Two, a subdivision of record under Film Code Number 357060 of the Harris County Map Records (H.C.M.R.). Said 1.727 acre tract being more particularly described as follows, with all bearings referenced to the Texas Coordinate System, South Central Zone:

BEGINNING at a 3/4-inch iron rod found for the most easterly northeast corner of said Reserve "B" and being a point in a southwesterly right-of-way line of Lake Houston Parkway (varying width) per plat recorded under Film Code Number 350032 of said H.C.M.R.;

THENCE, 202.84 feet, along said southwesterly right-of-way line and along the arc of a non-tangent curve to the left (Central Angle = 03o52'26"; Radius = 3,000.00 feet; Chord Bearing and Distance = South 29o51'41" East, 202.80 feet) to a 5/8-inch iron rod with plastic cap stamped "SURVCON INC." set for corner;

THENCE, South 55o30'50" West, a distance of 313.87 feet to a 5/8-inch iron rod with plastic cap stamped "SURVCON INC." set for corner and being in a northeasterly right-of-way line of Bens Branch Drive (60.00 feet wide) per said Kingwood Town Center Section Two;

THENCE, North 37o34'31" West, along said northeasterly right-of-way line, a distance of 203.95 feet to a 3/4-inch iron rod found for the beginning of a tangent curve to the right and being the intersection with a southerly right-of-way line of Bens Town Drive (60.00 feet wide) per said Kingwood Town Center Section Two;

THENCE, easterly along said southerly right-of-way line the following courses:

40.62 feet, along the arc of said curve to the right (Central Angle = 93o05'21"; Radius = 25.00 feet; Chord Bearing and Distance = North 08o58'09" East, 36.30 feet) to a 3/4-inch iron rod found for a point of tangency;

North 55o30'50" East, a distance of 291.41 feet to a 3/4-inch iron rod found for the beginning of a tangent curve to the right;

42.13 feet, along the arc of said curve to the right (Central Angle = 96o33'43"; Radius = 25.00 feet; Chord Bearing and Distance = South 76o12'19" East, 37.32 feet) to the POINT OF BEGINNING and containing a computed area of 1.727 acres (75,211 square feet) of land.

Compiled by:

SURVCON INC.

Houston, Texas

Job No. 5728-03

SEAL

March 1994

D-61

Tract 3

An easement over and across that certain tract or parcel of real property situated in Harris County, Texas, as more particularly described as follows:

Being a tract or parcel of land containing 6,421 square feet (0.1474 acre), more or less, situated in the John W. Asbury Survey, Abstract No. 91 in Harris County, Texas, being 4,521 square feet out of Restricted Reserve "B", Block 2 of Kingwood Town Center, Section One as recorded under Film Code 354143 of the Harris County Map Records and 1,900 square feet out of Restricted Reserve "A" of Kingwood Town Center, Section Two as recorded under Film Code 357060 of the Harris County Map Records; said 6,421 square feet being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8-inch iron rod with aluminum cap found for the east corner common to said Reserves "A" and "B", being in the southwesterly right-of-way line of Lake Houston Parkway (width varies) and being in a curve to the right; thence as follows:

Southeasterly 5.00 feet along said southwesterly right-of-way line and the arc of said curve to the right (Central Angle = 00o08'36"; Radius = 2000.00 feet; Chord = South 30o44'39" East, 5.00 feet) to the POINT OF BEGINNING.

THENCE, 25.00 feet continuing southeasterly along said southwesterly right-of-way line and the arc of said curve to the right (Central Angle = 00o42'58", Radius = 2000.00 feet; Chord = South 30o18'52" East, 25.00 feet) to a point for corner,

THENCE South 60o12'39" West departing said southwesterly right-of-way line, a distance of 71.00 feet to a point in a curve to the left;

THENCE northwesterly along the arc of said curve to the left, at 30.00 feet pass the line common to said Reserves "A" and "B", for a total arc distance of 51.38 feet (Central Angle = 01o31'34"; Radius = 1929.00 feet; Chord = North 30o43'58" West, 51.38 feet) to a point of reverse curvature to the right;

THENCE 113.29 feet along the arc of said curve to the right (Central Angle = 01o3'22"; Radius = 6146.00 feet; Chord = North 30o57'39" West, 113.28 feet) to a point for corner;

THENCE North 59o27'02" East, a distance of 71.00 feet to a point for corner in said southwesterly right-of-way line of Lake Houston Parkway and being in a curve to the left;

THENCE southeasterly 25.00 feet along said southwesterly right-of-way line and the arc of said curve to the left (Central Angle = 00o14'09", Radius = 6075.00 feet; Chord = South 30o32'58" East, 25.00 feet) to a point for corner, being 87.12 feet along the arc of said curve from a 5/8-inch iron rod with aluminum cap found for a point of reverse curvature to the right;

THENCE South 59o27'02" West departing said southwesterly right-of-way line, a distance of 46.00 feet to a point in a curve to the left;

THENCE southeasterly 87.87 feet along the arc of said curve to the left (Central Angle = 00o49'21"; Radius = 6121.00 feet; Chord = South 31o04'40" East, 87.87 feet) to a point of reverse curvature to the right;

THENCE 27.12 feet along the arc of said curve to the right (Central Angle = 00o47'43"; Radius = 1954.00 feet; Chord = South 31o05'53" East, 27.12 feet) to a point for corner,

THENCE North 60o12'39" East, a distance of 46.01 feet to the POINT OF BEGINNING and containing 6,421 square feet (0.1474 acre) of land, more or less.

R. S. McCLENDON CO.

Ph: (713)240-9099

Job No. 48-9402

SEAL

December, 1994

EXHIBIT B

[INTENTIONALLY OMITTED]

EXHIBIT C

GENERAL WARRANTY DEED

THE STATE OF TEXAS Section
 Section KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS Section

THAT _____, a _____ ("Grantor"), for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration to it in hand paid by _____, a _____ ("Grantee"), whose mailing address is _____, the receipt and sufficiency of which consideration are hereby acknowledged, and upon and subject to the exceptions, encumbrances, terms and provisions hereinafter set forth and described, has GRANTED, BARGAINED, SOLD and CONVEYED, and by these presents does hereby GRANT, BARGAIN, SELL and CONVEY, unto Grantee that certain tract or parcel of real property situated in Harris County, Texas, described on Exhibit A attached hereto and made a part hereof for all purposes, together with all and singular the rights, benefits, privileges, easements, tenements, hereditaments and appurtenances thereon or in anywise appertaining thereto, and together with all improvements situated thereon, all sewer and wastewater discharge capacity allocated or reserved thereto, all development rights with respect thereto and any right, title and interest of Grantor in and to adjacent streets, alleys, rights-of-way and any adjacent strips or gores of real estate (such land, rights, benefits, privileges, easements, tenements, hereditaments, appurtenances, improvements and interests being hereinafter referred to collectively as the "Property").

This conveyance is expressly made subject and subordinate to those encumbrances and exceptions (collectively the "Permitted Exceptions") set forth on Exhibit B attached hereto and made a part hereof for all purposes, but only to the extent that the same affect or relate to the Property.

TO HAVE AND TO HOLD the Property, subject to the Permitted Exceptions, as aforesaid, unto Grantee, its successors and assigns, forever; and Grantor does hereby bind itself, its successors and assigns, to WARRANT AND FOREVER DEFEND all and singular the Property unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof.

By acceptance of this General Warranty Deed, Grantor warrants payment of all property taxes on the Property through and including the year 19 . By acceptance of this General Warranty Deed, Grantee assumes payment of all property taxes on the Property for the year 19 , which have been prorated, and subsequent years.

IN WITNESS WHEREOF, this General Warranty Deed has been executed by Grantor on the date of the acknowledgement set forth below, to be effective for all purposes as of the __ day of _____, 19__.

-----,
a

By _____
Name: _____
Title: _____

THE STATE OF _____ Section
COUNTY OF _____ Section

This instrument was acknowledged before me on the ____ day of _____, 19__, by _____, of _____, a _____, on behalf of said _____.

Notary Public in and for the
State of _____

Printed or Typed Name of Notary

My Commission Expires:

EXHIBIT D

BLANKET CONVEYANCE, BILL OF SALE AND ASSIGNMENT

THE STATE OF TEXAS Section
 Section KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS Section

Concurrently with the execution and delivery of this Blanket Conveyance, Bill of Sale and Assignment (this "Bill of Sale"), _____, a _____ ("Assignor"), is conveying to _____, a _____ ("Assignee"), whose mailing address is _____, by General Warranty Deed (the "Deed"), that certain tract or parcel of real property situated in Harris County, Texas, being more particularly described on Exhibit A attached hereto and made a part hereof for all purposes, together with the improvements situated thereon (collectively the "Property").

It is the desire of Assignor hereby to assign, transfer, and convey to Assignee all fixtures, fittings, appliances, apparatus, equipment, machinery, warranties, guaranties, indemnities, claims and other items of tangible and intangible personal property owned by Assignor and affixed or attached to, or placed or situated upon, or used in connection with the use, occupancy, or operation of the Property (all of such properties and assets are hereinafter referred to collectively as the "Assigned Properties").

NOW, THEREFORE, in consideration of the receipt of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by Assignee to Assignor, the receipt and sufficiency of which are hereby acknowledged and confessed by Assignor, Assignor does hereby ASSIGN, TRANSFER, SET OVER, and DELIVER to Assignee, its successors and assigns, all of the Assigned Properties, including, without limitation, the following:

1. Any and all tangible personal property owned by Assignor and situated upon and used in connection with the complete and comfortable use, enjoyment, occupancy or operation of the Property, including, without limitation, all raw materials, work and materials in process, stock in trade, inventory and equipment, if any.

2. The rights and interests of Assignor in and to, and existing under and by virtue of, the contracts (collectively the "Contracts") described on the schedule attached hereto as Exhibit B and made a part hereof for all purposes to which Assignor is now a party and which relate to the ownership, use, enjoyment, occupancy or operation of the Property.

3. All assignable warranties, bonds, guaranties (express or implied), indemnities and claims issued in connection with or arising out of (a) the purchase and repair of all fixtures, equipment, and personal property owned by Assignor and attached to and located in or used in connection with the Property, including, but not limited to (i) all electrical, heating, air conditioning, plumbing, and lighting fixtures and equipment, and (ii) all carpeting, furniture, and window draperies, or (b) the construction of any of the improvements constituting a portion of the Property.

4. All right, title and interest in and to any trade name or assumed name presently or formerly used by Assignor in connection with the ownership, use, enjoyment, occupancy or operation of the Property, including, without limitation, the name "The Professional Center at Kings Crossing".

TO HAVE AND TO HOLD the Assigned Properties unto Assignee, its successors and assigns, forever, and Assignor does hereby bind itself and its successors to WARRANT AND FOREVER DEFEND, all and singular, title to the Assigned Properties unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof.

Assignor represents and warrants that (1) there are no contracts, agreements or warranties that relate to the Property other than those listed on Exhibit B, (2) the Contracts have not been amended or modified except as set forth on Exhibit B, (3) Assignor is the owner of the Contracts and has all necessary authority to assign the Contracts to Assignee, (4) there has been no default thereunder, or any event which, with the passage of time or giving the notice, or both, would constitute a default thereunder, and (5) all consents necessary to the assignment of the Contracts have been obtained.

Assignor hereby agrees to perform, execute, and/or deliver or cause to be performed, executed, and/or delivered any and all such further acts and assurances as Assignee may reasonably require to perfect Assignee's interest in the Assigned Properties.

It is specifically agreed that Assignee shall not be responsible for the discharge and performance of any duties or obligations required to be performed and/or discharged in connection with the Assigned Properties prior to the effective date hereof. In such regard, Assignor agrees to indemnify, save and hold harmless Assignee from and against any and all loss, liability, cost or expense (including, without limitation, attorneys' fees, accountants' fees, consultants' fees, court costs and interest) resulting from any claims or causes of action existing in favor of or asserted by any party arising out of or relating to Assignor's failure to perform any duties or obligations of the owner of the Assigned Properties prior to the effective date hereof.

Nothing herein contained shall be deemed to limit or restrict the properties, assets and rights conveyed, assigned or transferred to or acquired by Assignee pursuant to the Deed or other instruments of conveyance executed in connection therewith.

EXECUTED on the dates of the acknowledgements set forth below, to be effective for all purposes as of the day of , 19 .

ASSIGNOR:

-----,
a-----

By

Name: -----
Title:-----

ASSIGNEE:

-----,
a-----

By

Name: -----
Title:-----

THE STATE OF _____ Section
COUNTY OF _____ Section

This instrument was acknowledged before me on the ____ day of _____
_____, 19____, by _____, _____ of
_____, a _____
_____, on behalf of said _____.

Notary Public in and for the
State of

Printed or Typed Name of Notary

My Commission Expires:

THE STATE OF _____ Section
COUNTY OF _____ Section

This instrument was acknowledged before me on the ____ day of _____
_____, 19____, by _____, _____ of
_____, a _____, on behalf of said _____.

Notary Public in and for the
State of

Printed or Typed Name of Notary

My Commission Expires:

EXHIBIT E

ASSIGNMENT OF TENANT LEASES

THE STATE OF TEXAS Section
 Section KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS Section

THAT THIS ASSIGNMENT OF TENANT LEASES is made from _____
_____, a _____ ("Assignor"), to _____, a
_____, ("Assignee"), whose mailing address is _____.

W I T N E S S E T H:

WHEREAS, Assignor is the lessor under each of the leases demising space in the improvements located on the tract of land more particularly described on Exhibit A attached hereto and made a part hereof for all purposes (the "Property"), said leases (collectively the "Leases") being more particularly described on the schedule attached hereto as Exhibit B and made a part hereof for all purposes;

WHEREAS, the Property is being conveyed from Assignor to Assignee by General Warranty Deed of even date herewith (the "Deed"); and

WHEREAS, Assignor desires to transfer and assign to Assignee all of the interest of the "Lessor" or "Landlord" under the Leases.

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration to Assignor in hand paid by Assignee, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby SELL, ASSIGN, CONVEY, TRANSFER, SET-OVER and DELIVER unto Assignee all of the interest of the "Lessor" or "Landlord" under the Leases.

TO HAVE AND TO HOLD all and singular the Leases unto Assignee, its successors and assigns, and Assignor does hereby bind itself and its successors to WARRANT AND FOREVER defend all and singular the Leases unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or attempting to claim the same, or any part thereof.

Assignor represents and warrants that (1) there are no leases demising space in the improvements located on the Property other than those described on Exhibit A, (2) the Leases have not been amended or modified except as set forth on Exhibit A, (3) the Leases are in full force and effect, (4) there has been no default thereunder, or any event which, with the passage of time or giving of notice, or both, would constitute a default thereunder, and (5) all consents necessary to the assignment of the Leases have been obtained.

It is specifically agreed that Assignee shall not be responsible for the discharge and performance of duties or obligations required to be performed and/or discharged in connection with the Leases prior to the effective date hereof. In such regard, Assignor agrees to indemnify, save and hold harmless Assignee from and against any and all loss, liability, cost or expense (including, without limitation, attorneys' fees, accountants' fees, consultants' fees, court costs and interest) resulting from any claims or causes of action existing in favor of or asserted by any party arising out of or relating to Assignor's failure to perform any duties or obligations of the "Lessor" or "Landlord" under the Leases prior to the effective date hereof.

It is specifically agreed that Assignor shall not be responsible for the

discharge and performance of duties or obligations required to be performed and/or discharged in connection with the Leases subsequent to the effective date hereof. In such regard, Assignee agrees to indemnify, save and hold harmless Assignor from and against any and all loss, liability, cost or expense (including, without limitation, attorneys' fees, accountants' fees, consultants' fees, court costs and interest) resulting from any claims or causes of action existing in favor of or asserted by any party arising out of or relating to Assignee's failure to perform any duties or obligations of the "Lessor" or "Landlord" under the Leases on or after the effective date hereof.

EXECUTED on the dates of the acknowledgements set forth below, to be effective for all purposes as of the day of , 19 .

ASSIGNOR:

-----,
a-----

By

Name: -----
Title:-----

ASSIGNEE:

-----,
a -----

By

Name: -----
Title:-----

THE STATE OF _____ Section
COUNTY OF _____ Section

This instrument was acknowledged before me on the ____ day of _____,
19 ___, by _____ of _____,
a _____, on behalf of said _____.

Notary Public in and for the
State of

Printed or Typed Name of Notary

My Commission Expires:

THE STATE OF _____ Section
COUNTY OF _____ Section

This instrument was acknowledged before me on the ____ day of _____,
19 ___, by _____ of _____,
a _____

_____, on behalf of said _____.

Notary Public in and for the
State of

Printed or Typed Name of Notary

My Commission Expires:

EXHIBIT F

FIRPTA AFFIDAVIT

THE STATE OF TEXAS Section
 Section
COUNTY OF HARRIS Section

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform _____, a _____ ("Transferee"), whose mailing address is _____, that withholding of tax is not required upon the disposition of a U.S. real property interest by _____, a _____ ("Transferor"), the undersigned hereby certifies as follows:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. Transferor's U.S. employer identification number is: _____;
3. Transferor's office address is _____.

Transferor understands that this certification may be disclosed to the Internal Revenue Service by the Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document.

EXECUTED effective as of the ____ day of _____, 19__.

-----,
a

By

Name:

Title:

SWORN TO AND SUBSCRIBED BEFORE ME this ____ day of _____, 19__.

Notary Public in and for
the State of

Printed or Typed Name of Notary

My Commission Expires:

EXHIBIT G

Notice of Purchase and Lease Assignment to Tenants

_____, 19 ____

[Name and Address of Tenant]

Re: Sale of

Gentlemen:

Please be advised that _____, a _____
("Purchaser"), has purchased the captioned property, in which you occupy space
as a tenant pursuant to a lease dated _____, 19 ____
(the "Lease"), from _____, a _____ ("Seller"),
the previous owner thereof. In connection with such purchase, Seller has
assigned its interest as landlord in the Lease to Purchaser and has transferred
your security deposit in the amount of \$ _____ (the "Security Deposit")
to Purchaser. Purchaser specifically acknowledges the receipt of and
responsibility for the Security Deposit, the intent of Purchaser and Seller
being to relieve Seller of any liability for the return of the Security Deposit.

Our records show the following offsets and claims against the Security
Deposit:

All rental and other payments that become due on or
subsequent to the date hereof should be payable to _____,
a _____, and should be addressed as follows:

In addition, all notices from you to the landlord concerning any matter relating to your tenancy should be sent to
at the address set forth above.

Very truly yours,

_____ ,
a _____

By _____
Name: _____
Title: _____
"Seller"

_____ ,
a _____

By _____
Name: _____
Title: _____
"Purchaser"

EXHIBIT H

FORM OF ESTOPPEL CERTIFICATE

SUBORDINATION, NON-DISTURBANCE AND
ATTORNMENT AGREEMENT

THE STATE OF TEXAS Section
Section
COUNTY OF Section

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement") is entered into by and between _____, a _____ ("Lienholder"), and _____, a _____ ("Tenant"), effective as of the date set forth below.

W I T N E S S E T H:

WHEREAS, Lienholder is the holder and owner of that certain promissory note executed by _____, a _____ ("Landlord"), in the original principal amount of _____, dated as of _____ (the "Note"), which Note is secured by a Deed of Trust and Security Agreement of even date therewith to _____, Trustee, filed in the office of the County Clerk of _____ County, _____ (said Deed of Trust and Security Agreement being herein referred to as the "Deed of Trust"), which Deed of Trust covers certain property and improvements in _____ County, _____, more particularly described on Exhibit A, attached hereto and made a part hereof for all purposes, and in said Deed of Trust (the "Mortgaged Property"); and

WHEREAS, Landlord has executed a lease agreement dated as of _____
(the "Lease Contract"), with Tenant covering a portion of _____

the improvements on the Mortgaged Property (the "Leased Premises"); and

WHEREAS, Lienholder and Tenant desire that the aforesaid Lease Contract remain in effect notwithstanding any foreclosure or other proceedings for enforcement of said Deed of Trust or foreclosure of any other lien securing said Promissory Note and held by Lienholder on all or any portion of the Mortgaged Property;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

THAT, for and in consideration of the premises, Ten Dollars (\$10.00) and other good and valuable consideration each to the other paid, the parties hereto agree as follows:

1. Non-Disturbance.

A. Lienholder agrees, for the benefit of Landlord, Tenant and Lienholder, that, notwithstanding any foreclosure by Lienholder under the aforesaid Deed of Trust or foreclosure by Lienholder under any other lien, assignment of leases, assignment of rents or other instrument securing the Note now owned and held by Lienholder and covering all or any portion of the Mortgaged Property or any conveyance in lieu of foreclosure, and notwithstanding any exercise by Lienholder of any prior rights of Lienholder with respect to the Mortgaged Property, Tenant's right of possession of the Leased Premises shall not be disturbed or affected by Lienholder so long as no default by Tenant exists under the terms of said Lease Contract (after notice and an opportunity to cure, if any, as provided in said Lease Contract) as would enable Landlord to terminate said Lease Contract or would cause termination of said Lease Contract or would entitle the Landlord to dispossess the Tenant under said Lease Contract.

B. Except as herein expressly provided to the contrary and subject to the further terms and provisions hereof, in the event of foreclosure under said Deed of Trust or any other lien or instrument in favor of Lienholder or exercise of any other prior rights of Lienholder with respect to the Mortgaged Property, Lienholder shall be deemed to have assumed and agreed to perform the duties of Landlord under such Lease Contract during such period, if any, as Lienholder is collecting or entitled to collect rent from Tenant thereunder, except that the person acquiring the interests of the Lienholder and Landlord, or of either of them, as a result of any such action or proceeding, shall not be (a) liable for any act or omission of Landlord or any other prior landlord; or (b) subject to any offsets or defenses which Tenant might have against Landlord or any other prior landlord; or (c) bound by any rent or additional rent which Tenant might have paid for more than one month in advance of the due dates under the terms of the Lease Contract; or (d) liable for any security deposit which Tenant might have paid pursuant to the Lease Contract unless such security deposit has been paid over to Lienholder; or (e) bound by any amendment or modification of the Lease Contract made without Lienholder's prior written consent; or (f) bound by any provisions requiring Landlord to construct improvements on or to the Mortgaged Property or any part thereof.

2. Subordination. Tenant agrees that, as of the date hereof, the Lease Contract is hereby subordinated to and shall be and remain subject and subordinate to the Deed of Trust and any extensions, renewals or modifications thereof, subject to the further provisions of this Agreement.

3. Attornment. Tenant further agrees with Lienholder that a foreclosure or other action or proceeding under said Deed of Trust or conveyance in lieu of foreclosure shall not terminate the Lease Contract and the Tenant shall not be relieved of the Tenant's obligations thereunder, unless the Lienholder or any purchaser at foreclosure under the Deed of Trust or otherwise, or any other proceedings for enforcement of said Deed of Trust, elects to terminate the Lease Contract pursuant to any right to do so under Section 1, above, or as may be otherwise provided in the Lease. So long as the Lease Contract remains in effect as above provided, the Lienholder in possession or any purchaser or purchasers at any sale under the Deed of Trust shall have all rights of the Landlord under

the Lease Contract (including, without limitation, any extensions or renewals thereof that may be effected in accordance with any option therefor in the Lease Contract) and the Tenant shall be deemed to have attorned to such Lienholder or such purchaser or purchasers (including, without limitation, the Lienholder if it be the purchaser), and for the duration of possession by Lienholder or such other Purchaser, then, subject to the limitations on liability set forth in the Lease Contract, the Tenant shall have the same rights against such Lienholder in possession or such other purchaser or purchasers as it has against the Landlord under the Lease Contract, except as otherwise provided in this Agreement. The attornment of Tenant provided for in the immediately preceding sentence hereof is to be effective and self-operative without the execution of any further instruments upon Lienholder or a purchaser or purchasers succeeding to the interest of Landlord under the Lease Contract, but Tenant agrees to execute and acknowledge such documents as such Lienholder or a purchaser or purchasers succeeding to the interest of Landlord under the Lease Contract or of Lienholder under the Lease Contract may reasonably request to evidence Tenant's attornment hereunder.

4. Confirmation of Terms. As of the date hereof, the Lease Contract consists solely of the lease agreement between Landlord and Tenant dated _____ and any amendments thereto, if any, specifically listed on that certain Lease Summary attached hereto as Exhibit B and made a part hereof for all purposes (the "Lease Summary"), and there are no other agreements between Landlord and Tenant relating to the Lease Contract or the Premises. Tenant confirms and agrees that the Lease Summary completely and correctly summarizes all of the basic terms of the Lease Contract, and, to the extent of any conflict between the terms of the Lease Contract and the Lease Summary, the Lease Contract, at Lienholder's election, may be deemed to have been amended to conform to the Lease Summary.

5. Lienholder's Liability. Neither _____, nor any other party that may, from time to time, be included as "Lienholder" hereunder, shall have any liability or responsibility under or pursuant to the terms of this Agreement after such time as such party ceases to own an interest in the Mortgaged Property and, at no time shall Lienholder's liability hereunder or under the Lease Contract exceed Lienholder's interest in the Mortgaged Property.

6. Successors and Assigns. The provisions hereof shall inure to the benefit of and be binding upon the undersigned parties and their respective successors and assigns.

EXECUTED in multiple counterparts, each of which shall have the force and effect of an original, on the dates of the acknowledgments set forth below, to be effective, however, as of the _____ day of _____, 199_.

-----,
a _____

By _____
Name: _____
Title: _____
"Lienholder"

-----,
a _____

By _____
Name: _____
Title: _____
"Tenant"

THE STATE OF _____ Section
COUNTY OF _____ Section

This instrument was acknowledged before me on _____, 199_, by
_____, of _____, a
_____, on behalf of said _____.

(SEAL)

Notary Public in and for
the State of _____

(Printed Name of Notary Public)

My commission expires:

THE STATE OF _____ Section
COUNTY OF _____ Section

This instrument was acknowledged before me on _____, 199_, by
_____, of _____, a
_____, on behalf of said _____.

(SEAL)

Notary Public in and for
the State of _____

(Printed Name of Notary Public)

My commission expires:

EXHIBIT I

Tract I

PERMITTED ENCUMBRANCES

Restrictive Covenants as set out under Film Code No. 357060 of the Map Records
of Harris County, Texas and those recorded under Clerk's File No. H-679437 as

amended by instruments recorded under Clerk's File Nos. H-876904, annexed by P-512539, and N-474681, annexed by instrument recorded under Clerk's File No. P-512540, and those in the Deed recorded under Clerk's File No. P-635826 of the Real Property Records of Harris County, Texas.

An easement 10 feet wide, northeasterly of and adjacent to the southwesterly line of the 30 feet wide building line along the northeasterly property line, for the use of public utilities as reflected by the recorded plat, and an aerial easement 10 feet wide beginning at a plane 16 feet above the ground level and extending upwards located on both sides of and adjoining the dedicated utility easement, as granted to Houston Lighting Power Company by instrument recorded under Clerk's File No. R-029502 of the Real Property Records of Harris County, Texas.

An easement 10 feet wide southeasterly of and adjacent to the northwesterly property line, beginning at the most northerly corner and extending in a southwesterly direction 30 feet

along said line, for the use of public utilities as reflected by the recorded plat, and an aerial easement 10 feet wide beginning at a plane 16 feet above the ground level and extending upwards located southeast of and adjoining the dedicated utility easement, as granted to Houston Lighting Power Company by instrument recorded under Clerk's File No. R-029502 of the Real Property Records of Harris County, Texas.

A 10 foot wide utility easement adjacent to and within all of the property's external boundaries along with a 15 foot aerial easement adjacent to the north property line for the purpose of general utilities, as reserved in the instrument recorded under Clerk's File No. P-635826 of the Real Property Records of Harris County, Texas.

An easement 5 feet wide and being the southeasterly one-half of a 10 foot wide easement centered on the northwest property line, along with an unobstructed aerial easement 10 feet wide beginning at a plane 16 feet above the ground and extending upwards, located southeasterly of and adjoining said 5 feet wide easement, as granted to Houston Lighting & Power Company by instrument recorded under Clerk's File No. P-660108 of the Real Property Records of Harris County, Texas.

A guy easement 3 feet wide and 40 feet in length located 25 feet Southwest of the northeast corner of subject property and extending in a Southeasterly direction, as granted to Houston Lighting & Power Company by instrument recorded under Clerk's File No. P-660108 of the Real Property Records of Harris County, Texas.

An easement for drainage purposes extending a distance of 15 feet on each side of the centerline of all natural drainage courses, as reflected by the recorded plat.

1/2 of all the oil, gas and other minerals, the royalties, bonuses, rentals and all other rights in connection with same are excepted herefrom as the same are set forth in instrument recorded in Volume 7036, Page 323 of the Deed Records of Harris County, Texas. (as to all oil, gas, sulphur and other minerals found at depths of more than 1,000 feet below the surface and as to all oil, gas, sulphur and hydrocarbons in addition to oil and gas found at depths of less than 1,000 feet below the surface of the land) Leasing rights waived therein. Surface use limited by Agreement therein and as recorded under Clerk's File No. E-010659 of the Real Property Records of Harris County, Texas.

The remainder of all the oil, gas and other minerals, the royalties, bonuses, rentals and all other rights in connection with same are excepted herefrom as the same are set forth in instrument recorded under Clerk's File No. P-635826 of the Real Property Records of Harris County, Texas. Surface rights were waived therein.

Subject to the restrictions and regulations imposed by Ordinances of the City of

Houston, recorded in Volume 5448, Page 421 of the Deed Records of Harris County, Texas, as amended under Clerk's File No. J-040968 of the Real Property Records of Harris County, Texas, regarding the Houston Intercontinental Airport.

Building Set Back Line 50 feet wide for buildings and parking along Lake Houston Parkway, as set forth in instrument recorded under Clerk's File No. H-679437 of the Real Property Records of Harris County, Texas.

Building Set Back Line 10 feet in width along the southeasterly property line as reflected by the recorded plat.

Building Set Back Line 30 feet in width along the northeasterly property line as reflected by the recorded plat.

Annual Maintenance Charge and Special Assessments for Capital Improvement payable to Kings Crossing Community Association reserved in instrument recorded under Clerk's File No. H-679437 as amended by instrument recorded under Clerk's File No. H-876904 and annexed by instrument recorded under Clerk's File No. P-512539 of the Real Property Records of Harris County, Texas. This lien having been subordinated therein to all first mortgage liens only.

Annual Maintenance Charge and Special Assessments for Capital Improvements payable to Kings Crossing Trail Association reserved in instrument recorded under Clerk's File No. N-467646, annexed by P-512540 of the Real Property Records of Harris County, Texas. This lien having been subordinated therein to all first mortgage liens only.

Tract 2

Restrictive Covenants as set out in Film Code No. 357060 of the Map Records and those recorded under Clerk's File No. H-679437 as amended by instrument recorded under Clerk's File No. H-876904 and as annexed by instrument recorded under Clerk's File No. P-745162 and those recorded under Clerk's File No. N-467646 as annexed by instrument recorded under Clerk's File No. P-745163 of the Real Property Records of Harris County, Texas.

A storm sewer easement 10" feet wide in the most westerly corner of subject property as reflected by the recorded plat.

A sanitary sewer easement 10 feet wide along the southeast portion of the southwest property line, as reflected by the recorded plat.

An easement 10 feet wide centered along a line 25 feet southwest of and parallel to the northeast property line for the use of public utilities as reflected by the recorded plat.

An unobstructed aerial easement 10 feet wide, located on both sides of and adjoining the aforementioned 10 foot easement, from a plane 16 feet above the ground upward, granted to Houston Lighting & Power Company by instrument recorded under Clerk's File No. R-029501 of the Real Property Records of Harris County, Texas.

A proposed aerial easement 11.5 feet wide located southwest of, adjacent to and adjoining the aforementioned 10 foot wide easement as reflected by the survey plat by Arthur W. Girts, Jr., RPLS No. 4741 dated April 29, 1994.

Subject to any easements, rights-of-way, roadways, encroachments, etc., which a survey or physical inspection of the premises might disclose.

An easement for drainage purposes extending a distance of 15 feet on each side of the centerline of all natural drainage courses, as reflected by the recorded plat.

1/2 of all the oil, gas and other minerals, the royalties, bonuses, rentals and all other rights in connection with same are excepted herefrom as the same are set forth in instrument recorded in Volume 7036, Page 323 of the Deed Records of Harris County, Texas (as to all oil, gas, sulphur and other minerals found at depths of more than 1,000 feet below the surface and as to all oil, gas, sulphur and hydrocarbons in addition to oil and gas found at depths of less than 1,000 feet below the surface of the land) Leasing rights waived therein. Surface use limited by Agreement therein and as recorded under Clerk's File No. E-010659 of the Real Property Records of Harris County, Texas.

Subject to the restrictions and regulations imposed by Ordinances of the City of Houston, recorded in Volume 5448, Page 421 of the Deed Records of Harris County, Texas, as amended under Clerk's File No. J-040968 of the Real Property Records of Harris County, Texas, regarding the Houston Intercontinental Airport.

Building Set Back Line 10 feet in width along the northwest and southwest property lines as reflected by the recorded plat.

Building Set Back Line 30 feet in width along the northeast property line as reflected by the recorded plat.

Building Set Back Lines as reflected in instrument recorded under Clerk's File No. H-679437 and as annexed by instrument recorded under Clerk's File No. P-745162 of the Real Property Records of Harris County, Texas and as reflected by the survey plat by Arthur W. Girts, Jr., RPLS No. 4741 dated April 29, 1994.

Annual Maintenance Charge and Special Assessments for Capital Improvements payable to Kings Crossing Community Association reserved under Clark's File No. H-679437 as amended by instrument recorded under Clerk's File No. H-876904 and as annexed by instrument recorded under Clerk's File No. P-745162 of the Real Property Records of Harris County, Texas. This lien having been subordinated therein to all first mortgage liens only.

Annual Maintenance Charge and Special Assessments for Capital Improvements payable to Kings Crossing Trail Association reserved under Clerk's File No. N-467646 as annexed by instrument recorded under Clerk's File No. P-745163 of the Real Property Records of Harris County, Texas. This lien having been subordinated therein to all first mortgage lipnm only.

CONSTRUCTION LOAN AGREEMENT

THIS CONSTRUCTION LOAN AGREEMENT (this "Agreement") is entered into as of the 20th day of December, 1994, by and between Universal Health Realty Income Trust, a Maryland Real Estate Investment Trust ("Lender"), and Turner Adreac, L.C., a Texas limited liability company, d/b/a Turner Adreac Development Company ("Borrower").

WITNESSETH:

ARTICLE 1

DEFINITIONS

1.1 Definitions. As used in this Agreement, the following terms shall have the meanings indicated:

Agreement of Purchase and Sale: The Agreement of Purchase and Sale of even date herewith between Borrower, as Seller, and Lender, as Purchaser, covering and describing the Mortgaged Property.

Architect: Yeatts Architects, Inc.

Architect's Contract: An Agreement between Borrower and the Architect providing for the provision by Architect of architectural and related services in connection with the construction of the Improvements and requiring the Architect to carry professional liability insurance in an amount not less than \$500,000.00.

Assignment of Leases and Rents: The Assignment of Leases and Rents of even date herewith between Borrower, as Assignor, and Lender, as Assignee, covering and describing the Leases.

Code: The Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated in connection therewith.

Commitment: The agreement between Borrower and Lender dated December 8, 1994, and providing for the execution and delivery of the Security Documents.

Completion Date: The date that the Improvements are constructed to Completion, but in no event later than July 18, 1995; except, however, that in the event of casualty or force majeure the Completion Date may be extended as late as September 15, 1995.

Completion Deposit: An amount (if any) calculated by Lender to equal the difference between (a) the amount which Lender from time to time determines to be necessary to pay all costs to be incurred in connection with the completion of the development of the Mortgaged Property and the construction, marketing, ownership, management, maintenance, operation, sale or leasing of the Improvements in accordance with this Agreement; to pay all sums which may accrue under the Security Documents prior to repayment of the Indebtedness, including, without limitation, the generality of the foregoing, interest on the Indebtedness; and to enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Security Documents, and (b) the funds then unadvanced by Lender to Borrower on the Note.

Construction Contracts: Any and all contracts and agreements, written or oral, between Borrower and the General Contractor, between Borrower and any other original contractor, between any of the foregoing and any subcontractor and between any of the foregoing and any other person or entity relating in any way to the construction of the Improvements, including, without limitation, the performing of labor or the furnishing of standard or specially fabricated materials in connection therewith. The Construction Contracts shall require the General Contractor to carry professional liability insurance in an amount not less than \$5,000,000.00 and the structural engineers to carry professional liability insurance in an amount not less than \$1,000,000.00.

Contracts: The Construction Contracts and the Architect's Contract.

Deed of Trust: The Deed of Trust, Security Agreement and Fixture Filing of even date herewith executed by Borrower conveying the Mortgaged Property to Jonathan K. Newsome, Trustee for Lender to secure the repayment of the Indebtedness and performance of the Obligations and all amendments thereto.

Disposition: Shall have the meaning ascribed thereto in Section 7.9 hereof.

Environmental Law: All Legal Requirements relating to the generation, storage, use, handling, treatment, transportation, disposal, release or emission of Hazardous Materials including, without limitation, the Clean Air Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act, as

amended, the Safe Drinking Water Act, as amended, the Hazardous Materials Transportation Act, as amended, and the Resources Conservation and Recovery Act, as amended.

Environmental Report: That certain Phase I environmental audit of the Mortgaged Property prepared by Compass Professional Services, Inc. for Borrower and dated October 28, 1994, together with an update thereof performed subsequent to Substantial Completion, but no earlier than three (3) calendar days prior to the closing of the sale of the Mortgaged Property to Lender.

Event of Default: Any happening or occurrence described in Article 7 hereof.

Final Completion: When all of the following have occurred: (a) Substantial Completion, (b) the Improvements have been completed in accordance with the Plans, the Security Documents and all applicable Legal Requirements, (c) Borrower has delivered to Lender Certificates of Occupancy (or their equivalent) from all appropriate Governmental Authorities having jurisdiction over the Mortgaged Property, (d) Lender has received an endorsement from the Title Company deleting any exception in the Title Insurance relating to completion of the Improvements and other exceptions specified by Lender which may be deleted pursuant to applicable title insurance regulations, (e) Lender has received a Texas Society of Professional Surveyors Category 1A, Condition II Survey satisfactory in form and content to Lender, (f) Lender has received the Environmental Report, (g) Lender has received a certificate executed by the Independent Supervising Architect stating that the Independent Supervising Architect has determined, that the construction of the improvements to the Mortgaged Property has been completed in accordance with the Plans, (h) Lender has received final "as-built" plans and specifications for the Improvements showing all changes to the Plans from the original Plans, other than any changes in the tenant improvements reasonably determined by the Independent Supervising Architect to be non-substantial, which non-substantial changes shall be marked on the "as-built" plans and specifications (i) all "punch list" items have been resolved to Lender's satisfaction, (j) all sums due in connection with the construction of the Improvements have been paid in full, and (k) Lender has received an Affidavit and Full Release of Liens in recordable form from the General Contractor and, upon Lender's request, either (1) a Full Release of Liens or (2) a bond satisfactory to Lender and the Title Company complying with the provisions of Chapter 53 of the Texas Property Code, with respect to any other contractors or subcontractors who have performed work on, or furnished materials for, the Improvements.

General Contractor: Quest Construction Company, or any other general contractor engaged by Borrower and approved in writing by Lender to construct the Improvements or any part thereof.

Governmental Authority: Any and all courts, boards, agencies, commissions, offices or authorities of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence.

Guarantor (individually and/or collectively, as the context may require): Quest Construction Company, Jemtex Inc., Charles H. Turner, Michael Van, and Eric Van.

Guaranty (individually and/or collectively, as the context may require): That or those instruments of guaranty, if any, now or hereafter in effect, from Guarantor in favor of Lender guaranteeing the repayment of all or any part of the Indebtedness and/or the satisfaction of, or continued compliance with, the Obligations.

Hazardous Materials: Any flammables, explosives, radioactive materials, asbestos, petroleum products, or other hazardous waste, including, without limitation, substances defined as "hazardous substances", "hazardous materials", or "toxic substances" under any Legal Requirements, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability

Act of 1980, the Hazardous Materials Transportation Act, and The Resources Conservation and Recovery Act, all as amended.

Improvements: The improvements described in the Plans, being generally described as the improvements to be completed on a combined 3.428 acre site in the Kings Crossing section of Kingwood, Texas, on the corner of Lake Houston Parkway and Towns Bend Drive, which improvements shall be constructed in compliance with the Plans, the Security Documents, and all applicable Legal Requirements, as reasonably determined by the Independent Supervising Architect.

Indebtedness: The principal of, interest on and all other amounts, payments and premiums due under or secured by the Note, the Deed of Trust, the Guaranty and any and all other documents now or hereafter executed by Borrower, Guarantor or any other person or party in connection with the loan evidenced by the Note.

Independent Supervising Architect: The architect, engineer, agent, consultant or other inspector selected and retained by Lender to supervise construction of and inspect the Improvements on behalf of Lender.

Land: The real estate or interest therein described on Exhibit A attached hereto and made a part hereof for all purposes, all fixtures and improvements situated thereon and all rights, titles and interests appurtenant thereto.

Leases: Any and all written leases, subleases, licenses, concessions or other agreements that grant a possessory interest in and to, or the right to use, all or any part of the Mortgaged Property, together with all security and other deposits made in connection therewith, and all other agreements, such as engineer's contracts, utility contracts, maintenance agreements and service contracts, which in any way relate to the design, use, occupancy, operation, maintenance, enjoyment or ownership of the Mortgaged Property, save and except any and all leases, subleases or other forms of conveyance or contracts pursuant to which Borrower is granted a possessory interest in the Land.

Legal Requirements: (a) Any and all present and future judicial decisions, statutes, rulings, rules, regulations, permits, certificates or ordinances of any Governmental Authority in any way applicable to Borrower, any Guarantor or the Mortgaged Property, including, without limitation, the ownership, use, construction, occupancy, possession, operation, maintenance, alteration, repair or reconstruction thereof, (b) any and all covenants, conditions and restrictions contained in any deed or other form of conveyance or in any other instrument of any nature that relate in any way or are applicable to the Mortgaged Property or the ownership, use, construction, occupancy, possession, operation, maintenance, alteration, repair or reconstruction thereof, (c) Borrower's or any Guarantor's presently or subsequently effective bylaws and articles of incorporation or partnership, limited partnership, joint venture, trust or other form of business association agreement, (d) any and all Leases, (e) any and all terms, provisions and conditions of any Commitment which are to be performed or observed by Borrower, and (f) any and all leases, other than those described in (iv) above, and (vii) other contracts (written or oral) of any nature that relate in any way to the Mortgaged Property and to which Borrower or any Guarantor may be bound, including, without limitation, any lease, sublease or other form of conveyance or contract pursuant to which Borrower is granted a possessory interest in the Land.

Letter of Credit: An unconditional, multiple-draw, irrevocable letter of credit from an institution acceptable to Lender, in form and content satisfactory to Lender, in the amount of one (1) year's rent under the Master Leases having a term of one (1) year. Borrower agrees to provide a replacement Letter of Credit annually no less than fourteen (14) calendar days prior to the expiration of the then current letter of credit, and the Letter of Credit shall provide that Borrower's failure to provide such a replacement Letter of Credit shall entitle Lender to draw upon the Letter of Credit.

Master Leases: One or more Lease Agreements of even date herewith pursuant to which Borrower leases all leasable space in the Improvements which has not been leased to tenants pursuant to written Leases acceptable in all respects to

Lender.

Mortgaged Property: The Land, Improvements and Leases, all other property (real, personal or mixed) which is conveyed by the Deed of Trust or in which a security interest is therein created and all other property (real, personal or mixed) on which a lien or security interest is placed or granted to secure the repayment of the Indebtedness or the performance and discharge of the Obligations.

Note: The Promissory Note of even date herewith, executed by Borrower, payable to the order of Lender, in the amount of Four Million One Hundred Twenty-Five Thousand and No/100 Dollars (\$4,125,000.00) and any and all modifications, renewals, rearrangements, reinstatements, enlargements or extensions thereof or of any promissory note or notes given therefor.

Obligations: Any and all of the covenants, conditions, warranties, representations and other obligations (other than to repay the Indebtedness) made or undertaken by Borrower, Guarantor or any other person or party to Lender or others as set forth in the Security Documents and in any deed, lease, sublease or other form of conveyance or contract pursuant to which Borrower is granted a possessory interest in the Land.

Plans: Any and all contracts and agreements, written or oral, between Architect and Borrower, together with the final plans, specifications, shop drawings and other technical descriptions prepared for the construction of the Improvements, and all amendments and modifications thereof.

Security Documents: This Agreement, the Commitment, the Note, the Deed of Trust, the Assignment of Leases and Rents, the Guaranty and any and all other documents now or hereafter executed by Borrower, Guarantor or any other person or party to evidence or secure the payment of the Indebtedness or the performance and discharge of the Obligations.

Substantial Completion: When Lender has received a certificate of substantial completion signed by Borrower, the Architect, the Independent Supervising Architect and the General Contractor, in form and content satisfactory to Lender, stating that the Improvements have been substantially completed in accordance with the Plans and the Security Documents.

Title Company: The issuer of the Title Insurance.

Title Insurance: A mortgagee title policy binder on interim construction loan or, in cases where the Lender so specifies, a mortgagee policy of title insurance, all in form and substance satisfactory to Lender and containing no exceptions (printed or otherwise) which are unacceptable to Lender, issued by a title company (or, If Lender so requires, by several title companies on a co-insured or reinsured basis) acceptable to Lender in the face amount of the Note and insuring that Lender has a first and prior lien on the Land and Improvements, subject only to the Permitted Encumbrances described in the Deed of Trust.

ARTICLE 2

BORROWER'S REPRESENTATIONS AND WARRANTIES

Borrower hereby unconditionally represents and warrants unto Lender as follows:

2.1 Information. Any and all information, reports, papers and other data (including, without limitation, any and all balance sheets, statements of income or loss, reconciliation of surplus and financial data of any other kind) heretofore furnished, or to be furnished, Lender by or on behalf of Borrower are, or when delivered will be, true and correct in all material respects; all financial data has been, or when delivered will have been, prepared in accordance with generally accepted accounting principles consistently applied and fully and accurately present, or will present, the financial condition of the subjects thereof as of the dates thereof; and, with respect to the financial

data heretofore furnished, no materially adverse change has occurred in the financial condition reflected therein since the dates thereof.

2.2 Litigation. Except as may be otherwise set forth on any exhibit attached hereto, there are no actions, suits or proceedings of a material nature pending or, to the knowledge of Borrower, threatened against or affecting Borrower, any Guarantor or the Mortgaged Property, or involving the validity or enforceability of the Deed of Trust or the priority of the liens and security interests created therein; and no event has occurred (including, without limitation, Borrower's and Guarantor's execution of the respective Security Documents and Borrower's consummation of the loan represented thereby) which will violate, be in conflict with, result in the breach of or constitute (with due notice or lapse of time, or both) a default under any Legal Requirement or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on the Mortgaged Property other than the liens and security interests created by or expressly permitted under the Security Documents.

2.3 Compliance with Legal Requirements. Borrower has (or prior to commencement of construction of the Improvements will have) (a) received all requisite building permits and approvals of the Plans, (b) filed and/or recorded all requisite plats and other instruments, and (c) complied with all Legal Requirements required to be met prior to commencement of construction of the Improvements.

2.4 Streets, Easements, Utilities and Other Services. All streets, easements, utilities and related services necessary for the construction of the Improvements and the operation thereof for their intended purpose are (or within thirty (30) days after commencement of construction of the Improvements, will be) available to the boundaries of the Land, including, without limitation, potable water, storm and sanitary sewer, gas, electric and telephone facilities and garbage removal.

2.5 Contract and Commencement of Construction. Neither Borrower, any Guarantor nor anyone else on Borrower's behalf has (a) commenced construction of the Improvements, (b) purchased, contracted for or otherwise brought upon the Land any materials, specially fabricated or otherwise, to be incorporated into the Improvements, (c) entered into any Construction Contracts, or (d) made any oral or written contract or arrangement of any kind the performance of which by the other party thereto would or could give rise to a lien or claim on the Mortgaged Property, or any portion thereof.

2.6 Validity of Security Documents. All action on Borrower's part requisite for the due authorization, creation, issuance, execution and delivery of the Security Documents has been duly and effectively taken, and each such document constitutes a legal and binding obligation of, and is valid and enforceable against, Borrower and the Mortgaged Property (as the case may be) in accordance with the terms thereof.

2.7 Commitment. All of the representations, warranties, agreements and obligations made or undertaken by Borrower in the Commitment are true and correct in all material respects and (to the maximum extent that the same were to be complied with) have been complied with as of the date hereof.

2.8 Environmental Matters; Hazardous Substances. The Mortgaged Property has not been the site of any activity that would violate any past or present Legal Request, including, without limitation, any Environmental Law. Specifically, without limitation, (a) no solid waste, as that term is defined in the Texas Solid Waste Act, and no petroleum or petroleum products have been handled on the Mortgaged Property such that they may have leaked or spilled on to the Mortgaged Property or contaminated the Mortgaged Property, (b) there is no on-site contamination resulting from activities on the Mortgaged Property or adjacent tracts, (c) the Mortgaged Property contains no Hazardous Materials, and (d) there are no underground storage tanks located in, on or under the Mortgaged Property.

ARTICLE 3

BORROWER'S COVENANTS

Borrower hereby unconditionally covenants with Lender as follows:

3.1 Construction of Improvements. The construction of the Improvements will be commenced by Borrower forthwith, will be prosecuted by Borrower with diligence and continuity to Final Completion, will be constructed in strict compliance with all Legal Requirements, and will be completed by Borrower in a good and workmanlike manner in substantial accordance with the Plans and the other provisions of this Agreement, on or before the Completion Date and free and clear from all liens, or claims for liens, other than the liens and security interests created by the Security Documents. Borrower agrees that (a) construction of the Improvements shall not be commenced unless and until Borrower has furnished the Plans to Lender and afforded Lender the opportunity to accept them (which acceptance shall be evidenced, if at all, by the initials of an authorized representative of Lender thereon), (b) when the Plans have been furnished to Lender, no changes of a material nature will be made to them by, or be permitted to be made to them by, Borrower, Guarantor, Architect or any other person or entity without the prior written approval therefor of all requisite Governmental Authorities, prior compliance with all requisite Legal Requirements and prior acceptance by the Lender, (c) in instances where Lender does accept the Plans (or any change therein), such acceptance shall be deemed to be strictly limited to an acknowledgement of Lender's consent to the Improvements being constructed in accordance therewith and shall not, in any way, be deemed to imply any warranty, representation or approval by Lender that such Improvements, if so constructed, will be structurally sound, will comply with all Legal Requirements, will be fit for any particular purpose or will have a market value of any particular magnitude, and (d) within twenty (20) days after construction of the Improvements has commenced Borrower and General Contractor shall execute and file an Affidavit of Commencement in accordance with Section 53.124(c) of the Texas Property Code and provide a copy thereof to Lender.

3.2 Affirmative Covenants. At all times during construction of the Improvements, Borrower will (a) permit Lender, the Independent Supervising Architect and their representatives, to enter upon the Land and into the Improvements, to inspect the same and all materials to be used in the construction of the Improvements and to examine the Plans, (b) comply strictly with all Legal Requirements, (c) deliver to Lender, or its representatives, immediately upon demand, counterparts and/or conditional assignments of any and all Construction Contracts, bills of sale, statements, conveyances, receipted vouchers or agreements of any nature under which Borrower claims title to any materials or supplies used or to be used in the construction of the Improvements, (d) either cause each Construction Contract to contain a provision specifically subordinating any lien right against the Mortgaged Property to the liens and security interests created by the Security Documents or cause the other party thereto to execute any and all instruments, acceptable in form and substance to Lender, to accomplish the same, (e) if requested by Lender, furnish to Lender, immediately after the pouring of each concrete slab, street and curbstone within the Land, the completion of each foundation of a structure forming part of the Improvements and the completion of the Improvements, a survey certified to by a licensed engineer acceptable to Lender showing all of same and that the location thereof is entirely within the property lines of the Land and does not encroach upon, breach or violate any building line, easement or similar restriction, (f) use all advances made to it by Lender for, and only for, payment of the costs itemized in Section 6.2 hereof and under no circumstances use, directly or indirectly, any portion of such advances for any other purpose, (g) obtain and maintain (and cause the Architect and the General Contractor and, if requested by Lender, any other contractors or subcontractors who perform work on, or furnish materials for, the Improvements to maintain) in full force and effect, an owner's and contractor's liability insurance policy or policies (including worker's compensation insurance) and a hazard insurance policy or policies in builder's all risk form with loss payable endorsements acceptable to Lender insuring the Improvements and all materials and supplies purchased with advances hereunder against all risks and losses, all such insurance policies to be issued by companies, in amounts and on terms

approved by Lender (with such amounts to be reasonably satisfactory to Lender), (h) upon demand of Lender or the Independent Supervising Architect, furnish Lender with a current list of original contractors, subcontractors, materialmen, vendors, artisans and laborers performing work on the Improvements, (i) upon demand of Lender or the Independent Supervising Architect, correct any structural defect in the Improvements or any material departure from the Plans not accepted by Lender, it being understood and agreed that the advance of any loan proceeds shall not constitute a waiver of Lender's right to require compliance with this Section 3.2 with respect to any such defects or departures, and (j) pay when due any and all penalties and other sums payable under the Leases as a result of any action or nonaction taken by or on behalf of Borrower, including, without limitation, Borrower's failure to complete the Improvements by the date or dates specified in the Leases. Within five (5) days after Final Completion, Borrower and General Contractor shall execute and file an Affidavit of Completion in accordance with Section 53.106 of the Texas Property Code and provide a copy thereof to Lender.

3.3 Negative Covenants. At no time shall Borrower (a) use, maintain, operate or occupy, or allow the use, maintenance, operation or occupancy of, any part of the Mortgaged Property for any purpose which violates any Legal Requirement or in any manner which may be dangerous unless safeguarded as required by law or which may constitute a public or private nuisance or which may make void, voidable or cancelable or increase the premium of any insurance then in force with respect thereto, (b) create or place, permit to be created or placed or, through any act or failure to act, acquiesce in the creation or placing of, or allow to remain, any mortgage, lien (statutory, constitutional or contractual), pledge, security interest, encumbrance or charge or conditional sale or other title retention agreement on the Mortgaged Property (or any part thereof) other than those created by or expressly permitted under the Security Documents, regardless of whether same is expressly subordinate to the liens and security interests created in the Security Documents, or (c) lease, directly or indirectly, all or any part of the Mortgaged Property on any basis such that the rental to be paid by the tenant or lessee thereunder would be based, in whole or in part, on either (i) the income or profits derived by the business activities of the tenant or lessee, or (ii) any other formula such that any portion of the rental would fail to qualify as "rents from real property" within the meaning of Section 856(b) of the Code, or any similar or successor provision thereof. If any such mortgage, lien, pledge, security interest, encumbrance or charge is asserted against the Mortgaged Property (or any part thereof), Borrower shall promptly, at its own cost and expense, (a) pay the underlying claim in full or take any other action necessary to cause same to be released or bonded to the satisfaction of Lender and the Title Company in accordance with the provisions of Chapter 53 of the Texas Property Code, and (b) within five (5) days from the date such mortgage, lien, pledge, security interest, encumbrance or charge is asserted, give Lender notice thereof. The notice shall specify who is asserting such mortgage, lien, pledge, security interest, encumbrance or charge and shall detail the origin and nature of the underlying claim giving rise to the asserted mortgage, lien, pledge, security interest, encumbrance or charge.

3.4 Completion Deposit. If, in the judgment of Lender, it appears at any time or from time to time that the unadvanced loan proceeds will be insufficient to (a) pay all costs to be incurred in connection with the completion of the development of the Mortgaged Property and the construction, marketing, ownership, management, maintenance, operation, sale or leasing of the Improvements in accordance with this Agreement, (b) pay all sums which may accrue under the Security Documents prior to repayment of the Indebtedness, including, without limitation, interest on the Indebtedness, and (c) enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Security Documents, Borrower shall immediately deposit, or shall make arrangements satisfactory to Lender to deposit with Lender, the Completion Deposit. The Completion Deposit may be retained by Lender in a non-interest bearing account, need not be segregated from any of Lender's other funds and may be disbursed in accordance with the provisions of the Security Documents by Lender before making any further advances on the Note.

ARTICLE 4

INSPECTION

4.1 Inspection. Lender, through its officers, agents or employees, shall have the right at all reasonable times:

(a) To enter upon the Mortgaged Property and inspect the construction to determine that it is in conformity with the Plans and all the requirements hereof; and

(b) To examine, copy and make extracts of, the books, records, accounting data and other documents of Borrower that relate in any way to the Mortgaged Property, including without limiting the generality of the foregoing all permits, licenses, consents and approvals of all Governmental Authorities having jurisdiction over Borrower or the Mortgaged Property and all the relevant books and records of contractors and subcontractors supplying goods and/or services in connection with the construction of the Improvements. All such books, records and documents shall be made available to Lender promptly upon written demand therefor; and, at the request of Lender, Borrower shall furnish Lender with convenient facilities for the foregoing purpose. All contracts made or amended by Borrower or its contractors and subcontractors after the date hereof relating to construction of the Improvements shall require agreement to the foregoing inspection rights, except where such rights have been waived by Lender in writing.

4.2 No Duty to Inspect. It is expressly understood and agreed that Lender shall have no duty to supervise or to inspect the construction of the Improvements or any books and records, and that any such inspection shall be for the sole purpose of determining whether or not the Obligations of Borrower are being properly discharged and of preserving Lender's rights hereunder. If Lender, or the Independent Supervising Architect acting on behalf of Lender, should inspect the construction of the Improvements or any books and records, Lender and the Independent Supervising Architect shall have no liability or obligation to Borrower or any third party arising out of such inspection. Inspection not followed by notice of default shall not constitute a waiver of any default then existing; nor shall it constitute an acknowledgement or representation by Lender and the Independent Supervising Architect that there has been or will be compliance with the Plans and all Legal Requirements or that the construction is free from defective materials or workmanship or a waiver of Lender's right thereafter to insist that the Improvements be constructed in accordance with the Plans and Legal Requirements. Lender's failure to inspect the construction of the Improvements or any part thereof or any books and records shall not constitute a waiver of any of Lender's rights hereunder. Neither Borrower nor any third party shall be entitled to rely upon any such inspection or review. Lender and the Independent Supervising Architect owe no duty of care to Borrower or any third person to protect against, or inform Borrower or any third person of the existence of negligent, faulty, inadequate or defective design or construction of the Improvements.

4.3 Borrower's Responsibilities. Borrower shall be solely responsible for all aspects of Borrower's business and conduct in connection with the Mortgaged Property, including, without limitation:

- (a) the quality and suitability of the Plans;
- (b) supervision of construction of the Improvements;
- (c) the qualifications, financial condition and performance of all architects, engineers, contractors, subcontractors and material suppliers, consultants, and property managers;
- (d) conformance of construction of the Improvements to the Plans, to all Legal Requirements and to the requirements of this Agreement;
- (e) the quality and suitability of all materials and workmanship; and

(f) the accuracy of all requests for the disbursement of loan proceeds and the proper application of disbursed loan process.

4.4 Inspections. In furtherance of Lender's rights hereunder, Lender may, at its option, require an inspection of the Mortgaged Property by the Independent Supervising Architect (a) prior to each advance, (b) at least once each month during the course of construction even though no advance is to be made for that month, (c) upon Substantial Completion of construction of the Improvements, (d) upon Final Completion of construction of the Improvements and (e) at least annually thereafter. Furthermore, if Lender determines in connection with any such inspection that extra services will be required of the Independent Supervising Architect as a result of noncompliance with the Plans or any Legal Requirement, as a result of deviations from acceptable construction practices, or as a result of Borrower's failure to satisfy the requirements of any Commitment or any other agreement, then Borrower shall pay, in addition to the fees for such inspections, the cost of all such extra services.

ARTICLE 5

ADDITIONAL SECURITY

5.1 Security Documents. As additional security for payment of the Indebtedness, Borrower agrees to and shall execute and deliver to Lender the Security Documents, which shall be in form and content satisfactory to Lender.

5.2 Contracts. As additional security for the payment of the Indebtedness, Borrower hereby transfers and assigns to Lender all of Borrower's rights, title and interests, but not its obligations, in, under and to the Construction Contracts and the Architect's Contract (collectively, the "Contracts") upon the following terms and conditions:

(a) Borrower represents and warrants that each copy of any of the Contracts furnished to Lender is a true and complete copy thereof and that Borrower's interest therein is not subject to any claim, setoff or encumbrance.

(b) Neither this assignment nor any action by Lender shall constitute an assumption by Lender of any obligations under the Contracts; and Borrower shall continue to be liable for all obligations of Borrower thereunder, Borrower hereby agreeing to perform all of its obligations under the Contracts. Borrower agrees to indemnify and hold Lender harmless against and from any loss, cost, liability or expense (including, without limitation, attorneys' fees, accountants' fees, consultants' fees, court costs and interest) incurred by Lender and resulting from any failure of Borrower to so perform.

(c) Lender shall have the right at any time (but shall have no obligation) to take, in its name or in the name of Borrower, such action as Lender may at any time determine to be necessary or advisable to cure any default under the Contracts or to protect the rights of Borrower or Lender thereunder. Lender shall incur no liability if any action so taken by it or in its behalf shall prove to be inadequate or invalid, and Borrower agrees to hold Lender free and harmless from any loss, cost, liability or expense (including, without limitation, attorneys' fees, accountants' fees, consultants' fees, court costs and interest) incurred in connection with any such action.

(d) Borrower hereby irrevocably constitutes and appoints Lender as Borrower's attorney-in-fact, in Borrower's name or in Lender's name, to enforce all rights of Borrower under the Contracts; provided, however, that Lender shall have no obligation to enforce such rights.

(e) Prior to an Event of Default, Borrower shall have the right to exercise its rights as owner under the Contracts; provided, however, that Borrower shall not cancel or amend the Contracts or do, or suffer to be done, any act which would impair the security constituted by this assignment without the prior written consent of Lender.

(f) This assignment shall inure to the benefit of Lender, its successors and assigns, including, without limitation, any purchaser upon foreclosure of the Mortgaged Property or any grantee under a deed in lieu of foreclosure, any receiver in possession of the Mortgaged Property and any corporation formed by or on behalf of Lender which assumes Lender's rights and obligations under this Agreement.

(g) The Contracts are complete and adequate for the construction of the Improvements, and there have been no modifications thereof except as described in such schedule. The Contracts shall not be modified without the prior written consent of Lender, except for nonstructural changes which do not change the cost of construction by more than \$10,000.00 per change, not to exceed \$50,000.00 in the aggregate.

5.3 Plans. As additional security for the payment of the Indebtedness, Borrower hereby transfers and assigns to Lender all of Borrower's rights, title and interest in and to the Plans, and hereby represents and warrants to and agrees with Lender as follows:

(a) The original counterparts of the Plans furnished to Lender are true and complete.

(b) The schedule of the Plans delivered to Lender is a complete and accurate description of the Plans.

(c) The Plans are complete and adequate for the construction of the Improvements, and there have been no modifications thereof except as described in such schedule. The Plans shall not be modified without the prior written consent of Lender, except for nonstructural changes which do not change the cost of construction by more than \$10,000.00 per change, not to exceed \$50,000.00 in the aggregate.

(d) Lender may use the Plans for any purpose relating to the Improvements, including, without limitation, inspections of construction and the completion of the Improvements.

(e) Lender's acceptance of this assignment shall not constitute approval of the Plans by Lender. Lender has no liability or obligation whatsoever in connection with the Plans and no responsibility for the adequacy thereof or for the construction of the Improvements contemplated by the Plans.

(f) This assignment shall inure to the benefit of Lender, its successors and assigns, including, without limitation, any purchaser upon foreclosure of the Mortgaged Property or any grantee under a deed in lieu of foreclosure, any receiver in possession of the Mortgaged Property and any corporation formed by or on behalf of Lender which assumes Lender's rights and obligations under this Agreement.

ARTICLE 6

LENDER'S COMMITMENT

6.1 Loan. Subject to the terms, provisions and conditions of this Agreement, Lender will make and Borrower will accept, in installments, a loan in the aggregate amount of the principal sum of the Note, it being understood that interest as called for in the Note shall be calculated only on sums actually advanced and only from the dates of such advances.

6.2 Advances. (a) Advances shall be made to Borrower on the principal amount of the Note at the times and otherwise in accordance with the Disbursement Schedule attached hereto as Exhibit B and made a part hereof for all purposes. Advances shall be made in amounts no smaller than \$100,000.00, and any request for

advance in an amount of less than \$100,000.00 shall be held until additional advances have been requested in an amount sufficient to total at least \$100,000.00. The advances on the Note shall be disbursed, at Lender's option, (i) by Lender's check or checks (which checks may, at Lender's discretion, be issued to Borrower or jointly to Borrower and any other person or entity entitled to receive such sums) drawn upon Lender's disbursement account and delivered to Borrower, (ii) by depositing the amount of the disbursement to Borrower's account in a bank approved by Lender, (iii) by direct or joint check payment to any or all persons entitled to payment for work performed on or materials delivered to or services performed in connection with the construction of the Improvements or the loan evidenced by the Note, or (iv) by any other method the Lender shall from time to time elect. Notwithstanding the Disbursement Schedule, the advance as to which Borrower shall be entitled at any one time shall not exceed the cost of the materials, supplies and equipment purchased for the Improvements and stored on the Land in a manner acceptable to Lender, plus the cost of all materials, supplies, equipment and labor actually incorporated into the Improvements, plus any other costs and fees which have been approved for payment by Lender and which are then due or will become due within thirty (30) days thereafter minus the sum of all prior advances. Under no circumstances shall any portion of any advance be used for any purpose other than the payment of those costs and fees approved by Lender as legitimately relating to the purchase price for the Land, the cost of constructing the Improvements and the payment of the Indebtedness. Except as may be provided otherwise in the Disbursement Schedule, for each advance made to Borrower hereunder Lender shall retain a sum equal to ten percent (10%) thereof (or a greater percentage, if permitted or required by any Legal Requirement) so that, until a period of thirty (30) days after Final Completion of the Improvements (or such longer period if permitted or required by any Legal Requirement or if, during such longer period, a lien or claim could lawfully be filed against the Mortgaged Property by anyone performing work or services, or furnishing materials or goods, during the construction of the Improvements) Lender shall have in its possession a fund equal to ten percent (10%) of the total cost of the Improvements. Notwithstanding anything to the contrary contained in or inferable from any other provisions hereof or in any other Security Documents, if the Title Insurance is initially a binder, Lender shall have the right, at any time, to cause the binder to be converted into a policy at Borrower's cost and to use any undisbursed proceeds on the Note, any portion of the Completion Deposit and, to the extent not prohibited by law, any other sum then in Lender's possession as payment for the cost thereof. So long as Borrower is not in default under any of the Security Documents, a developer's fee in the amount of \$268,000.00 payable to Borrower in connection with the construction of the Improvements may be included in Borrower's requests for advances at the following times and in the following amounts:

- (i) Closing \$88,440.00
- (ii) Spread equally over
the seven (7) month
construction period \$88,440.00
- (iii) Within thirty (30)
days after Final
Completion. \$91,120.00

(b) Upon Borrower's written request made to Lender (a "Disbursement Request") and compliance by Borrower with all of the conditions set forth herein, Lender will disburse on a monthly basis construction funds to Borrower in accordance with the progress of the construction and the value of the Improvements as determined by Lender and the Independent Supervising Architect, with funding amounts as set forth herein. Each Disbursement Request must be submitted to Lender not later than the 5th day of each month, or, if such 5th day is a Saturday, Sunday or legal holiday, on the next business day, or Lender will be unable to issue its monthly loan disbursement on the 20th day of the same month, or if such 20th day is a Saturday, Sunday or legal holiday, on the next business day. Each such monthly loan disbursement shall be made in the form of two (2) checks, one check payable to Borrower for "soft" costs, and one check

payable to both Borrower and the General Contractor for "hard" costs. Lender shall withhold from all loan disbursements amounts for interest payable to Lender, real property taxes and insurance, and shall pay such amounts on Borrower's behalf. Following the occurrence of an Event of Default, Lender may, in its sole discretion, and at Borrower's sole cost and expense, disburse funds through the Title Company or directly to the General Contractor, any subcontractor, materialmen or laborers. The making of any such disbursement shall not be deemed a waiver of Lender's rights hereunder with respect to any further disbursement, nor shall it be construed to be a waiver of any of the conditions precedent to Lender's obligations to make further advances.

6.3 First Advance. Lender shall not be obligated to make the first advance to Borrower unless and until:

(a) Lender has received true, legible and correct copies of the following:

(i) the Plans and the final draft of the Contracts in the forms approved by Lender;

(ii) a certificate from the Architect and, if Lender elects, the Independent Supervising Architect stating that the Plans have been approved by him or them and that the Construction Contracts are acceptable to him or them and satisfactorily provide for the construction of the Improvements;

(iii) all authorizations and permits which are then procurable and required by any Legal Requirement for the construction and proposed use of the Improvements;

(iv) an original current survey of the Land containing the certification of the surveyor in form and substance satisfactory to Lender and showing the perimeter of the Land by courses and distances, all easements and rights-of-way, the boundary lines of the streets abutting the Land and the width thereof, any encroachments and the extent thereof in feet and inches, the relation of the proposed Improvements by distances to the perimeter of the Land and the proposed building lines, all acceptable to the Title Company to modify the "area, boundaries and encroachments" exception of the Title Insurance to the maximum extent permitted by law;

(v) the policies of insurance required by the Security Documents accompanied by evidence of the payment of the premium therefor;

(vi) duplicate original copies of all Leases, in form and content satisfactory to Lender, together with the Master Leases and the Letter of Credit;

(vii) evidence satisfactory to Lender that the Leases have been amended to ensure that there will be no adverse effect, including, without limitation, the termination or cancellation of any Leases, due to missed deadlines during the period of time necessary to construct the Improvements;

(viii) a soils investigation report from a soils engineer satisfactory to Lender;

(ix) evidence satisfactory to Lender that the Land is not located within the 100 year flood plain or identified as a special flood hazard area as defined by any Legal Requirement;

(x) a complete project budget in form and substance satisfactory to Lender;

(xi) an ad valorem tax service contract covering the Mortgaged Property acceptable to Lender;

(xii) an opinion of counsel for Borrower satisfactory to Lender;

(xiii) a copy of the form of tenant lease satisfactory to Lender to be used by Borrower in connection with the Leases;

(xiv) the Environmental Report; and

(xv) any other documents and information as Lender may reasonably require;

(b) The Agreement of Purchase and Sale and the Security Documents have been duly authorized, executed and recorded or filed in accordance with applicable Legal Requirements and original counterparts thereof delivered to Lender, all prior to the commencement of construction of the Improvements, the placing of any materials or supplies on the Land, the execution or recording of any Construction Contracts (written or oral) for any of the same or the performance of any other act which could give rise to a lien claim equal or superior to the liens and security interests created by the Security Documents;

(c) The Title Company has issued the Title Insurance;

(d) Borrower, Architect and, if Lender requests, the Independent Supervising Architect have executed, or caused to be executed, and delivered to Lender the Disbursement Request Form attached hereto as Exhibit C and made a part hereof for all purposes or in such other form acceptable to Lender certifying in acceptable detail the expenditures made or expenses incurred by Borrower of the type described in Section 6.2 hereof, with such supporting data as Lender may require, and that the amount requested represents sums actually spent or indebtedness actually incurred; and

(e) Borrower pays to Lender, or any other person or party entitled thereto, all fees and costs then due and payable in connection with this Agreement and the subject hereof.

6.4 Subsequent Advances. Lender shall not be obligated to make any subsequent advance to Borrower unless and until:

(a) Borrower shall have delivered to Lender a duplicate original of the Architect's Contract and the Construction Contracts in the forms approved by Lender.

(b) Borrower, Architect and, if Lender requests, the Independent Supervising Architect shall have executed, or caused to be executed, and delivered to Lender a Disbursement Request Form as described in Section 6.3(d) hereof and the data referred to therein.

(c) Lender shall have received (i) an endorsement (if permitted or required by virtue of the form thereof) to the Title Insurance increasing the coverage thereof to the full amount of the sum advanced and reflecting no changes in the status of title or the Title Insurance since the previous advance, or, if such endorsement cannot be obtained, an abstractor's certificate or other evidence satisfactory to Lender from the Title Company reflecting that there have been no such changes in the status of title or the Title Insurance, (ii) certification from the Architect and, if Lender elects, the Independent Supervising Architect that, in their opinion, the construction of the Improvements theretofore performed has been in strict accordance with the Plans, (iii) the survey called for in Section 3.2(vi) hereof and as may be required by the Title Company to issue the endorsement or other evidence referred to in Section 6.4(c)(i) hereof, (iv) at the request of Lender, lien waivers or releases (in recordable form) or bonds satisfactory to Lender and the Title Company issued in accordance with the provisions of Chapter 53 of the Texas Property Code from all contractors, subcontractors, laborers and materialmen employed or furnishing materials in connection with the construction of the Improvements, (v) all amendments, modifications and revisions satisfactory to Lender in the form of tenant lease, (vi) at the request of Lender, a written certification signed by Borrower as to all Leases and the names of the tenants and rents payable thereunder, together with copies of all such Leases, and (vii) such other certifications or evidence of cost and completion as Lender may request.

(d) Borrower shall have satisfied, if then applicable, the provisions of Section 3.4 hereof.

6.5 Any Advance. Notwithstanding anything to the contrary contained in or inferable from any of the above, Lender shall not be required to make any advance hereunder if, at the time of the requested advance, any of the following exists:

(a) Any Event of Default exists hereunder or under any other Security Document or under the Agreement of Purchase and Sale.

(b) The requested advance, plus the sum of the previous advances (including retained amounts deemed to have been advanced pursuant to Section 6.2 hereof) or other sums disbursed by Lender under the Security Documents, exceed the face amount of the Note.

(c) In the judgment of the Lender, the Improvements will not be completed in substantial accordance with the Plans and the other provisions of this Agreement on or before the Completion Date, regardless of the cause of such failure so to complete.

(d) In the judgment of Lender, the sum of the unadvanced loan proceeds plus other sums being held by Lender in escrow for Borrower are insufficient to complete the Improvements in substantial accordance with the Plans and this Agreement, unless and until the provisions of Section 3.4 hereof are satisfied.

(e) The Mortgaged Property (or any part thereof) is demolished or substantially destroyed or condemnation or similar type proceedings are commenced with reference thereto, and either such damage cannot be repaired within sixty (60) calendar days or any continuing construction is being performed using insurance or condemnation proceeds.

(f) Any change in the status of title to the Land or the Improvements has occurred subsequent to the date hereof without Lender's prior written consent.

(g) Borrower is unable to satisfy all of the conditions set forth in Sections 6.2, 6.3 or 6.4 hereof.

(h) Any event has occurred which has given or could give rise to a lien claim of equal or superior rank to the liens and security interests intended to be created by the Security Documents.

(i) An order or decree in any court of competent jurisdiction exists enjoining the construction of the Improvements or enjoining or prohibiting Borrower or Lender or either of them from performing their respective obligations under this Agreement.

(j) Any material deviation exists in the construction of the Improvements from the Plans without the prior written approval of Lender; or it appears to Lender or the Independent Supervising Architect that there are material defects in the workmanship or materials.

(k) Any encroachment exists which has occurred without the approval of Lender.

(l) Construction has ceased prior to Final Completion of the Improvements for a continuous period of ten (10) days or more for causes other than those beyond the control of Borrower or consented to in writing by Lender.

6.6 Third Party Beneficiaries. All conditions precedent to Lender's obligation to make advances hereunder are imposed solely and exclusively for Lender's benefit. No person or entity other than Lender shall have any standing to require satisfaction of such conditions or be entitled to assume that Lender will refuse to make advances absent strict compliance therewith, and any or all of such conditions may be freely waived (in whole or in part) by Lender at any

time or times.

6.7 Non-advanced Tenant Buildout Funds. If, upon the Final Completion of the Improvements, Borrower has not leased and built out any portion of the Mortgaged Property because the same has not been leased, Lender shall place in escrow for Borrower each month an amount equal to the interest at a rate of five percent (5%) per annum on the portion of the Note then remaining unadvanced with respect to tenant buildout of such unleased space. Upon completion of any tenant buildout work, Lender shall deliver to Borrower the portion of the funds escrowed hereunder attributable to the funds advanced in connection with such buildout.

ARTICLE 7

EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default hereunder:

7.1 Conditions to Advances. If, at any time, Borrower is unable to satisfy any condition or cure any circumstance specified in Article 6 hereof, including, without limitation, the occurrence of any circumstance described in Section 6.5 hereof, the satisfaction or curing of which being precedent to its right to receive an advance hereunder, and such inability continues for a period in excess of thirty (30) days.

7.2 Voluntary Bankruptcy. If Borrower or any Guarantor or, if Borrower or any Guarantor is a partnership, joint venture, trust or other type of business association, if any of the parties comprising Borrower or any Guarantor, shall (a) voluntarily be adjudicated a bankrupt or insolvent, (b) file any petition or commence any case or proceeding under any provision or chapter of the Federal Bankruptcy Code or any other federal or state law relating to its insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (c) make a general assignment for the bent of its creditors, (d) have an order for relief entered under the Federal Bankruptcy Code with respect to it, (e) convene a meeting of its creditors, or any class thereof, for the purpose of effecting a moratorium upon or extension or composition of its debts, (f) fail to pay its debts as they mature, (g) admit in writing that it is generally not able to pay its debts as they mature or generally not pay its debts as they mature, or (h) become insolvent.

7.3 Involuntary Bankruptcy. If (a) a petition is filed or any case or proceeding described in Section 7.2 hereof is commenced against Borrower or any Guarantor or, if Borrower or any Guarantor is a partnership, joint venture, trust or other type of business association, against any of the parties comprising Borrower or any Guarantor, or against the assets of any such persons or entities, unless such petition and the case or proceeding initiated thereby is dismissed within thirty (30) days from the date of the filing, (b) an answer is filed by Borrower or any Guarantor or, if Borrower or any Guarantor is a partnership, joint venture, trust or other type of business association, by any of the parties comprising Borrower or any Guarantor, admitting the allegations of any such petition, or (c) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Borrower or any Guarantor, or, if Borrower or any Guarantor is a partnership, joint venture, trust or other type of business association, of any of the parties comprising Borrower or any Guarantor, a custodian, trustee, agent or receiver for it, or for all or any part of its property, or authorizing the taking possession by a custodian, trustee, agent or receiver of it, or all or any part of its property unless such appointment is vacated or dismissed or such possession is terminated within thirty (30) days from the date of such appointment or commencement of such possession, but not later than five (5) days before the proposed sale of any assets of Borrower or any Guarantor, or, if Borrower or any Guarantor is a partnership, joint venture, trust or other business association, of any of the parties comprising Borrower or any Guarantor, by such custodian, trustee, agent or receiver, other than in the ordinary course of the business of Borrower or any Guarantor.

7.4 Payment of Indebtedness. If Borrower shall fail, refuse or neglect to pay, in full, any installment or portion of the Indebtedness as and when the same shall become due and payable, whether at the due date thereof stipulated in the Security Documents, or at a date fixed for prepayment or otherwise, and such failure, refusal or neglect continues for a period of ten (10) days thereafter; provided, however, that if such installment or portion of the Indebtedness becomes due and payable as a result of Lender's accelerating the maturity of the Indebtedness in accordance with the Security Documents, the ten (10) day grace period for payment set forth in this Section 7.4 shall not apply to the accelerated due date.

7.5 Performance of Obligations. If Borrower shall fail, refuse or neglect to perform and discharge fully and timely any of the Obligations as and when called for and such failure, refusal or neglect shall either be incurable or, if curable, shall remain uncured for a period of fifteen (15) days after the earlier to occur of (a) the date Lender gives written notice thereof to Borrower or (b) the date upon which Borrower had actual knowledge of the Obligation to be performed; provided, however, that if such default is curable but requires work to be performed, acts to be done or conditions to be remedied which, by their nature, cannot be performed, done or remedied, as the case may be, within such fifteen (15) day period, no Event of Default shall be deemed to have occurred if Borrower commences same within such fifteen (15) day period and thereafter diligently and continuously prosecutes the same to Final Completion within forty-five (45) days after such notice or date of actual knowledge.

7.6 False Representations. If any representation, statement or warranty made by Borrower, Guarantor or others in, under or pursuant to the Commitment, any of the Security Documents or any affidavit or other instrument executed in connection with the Security Documents shall be false or misleading in any material respect as of the date hereof or shall become so at any time prior to the repayment in full of the Indebtedness.

7.7 Dissolution and Change or Encumbrance of Ownership. If Borrower or any Guarantor or, if Borrower or any Guarantor is a partnership, joint venture, trust or other type of business association, if any of the parties comprising Borrower or any Guarantor, shall dissolve, terminate or liquidate, or merge with or be consolidated into any other entity, or shall hypothecate, pledge, mortgage or otherwise encumber all or any part of the beneficial ownership interest in Borrower or any Guarantor (if Borrower or any Guarantor is a corporation, partnership, joint venture, trust or other type of business association or legal entity) or shall attempt to do any of the same.

7.8 No Further Encumbrances. If Borrower, without the prior written consent of Lender, creates, places or permits to be created or placed, or through any act or failure to act, acquiesces in the placing of, or allows to remain, any mortgage, pledge, lien (statutory, constitutional or contractual), security interest, encumbrance or charge, or conditional sale or other title retention agreement, regardless of whether same is expressly subordinate to the liens of the Security Documents, with respect to the Mortgaged Property, other than the Permitted Encumbrances described in the Deed of Trust.

7.9 Disposition of Mortgaged Property and Beneficial Interest in Borrower. If Borrower sells, leases, exchanges, assigns, conveys, transfers or otherwise disposes of (herein collectively called "Disposition") all or any part of the Mortgaged Property (or any interest therein), or all or any part of the beneficial ownership interest in Borrower (if Borrower is a corporation, partnership, joint venture, trust or other type of business association or legal entity), without the prior written consent of Lender. It is expressly agreed that in connection with determining whether to grant or withhold such consent, Lender may (but is not obligated to), among other things, (a) consider the creditworthiness of the party to whom such Disposition will be made and its management ability with respect to the Mortgaged Property, (b) consider whether or not the security for repayment of the Indebtedness and the performance of the Obligations, or Lender's ability to enforce its rights, remedies and recourses with respect to such security, will be impaired in any way by the proposed Disposition, (c) require as a condition to granting such consent, an increase in

the rate of interest payable under the Note or any other change in the terms and provisions of the Note and other Security Documents, (d) require that Lender be reimbursed for all costs and expenses incurred by Lender in investigating the creditworthiness and management ability of the party to whom such Disposition will be made and in determining whether Lender's security will be impaired by the proposed Disposition, (e) require the payment to Lender of a transfer fee to cover the cost of documenting the Disposition in its records, (f) require the payment of its reasonable attorneys' fees in connection with such Disposition, (g) require the express assumption of payment of the Indebtedness and performance of the Obligations by the party to whom such Disposition will be made (with or without the release of Borrower from liability for such Indebtedness and Obligations), (h) require the execution of assumption agreements, modification agreements, supplemental security documents and financing statements satisfactory in form and substance to Lender, (i) require endorsements (to the extent available under applicable law) to any existing Title Insurance insuring Lender's liens and security interests covering the Mortgaged Property, and (j) require additional security for the payment of the Indebtedness and performance of the Obligations.

7.10 Destruction of Improvements. If the Mortgaged Property is demolished, destroyed or substantially damaged so that (in Lender's judgment) it cannot be restored or rebuilt with available funds (including any insurance proceeds or other cash resources available to Borrower) to the condition existing immediately prior to such demolition, destruction or damage within sixty (60) calendar days.

7.11 Change in Financial Condition. If Lender reasonably determines that the likelihood of payment of the Indebtedness or performance of the Obligations secured by the Deed of Trust is threatened by reason of a material adverse change in the financial condition or credit standing of Borrower or any Guarantor or, if Borrower or any Guarantor is a partnership, joint venture, trust or other type of business association, of any of the parties comprising Borrower or any Guarantor, or if the estate held by Borrower in the Land is a leasehold estate, of the ground lessor.

7.12 Foreclosure of Other Liens. If the holder of any lien or security interest on the Mortgaged Property (without hereby implying Lender's consent to the existence, placing, creating or permitting of any such lien or security interest) institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

7.13 Agreement of Purchase and Sale. If Borrower defaults under the Agreement of Purchase and Sale.

ARTICLE 8

REMEDIES

8.1 Rights, Remedies and Recourses. Upon the happening of any Event of Default, Lender shall have, in addition to any and all other rights, remedies and recourses available to it under any of the Security Documents or otherwise available at law or in equity, including, without limitation, the right to declare immediately due and payable the unpaid advanced principal and unpaid accrued interest on the Note and to foreclose any and all liens and security interests securing the repayment of same, the right (a) to take exclusive possession of the Mortgaged Property, (b) to use any funds of Borrower, including, without limitation, the Completion Deposit (if any) and any sums which may remain unadvanced hereunder, to complete the Improvements, (c) to make such changes in and revisions to the Plans a Lender may deem desirable, (d) to prosecute and defend all actions or proceedings relating to the construction of the Improvements, (e) to pay, settle or compromise all existing bills and claims which are or may be liens against the Mortgaged Property, or may be necessary or desirable for the completion of the Improvements or the clearance of title, (f) to execute in Borrower's name all applications, certificates and other instruments which may be required by any Construction Contracts, (g) to do any

and every act with respect to the construction of the Improvements which Borrower may do in its own behalf, and (h) to employ such contractors, subcontractors, agents, attorneys, architects, accountants, watchmen and inspectors as Lender may deem desirable to accomplish any of the above purposes. For these purposes, Borrower hereby constitutes and appoints Lender its true and lawful attorney-in-fact with full power of substitution to take any and all of the above described action, which power of attorney shall be deemed to be coupled with an interest and shall be irrevocable. All sums expended by Lender for any of the above purposes shall be deemed to be advances hereunder and shall be secured by the Security Documents.

8.2 Cessation of Lender's Obligations. Upon the happening of any Event of Default hereunder or under any other Security Document, all obligations (if any) of Lender hereunder, including, without limitation, any obligation to advance funds hereunder, shall immediately cease and terminate.

8.3 Acceleration. Notwithstanding anything to the contrary herein contained or inferable from any provision of this Agreement, upon the happening of an Event of Default as set forth in Sections 7.2, 7.3 or 7.12 hereof, the unpaid principal and unpaid accrued interest on the Note shall immediately become due and payable in full, without the necessity of any further action on the part of Lender, and Borrower expressly waives any requirement of notice of intent to accelerate, or of notice of such acceleration of, the maturity of the Indebtedness.

8.4 Lender's Default Under Purchase Agreement. Borrower and Lender have entered into a Purchase Agreement dated of even date herewith (the "Purchase Agreement"), pursuant to which Lender has agreed to purchase the Mortgaged Property from Borrower following Final Completion. In the event that Lender refuses to consummate the purchase of the Mortgaged Property and Borrower has achieved Final Completion of the Improvements and is not otherwise in default hereunder or under the Purchase Agreement the Indebtedness shall not come due until March 20, 1996.

ARTICLE 9

GENERAL TERMS AND PROVISIONS

9.1 Performance at Borrower's Expense. Subject to the provisions of Section 9.5 hereof, Borrower shall (a) pay all legal fees incurred by Lender in connection with the preparation of this Agreement and any and all other Security Documents contemplated hereby (including any amendments hereto or thereto or consents, releases or waivers hereunder or thereunder), (b) pay all out-of-pocket expenses of Lender in connection with the administration of this Agreement and the other Security Documents, (c) reimburse Lender, promptly upon demand, for all amounts expended, advanced or incurred by Lender to satisfy any obligation of Borrower under this Agreement or any other Security Documents, which amounts shall include all court costs, attorneys' fees (including, without limitation, for trial, appeal or other proceedings), fees of auditors and accountants, and investigation expenses reasonably incurred by Lender in connection with any such matter, and (d) pay any and all other costs and expenses required to satisfy any provision of this Agreement, including, without limitation, documentary taxes and recording, brokerage, attorneys', surveyors', accountants', consultants', engineers', architects' and inspectors' fees (except to the extent the same is Lender's responsibility pursuant to this Agreement) and Title Insurance premiums. Except to the extent that certain of these costs and expenses are included within the definition of "Indebtedness", the payment by Borrower of any of these costs and expenses shall not be credited, in any way or to any extent, against any portion of the Indebtedness.

9.2 Approval of Lender and Further Assurances. All instruments and policies of insurance to be executed and/or delivered to Lender, and all proceedings to be taken in connection with this Agreement and the loan provided for herein, and all persons or parties responsible in any way for the construction of the Improvements or any obligation to be performed hereunder or under the other Security Documents, shall be subject to the acceptance of Lender as to form,

substance, coverage and identity. Immediately upon request of Lender, Borrower will execute, acknowledge and deliver to Lender such further instruments and do such further acts a Lender may deem necessary to carry out more effectively the purpose of this Agreement or to subject to the liens and security interests of the Security Documents any property intended by the terms thereof to be covered thereby, including, without limitation, any renewals, additions, substitutions, replacements, betterments or appurtenances to the Mortgaged Property.

9.3 No Waiver. Any failure by Lender to insist, or any election by Lender not to insist, upon Borrower's or any Guarantor's strict performance of any of the terms, provisions or conditions of the Security Documents shall not be deemed to be a waiver of same or of any other term, provision or condition thereof; and Lender shall have the right at any time thereafter to insist upon strict performance by Borrower of any and all of same. In specific, no advance by Lender of any loan proceeds hereunder absent Borrower's strict compliance with Article 6 hereof shall in any way preclude Lender from thereafter declaring such failure to comply to be an Event of Default hereunder.

9.4 Modification. This Agreement shall not be amended, waived, discharged or terminated orally but only by an instrument executed by the party against which enforcement of the amendment, waiver, discharge or termination is sought.

9.5 Applicable Law. This Agreement has been executed under, and shall be construed and enforced in accordance with, the laws of the State of Texas from time to time in effect except to the extent preempted by United States federal law. This Agreement and all of the Security Documents are intended to be performed in accordance with, and only to the extent permitted by, all applicable Legal Requirements. If the Note recites that the real property subject to the Security Documents is "residential real property" and the Indebtedness is secured by a first lien on residential real property within the meaning of Part A, Title V of the Depository Institutions Deregulation and Monetary Control Act of 1980 (the "Act"), as amended, and the regulations promulgated thereunder, then, the following provisions of this Section 9.5 shall be inapplicable. However, if, for any reason, the provisions of Part A, Title V of the Act shall be found not to exempt any and all interest and other charges payable in connection with the Indebtedness from any limitation otherwise applicable, then the following provisions shall apply. It is expressly stipulated and agreed to be the intent of Borrower and Lender at all times to comply with the applicable Texas law governing the maximum rate or amount of interest payable on the Indebtedness (or applicable United States federal law to the extent that it permits Lender to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law). If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Security Documents or contracted for, charged, taken, reserved or received with respect to the Indebtedness, or if the acceleration of the maturity of the Indebtedness or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by applicable law, then it is Borrower's and Lender's express intent that all excess amounts theretofore collected by Lender be credited on the principal balance of the Note (or, if the Note has been or would thereby be paid in full, refunded to Borrower), and the provisions of Security Documents immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of the Indebtedness shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such Indebtedness until payment in full so that the rate or amount of interest on account of such Indebtedness does not exceed the usury ceiling from time to time in effect and applicable to the Indebtedness for so long as the Indebtedness is outstanding. To the extent that Lender is relying on Article 5069-1.04, as amended, of the Revised Civil Statutes of Texas to determine the maximum rate (the "Maximum Rate") payable on the Indebtedness, Lender will utilize the indicated (weekly) rate ceiling from time to time in effect as provided in Article 5069-1.04, as amended. To the extent United States federal law permits Lender to contract for, charge or receive a greater amount

of interest, Lender will rely on United States federal law instead of Article 5069-1.04, as amended, for the purpose of determining the Maximum Rate. Additionally, to the extent permitted by applicable law now or hereafter in effect, Lender may, at its option and from time to time, implement any other method of computing the Maximum Rate under such Article 5069-1.04, as amended, or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect. In no event shall the provisions of Article 5069, ch. 15 of the Revised Civil Statutes of Texas (which regulates certain revolving credit loan accounts and revolving triparty accounts) apply to the loan evidenced hereby. Notwithstanding anything to the contrary contained herein or in any of the other Security Documents, it is not Lender's intention to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

9.6 Severability. If any provision hereof or of any of the other Security Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the application of such provision to any other person or circumstance nor the remainder of the instrument in which such provision is contained shall be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

9.7 Rights. Remedies and Recourses Cumulative. All rights, remedies and recourses afforded Lender in the Security Documents or otherwise available at law or in equity, including specifically, but without limitation, those granted by the Uniform Commercial Code in effect in the State of Texas (a) shall be deemed cumulative and concurrent, (b) may be pursued separately, successively or concurrently against Borrower, any Guarantor or anyone else obligated under any or all of the Security Documents, or against the Mortgaged Property, or against any one or more of them, at the sole discretion of Lender, (c) may be exercised as often as the occasion therefor shall arise, it being understood by Borrower that the exercise, failure to exercise or election not to exercise any of the same shall in no event be construed as a waiver of same or of any other right, remedy or recourse available to Lender, and (d) are intended to be, and shall be, nonexclusive.

9.8 Successors and Assigns. Subject to the provisions of Section 7.9 hereof, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, legal representatives and assigns.

9.9 Notices. All notices or other communications required or permitted to be given pursuant to the provisions of this Agreement shall be in writing and shall be considered a properly given if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering same in person to the intended addressee, or by prepaid telegram, telex or telecopy. Notice so mailed shall be effective upon its deposit in the custody of the U.S. Postal Service. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the parties shall be as follows:

(a) if to Lender:

Universal Health Realty Income Trust
367 South Gulph Road
King of Prussia, Pennsylvania 19406
Attention: Cheryl K. Ramagano

with a copy to:

Universal Health Realty Income Trust
3525 Piedmont Road, N.E.
7 Piedmont Center, Suite 202
Atlanta, Georgia 30305
Attention: Timothy J. Fowler

and with a copy to:

Jonathan K. Newsome
Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095

(b) if to Borrower:

Turner-Adreac Development Corporation
407 Julie Rivers, Suite 102
Sugar Land, Texas 77478
Attention: Michael Van

with a copy to:

Dwight Donaldson
820 Gessner, Suite 1340
Houston, Texas 77024-4259

Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days notice to the other party in the manner set forth herein.

9.10 Participations. Lender may, at any time, sell, transfer, assign or grant participations in any loan or in any loan documents that Borrower or the partners or joint venturers of Borrower have entered into, executed, or granted in favor of Lender; and Lender may forward to each participant and prospective participant all documents and information relating to any such loan, whether furnished by Borrower or otherwise, a Lender determines necessary or desirable.

9.11 Lender's Right to Perform the Obligations. If Borrower shall fail, refuse or neglect to make any payment or perform any act required by the Security Documents within the time periods required thereby, then Lender at any time thereafter, without notice to or demand upon Borrower and without waiving or releasing any other right, remedy or recourse Lender may have because of same, may make such payment or perform such act for the account of and at the expense of Borrower, and shall have the right to enter the Land and Improvements for such purpose and to take all action with respect to the Mortgaged Property as it may deem desirable. If Lender shall elect to pay any statement, invoice or tax bill, Lender may do so in reliance on any bill, statement or assessment procured from the appropriate Governmental Authority or company without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by the Security Documents, Lender shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. Borrower shall indemnify Lender for all losses, expenses, damages, claims and causes of action, including reasonable attorneys' fees, incurred or accruing by reason of any acts performed by Lender pursuant to the provisions of this Section 9.11 or by reason of any other provision in the Security Documents. All sums paid by Lender pursuant to this Section 9.11, and all sums expended by Lender to which it shall be entitled to be indemnified, together with interest thereon at the Default Rate (as such term is defined in the Note) from the date of such payment or expenditure until paid, shall constitute advances on and additions to the Indebtedness, shall be secured by the Security Documents and shall be paid by Borrower to Lender upon demand. This indemnification shall survive the payment of all amounts payable pursuant to and secured by, the Security Documents. Payment by Lender shall not be a condition precedent to the obligations of Borrower under this indemnity.

9.12 Headings. The Article, Paragraph and Subparagraph entitlements hereof are inserted for convenience of reference only and shall in no way alter, modify or define, or be used in construing, the text of such Articles, Paragraphs or Subparagraphs.

9.13 Supplement to Deed of Trust. The provisions of this Agreement are not intended to supersede the provisions of the Deed of Trust but shall be construed as supplemental thereto. In the event of any inconsistency between the provisions hereof and the Deed of Trust, this Agreement shall be controlling. This Agreement shall remain in effect until the Indebtedness has been paid in full.

9.14 Limitation of Liability. This Agreement is made on behalf of Lender by a Trustee of Lender, not individually, but solely in his, her or its capacity in such office as authorized by the Trustees of Lender pursuant to Lender's Declaration of Trust, and the obligations set forth in this Agreement are not binding upon, nor shall resort be had to, the private property of any of the Trustees, shareholders, officers, employees or agents of Lender personally, shall bind only Lender's property. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Borrower might otherwise have to obtain injunctive relief against Lender or Lender's successors in interest, or any action not involving the personal liability of the Trustees, shareholders, officers, employees or agents, original or successor, of Lender.

9.15 No Other Agreements. THIS AGREEMENT, TOGETHER WITH THE OTHER SECURITY DOCUMENTS, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first above written.

LENDER:

UNIVERSAL HEALTH REALTY INCOME
TRUST, a Maryland Real Estate Investment Trust

By: /s/ Cheryl K. Ramagano

Name: Cheryl K. Ramagano
Title: Vice President

BORROWER:

TURNER ADREAC, L.C., a Texas limited liability
company, d/b/a Turner Adreac
Development Company

By: /s/ Charles H. Turner

Name: Charles H. Turner
Title: President

THE STATE OF PENNSYLVANIA	Section
	Section
COUNTY OF MONTGOMERY	Section

This instrument was acknowledged before me on the 3rd day of January, 1995, by Cheryl K. Ramagano, Vice President of UNIVERSAL HEALTH REALTY INCOME TRUST, a Maryland Real Estate Investment Trust, on behalf of said trust.

(SEAL)

/s/ Joan D. Staudenmayer

Notary Public in and for
the State of Pennsylvania

/s/ Joan D. Staudenmayer

(Printed Name of Notary)

My commission expires: March 1, 1997

THE STATE OF TEXAS	Section
	Section
COUNTY OF HARRIS	Section

This instrument was acknowledged before me on the 19th day of December, 1994, by Charles H. Turner, President of TURNER ADREAC, L.C., a Texas limited liability company, d/b/a Turner Adreac Development Company, on behalf of said company.

(SEAL)

/s/ Carolyn Torres

Notary Public in and for
the State of Texas

/s/ Carolyn Torres

(Printed Name of Notary)

My commission expires: November 18, 1995

Exhibit A

Tract I

Being a tract or parcel of land containing 1.699 acres (73,987 sq. ft.), more or less, situated in the John W. Asbury Survey, Abstract 91 in Harris County, Texas, being out of Restricted Reserve "A", Block I of Kingwood Town Center, Section Two as recorded under Film Code 357060 of the Harris County Map Records and being all of the same land described in the deed to Turner Adreac, L. C. as recorded under Harris County Clerk's File Number P635826, said 1.699 acres being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8-inch iron rod found for the southerly cutback corner at the intersection of the southwesterly right-of-way line of Lake Houston Parkway (width varies) with the northwesterly right-of-way line of Bens Town Drive (60 feet wide),

THENCE South 55o30'50" West along said northwesterly right-of-way line of Bens Town Drive, a distance of 177.05 feet to a 5/8-inch iron rod found for the most southerly comer of said Turner Adreac, L. C. tract;

THENCE North 33o34'17" West along the southwesterly line of said Turner Adreac, L. C. tract, a distance of 344.81 feet to a 5/8-inch iron rod with cap found in the line common to said Reserve "A" and Restricted Reserve "B", Block 2 of Kingwood Town Center Section One as recorded under Film Code 345143 of the Harris County Map Records;

THENCE North 60o12'39" East along said common line, a distance of 237.49 feet to a 5/8-inch iron rod with cap found for the east corner common to said Reserves "A" and "B", being in said southwesterly right-of-way line of Lake Houston Parkway and being in a curve to the right;

THENCE 227.36 feet southeasterly along said southwesterly right-of-way line of Lake Houston Parkway and along the arc of said curve to the right (Central Angle = 06o30'48"; Radius = 2000.00 feet; Chord = South 27o33'32" East, 227.24 feet) to a 5/8-inch iron rod with cap found for a point of reverse curvature to the left;

THENCE 79.58 feet continuing along said southwesterly right-of-way line and along the arc of said curve to the left (Central Angle = 01o31'12"; Radius = 3000.00 feet; Chord = South 25o03'44" East, 79.58 feet) to a 5/8-inch iron rod with cap found for a point of reverse curvature to the right;

THENCE 35.49 feet continuing along said southwesterly right-of-way line and along the arc of said curve to the right (Central Angle = 81o20'09"; Radius = 25.00 feet; Chord = South 14o50'45" West, 32.58 feet) to the POINT OF BEGINNING and containing 1.699 acres (73,987 sq. ft.), more or less.

R. S. McClendon Co.

Ph: (713)240-9099

Job No. 48-9402

SEAL

December, 1994

Tract 2

Being a tract containing 1.727 acres (75,211 square feet) of land situated in the John W. Asbury Survey, A-91 of Harris County, Texas and being out of Restricted Reserve "B" of Kingwood Town Center Section Two, a subdivision of record under Film Code Number 357060 of the Harris county Map Records (H.C.M.R.). Said 1.727 acre tract being more particularly described as follows, with all bearings referenced to the Texas Coordinate System, South Central Zone:

BEGINNING at a 3/4-inch iron rod found for the most easterly northeast corner of said Reserve "B" and being a point in a southwesterly right-of-way line of Lake Houston Parkway (varying width) per plat recorded under Film Code Number 350032 of said H.C.M.R.;

THENCE, 202.84 feet, along said southwesterly right-of-way line and along the arc of a non-tangent curve to the left (Central Angle = 03o52'26"; Radius = 3,000.00 feet; Chord Bearing and Distance = South 29o51'41" East, 202.80 feet) to a 5/8-inch iron rod with plastic cap stamped "SURVCON INC." set for corner;

THENCE, South 55o30'50" West, a distance of 313.87 feet to a 5/8-inch iron rod with plastic cap stamped "SURVCON INC." set for corner and being in a northeasterly right-of-way line of Bens Branch Drive (60.00 feet wide) per said Kingwood Town Center Section Two;

THENCE, North 37o34'31" West, along said northeasterly right-of-way line, a distance of 203.95 feet to a 3/4-inch iron found for the beginning of a tangent curve to the right and being the intersection with a southerly right-of-way line of Bens Town Drive (60.00 feet wide) per said Kingwood Town Center Section Two;

THENCE, easterly along said southerly right-of-way line the following courses:

40.62 feet, along the arc of said curve to the right (Central Angle = 93°05'21"; Radius = 25.00 feet; Chord Bearing and Distance = North 08°58'09" East, 36.30 feet) to a 3/4-inch iron rod found for a point of tangency;

North 55°30'50" East, a distance of 291.41 feet to a 3/4-inch iron rod found for the beginning of a tangent curve to the right;

42.13 feet, along the arc of said curve to the right (central Angle = 96°33'43"; Radius = 25.00 feet; Chord Bearing and Distance = South 76°12'19" East, 37.32 feet) to the POINT OF BEGINNING and containing a computed area of 1.727 acres (75,211 square feet) of land.

Compiled by:

SURVCON INC.

Houston, Texas

SEAL

Job No. 5728-03

March 1994

D-61

Tract 3

An easement over and across that certain tract or parcel of real property situated in Harris County, Texas, as more particularly described as follows:

Being a tract or parcel of land containing 6,421 square feet (0.1474 acre), more or less, situated in the John W. Asbury Survey, Abstract No. 91 in Harris County, Texas, being 4,521 square feet out of Restricted Reserve "B", Block 2 of Kingwood Town Center, Section One as recorded under Film Code 354143 of the Harris County Map Records and 1,900 square feet out of Restricted Reserve "A" of Kingwood Town Center, Section Two as recorded under Film Code 357060 of the Harris County Map Records; said 6,421 square feet being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8-inch iron rod with aluminum cap found for the east corner common to said Reserves "A" and "B", being in the southwesterly right-of-way line of Lake Houston Parkway (width varies) and being in a curve to the right; thence as follows;

Southeasterly 5.00 feet along said southwesterly right-of-way line and the arc of said curve to the right (Central Angle = 00°08'36"; Radius = 2000.00 feet; Chord = South 30°44'39" East, 5.00 feet) to the POINT OF BEGINNING,

THENCE 25.00 feet continuing southeasterly along said southwesterly right-of-way line and the arc of said curve to the right (Center Angle = 00°42'58", Radius = 2000.00 feet; Chord = South 30°18'52" East, 25.00 feet) to a point for corner;

THENCE South 60°12'39" West departing said southwesterly right-of-way line, a distance of 71.00 feet to a point in a curve to the left;

THENCE northwesterly along the arc of said curve to the left, at 30.00 feet pass the line common to said Reserves "A" and "B", for a total arc distance of 51.38 feet (Central Angle = 01°31'34"; Radius = 1929.00 feet; Chord = North 30°43'58" West, 51.38 feet) to a point of reverse curvature to the right;

THENCE 113.29 feet along the arc of said curve to the right (Central Angle = 01°03'22": Radius = 6146.00 feet; Chord = North 30°57'39" West, 113.28 feet) to a point for corner;

THENCE North 59°27'02" East, a distance of 71.00 feet to a point for corner in said southwesterly right-of-way line of Lake Houston Parkway and being in a curve to the left;

THENCE southeasterly 25.00 feet along said southwesterly right-of-way line and the arc of said curve to the left (Central Angle = 00o14'09", Radius = 6075.00 feet; Chord = South 30o32'59" East, 25.00 feet) to a point for corner, being 87.12 feet along the arc of said curve from a 5/8-inch iron rod with aluminum cap found for a point of reverse curvature to the right;

THENCE South 59o27'02" West departing said southwesterly right-of-way line, a distance of 46.00 feet to a point in a curve to the left;

THENCE southeasterly 87.87 feet along the arc of said curve to the left (Central Angle 00o49'21"; Radius = 6121.00 feet, Chord = South 31o04'40" East, 87.87 feet) to a point of reverse curvature to the right;

THENCE 27.12 feet along the arc of said curve to the right (Central Angle = 00o47'43": Radius = 1954.00 feet; Chord = South 31o05'53" East, 27.12 feet) to a point for corner,

THENCE North 60o12'39" East, a distance of 46.01 feet to the POINT OF BEGINNING and containing 6,421 square feet (0.1474 acre) of land, more or less.

R. S. McCLENDON CO.
Ph: (713)240-9099
Job No. 49-9402
December, 1994

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|-----|
|  PROFESSIONAL CENTER & KELSEY SEYBOLD  |
|-----|

|-----|
| Schedule 2 - Project Budget & Funding Schedule |
|-----|

Occupancy @ 100.00%

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	CLOSING	Feb-95	Mar-95	Apr-95
Land	877,885			
Shell Construction		267,000	267,000	267,000
Standard Tenant Buildout				
Above Standard Buildout				
Landscaping				
Architectural & Engineering Fees	71,675	13,909	13,909	13,909
Taxes, Insurance & Closing	24,500			4,439
Enviros/Appraisals/Surveys	7,000	0	4,000	0
Construction Interest				

Capital Cost	0			
Marketing & Commissions	94,235			
Legal & Accounting	0			
Project Management	18,995	18,995	18,995	18,995
Developers Fee	83,440	14,740	14,740	14,740
	-----	-----	-----	-----
Total Project Budget	1,182,730	314,644	318,644	319,083
	=====	=====	=====	=====

SOURCE OF FUNDS				
CONSTRUCTION FINANCING	1,182,730	314,644	318,644	319,083
CAPITAL REQUIRED	0	0	0	0
	-----	-----	-----	-----
TOTAL SOURCE OF FUNDS	1,182,730	314,644	318,644	319,083
LOAN BALANCE	1,182,730	1,497,374	1,816,018	2,135,101

	May-95	Jun-95	Jul-95	Aug-95	Sep-95	TOTAL
	-----	-----	-----	-----	-----	-----
Land						877,885
Shell Construction	267,000	133,500	133,500			1,335,000
Standard Tenant Buildout	214,081	214,081	214,081	214,081		856,324
Above Standard Buildout	6,194	6,194	6,194	6,194		24,776
Landscaping		51,227	5,692			56,919
Architectural & Engineering Fees	13,909					127,311
Taxes, Insurance & Closing				7,063		36,002
Enviros/Appraisals/Surveys	0	4,000	2,000	0		17,000
Construction Interest						0
Capital Cost						0
Marketing & Commissions		23,559	23,559	50,253		191,606
Legal & Accounting						0
Project Management	18,995	18,995	18,995	0		132,965
Developers Fee	14,740	14,740	14,740	91,120		268,000
	-----	-----	-----	-----	-----	-----
Total Project Budget	534,919	466,296	418,761	368,711	0	3,923,788
	=====	=====	=====	=====	=====	=====
SOURCE OF FUNDS						
CONSTRUCTION FINANCING	534,919	466,296	418,761	368,711	0	3,923,788
CAPITAL REQUIRED	0	0	0	0	0	0
	-----	-----	-----	-----	-----	-----
TOTAL SOURCE OF FUNDS	534,919	466,296	418,761	368,711	0	3,923,788
LOAN BALANCE	2,670,020	3,136,316	3,555,077	3,923,788	3,923,788	

EXHIBIT C

DISBURSEMENT REQUEST FORM

Universal Health Realty Income Trust
367 South Gulph Road
King of Prussia, Pennsylvania 19406
Attention: Cheryl K. Ramagano/Timothy J. Fowler

RE: Request for Advance to Pay Costs Under Construction
Loan Agreement (the "Loan Agreement") dated as of
December 20, 1994, between Turner Adreac, L.C.
("Borrower") and the Lender

Ladies/Gentlemen:

The Borrower hereby requests in advance under the Loan Agreement to pay costs heretofore incurred in connection with construction of the Improvements as contemplated therein, in the amount of \$_____. All terms used herein shall have the same meanings ascribed to them in the Loan Agreement, except as otherwise provided herein.

The costs to be paid from the proceeds of such advance are for the items listed on the continuation page(s) attached. To the extent that the advance will be used to pay Contractor(s), an Application and Certificate for Payment for each Contractor to be paid is also attached.

The status of costs for the Improvements is as follows:

(a) Original projected costs	\$3,923,787
(b) Additions to date hereof	\$0
(c) Deductions to date hereof	\$0
(d) Current projection of costs	\$3,923,787
(e) Total certified to date, including amount of this certificate	\$ _____
(f) Unpaid balance of projected costs (amount yet to be certified)	\$ _____

The status of available funds under the Loan Agreement is as follows:

(g) Total amount of Construction Loan	\$3,923,787
(h) Less: Total costs certified to date, including amount of this certificate (from line [e] above)	\$ _____
(i) Balance to be advanced pursuant to Loan Agreement	\$ _____

The borrower hereby represents and warrants as follows:

(a) The amount above requested has actually been incurred in connection with the construction of the Improvements and no previous advances have been made under the Loan Agreement to pay any of the costs for which the Borrower hereby requests this advance.

(b) The representations and warranties set forth in Loan Agreement are true and correct in all material respects as of the date this Request for Advance is submitted to the Lender.

(c) Except as may be set forth on Schedule 1 to this Request for Advance, all equipment, supplies and materials acquired or furnished in connection with the construction of the Improvements which are not affixed to or incorporated into the Improvements are stored on the Premises.

(d) No Event of Default has occurred under the Loan Agreement which has not been waived by the Lender or cured to the satisfaction of the Lender.

(e) No Default has occurred under the Loan Agreement which, with notice or lapse of time or both, would constitute an Event of Default under the Loan Agreement, except such Defaults as have been waived by the Lender or cured to the satisfaction of the Lender.

With respect to the items described on Schedule 1 to this Request for Advance, the following is attached to this Request for Advance:

(a) With respect to items stored in a bonded warehouse, an original warehouse receipt covering such items; and

(b) With respect to items not stored in a bonded warehouse, a written certificate signed by the Borrower certifying as to the location of all such items. Such items shall be insured by companies, on forms and in amounts, satisfactory to Lender. Each such location must be acceptable to the Lender and such items must be stored under adequate safeguards acceptable to the Lender to minimize the possibility of loss, theft, damage or commingling of other property.

Very truly yours,

TURNER ADREAC, L.C.
a Texas limited liability company

By: _____
Charles H. Turner
President

PROFESSIONAL CENTER & KELSEY SEYBOLD
DATE: December 19, 1994

DRAW NO: _____

ITEM	CURRENT TOTAL BUDGET	Previous Application	This Application	Total To Date
-----	-----	-----	-----	-----

Land	877,885	0		
Shell Construction	1,335,000	0		
Standard Tenant Buildout	856,325	0		
Above Standard Buildout	24,775	0		
Landscaping	56,919	0		
Architectural & Engineering	127,310	0		
Taxes, Insurance & Closing	36,002	0		
Enviros/Appraisals/Surveys	17,000	0		
Capital Cost	0	0		
Marketing & Commissions	191,606	0		
Legal & Accounting	0	0		
Project Management	132,966	0		
Developers Fee	268,000	0		
	-----	---	-----	-----
TOTAL	3,923,787	0	-----	-----

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