

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

AMENDMENT NO.1  
TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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

Maryland  
(State or other jurisdiction of  
incorporation or organization)

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

Universal Corporate Center  
367 South Gulph Road  
King of Prussia, Pennsylvania 19406-0958  
(610) 265-0688  
(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

Kirk E. Gorman, President and Chief Financial Officer  
Universal Health Realty Trust  
Universal Corporate Center  
367 South Gulph Road  
King of Prussia, Pennsylvania 19406-0958  
(610) 265-0688  
(Name, address, including zip code, and telephone  
number, including area code, of agent for service for  
the registrant)

Copies of all communications, including all communications sent to the  
agent for service, should be sent to:  
Warren J. Nimetz, Esq.  
Fulbright & Jaworski L.L.P.  
666 Fifth Avenue  
New York, New York 10103  
(212) 318-3000

Approximate date of commencement of proposed sale to the public: From time to  
time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered  
pursuant to dividend or interest reinvestment plans, please check the following  
box: [ ]

If any of the securities being registered on this Form are to be offered on a  
delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, other than securities offered only in connection with dividend or interest  
reinvestment plans, check the following box: [X]

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, please check the following box  
and list the Securities Act registration statement number of the earlier  
effective registration statement for the same offering. [ ] \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under  
the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering. [ ] \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box. [ ]

The registrant hereby amends this registration statement on such date or dates  
as may be necessary to delay its effective date until the registrant shall file  
a further amendment which specifically states that this registration statement  
shall thereafter become effective in accordance with Section 8(a) of the  
Securities Act of 1933 or until the registration statement shall become  
effective on such date as the Commission, acting pursuant to said Section 8(a),  
may determine.

Information contained in this prospectus supplement is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time a final prospectus supplement is delivered. This prospectus supplement and the accompanying shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Subject to Completion, Dated May 30, 2001

PROSPECTUS SUPPLEMENT \_\_\_\_\_, 2001

(To prospectus dated May \_\_, 2001)

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3,000,000 Shares

UNIVERSAL HEALTH REALTY INCOME TRUST

Shares of Beneficial Interest  
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We are offering and selling 3,000,000 shares of beneficial interest with this prospectus supplement and the accompanying prospectus.

Our shares of beneficial interest are traded on the New York Stock Exchange under the symbol "UHT." On May 29, 2001, the last reported sales price of our shares of beneficial interest was \$23.02.

Investing in our shares of beneficial interest involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our shares of beneficial interest in "Risk Factors" beginning on page S-3 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

|  | Per<br>Share | Total |
|--|--------------|-------|
| -----                                  |              |       |
| Public Offering Price                  | \$           | \$    |
| -----                                  |              |       |
| Underwriting discounts and commissions | \$           | \$    |
| -----                                  |              |       |
| Proceeds, before expenses, to us       | \$           | \$    |
| -----                                  |              |       |

The underwriters may also purchase from us up to an additional 450,000 of our shares of beneficial interest, at the public offering price less the underwriting discount, to cover over-allotments, if any, within 30 days from the date of this prospectus supplement.

The underwriters are offering our shares of beneficial interest as described in "Underwriting." Delivery of the shares will be made on or about \_\_\_\_\_, 2001.

Sole Book-Running Lead Manager

Co-Lead Manager

UBS Warburg

Merrill Lynch & Co.

Banc of America Securities LLC

You should rely only on information contained in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus supplement and the accompanying prospectus. We are offering to sell, and seeking offers to buy, shares of beneficial interest only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement and the accompanying prospectus, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our shares of beneficial interest.

This prospectus supplement includes certain statements containing the words "believes", "anticipates", "intends", "expects", and words of similar import, which constitute "forward-looking statements" within the meaning of Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Trust's or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- . a substantial portion of our investments are in healthcare-related properties;
- . a substantial portion of our revenues are dependent on one operator, Universal Health Services, Inc., which we refer to as UHS;
- . competition;
- . adverse trends in the healthcare industry, including possible changes in the levels and terms of reimbursement from third-party payors and government reimbursement programs, including Medicare and Medicaid;
- . changes in laws and regulations governing the healthcare industry;
- . our co-investment in some of our properties with third parties through limited liability companies;
- . illiquidity of real estate investments;
- . asset impairment losses;
- . conflicts of interest with UHS and our trustees and officers;
- . market perceptions and market conditions;
- . maintaining our tax status as a real estate investment trust;
- . limits on ownership and changes in control;

- . our use of interest rate swaps to hedge floating rate debt;
- . our ability to finance our growth on favorable terms; and
- . liability and other claims asserted against us or operators of our facilities.

Additionally, the operators of our facilities, including UHS, are confronted with other issues, such as:

- . industry capacity;
- . demographic changes;
- . existing laws and government regulations and changes in or failure to comply with laws and governmental regulations;
- . the ability to enter into managed care provider agreements on acceptable terms;
- . competition;
- . the loss of significant customers;
- . technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for healthcare; and
- . the ability to attract and retain qualified personnel, including physicians.

Our management is unable to predict the effect, if any, these factors will have on the operating results of our lessees, including the facilities leased to subsidiaries of UHS. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. We disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained in this prospectus supplement to reflect future events or developments.

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Prospectus Supplement Summary

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including the information under "Risk Factors." Unless the context otherwise requires, as used in this prospectus supplement and the accompanying prospectus, "Trust," "us," "our" and "we" refer to Universal Health Realty Income Trust and "UHS" refers to Universal Health Services, Inc.

Information About Universal Health Realty Income Trust

Universal Health Realty Income Trust is a Maryland real estate investment trust organized in August 1986 to invest in income-producing, healthcare-related properties. The Trust has investments in 41 facilities located in 15 states. These investments include:

- . ownership of four acute care, one rehabilitation and one behavioral hospital facilities leased to subsidiaries of UHS;
- . ownership of ten medical care office buildings, four preschool childcare centers, and one subacute care and one rehabilitation hospital facility leased to unaffiliated third parties; and
- . varying non-controlling equity interests ranging from 33% to 99% in limited liability companies which own the real estate assets of an aggregate of 19 medical office complexes.

The Trust is advised by UHS of Delaware, Inc., a wholly-owned subsidiary of UHS, pursuant to an advisory agreement.

The Offering

Shares of beneficial interest  
offered by us..... 3,000,000 shares

Shares of beneficial interest outstanding  
after the offering..... 11,986,468 shares

Use of Proceeds..... We estimate that our net proceeds from the offering will be approximately \$65.2 million. We intend to use these proceeds to repay borrowings outstanding under our revolving credit facility.

New York Stock Exchange Symbol..... UHT

The number of shares of beneficial interest outstanding after the offering is based on 8,986,468 shares of beneficial interest outstanding as of May 29, 2001. We have granted an option to the underwriters to purchase up to an aggregate of 450,000 additional shares of beneficial interest to cover over-allotments, if any. The number of shares outstanding also assumes that the

underwriters' over-allotment option is not exercised. If the underwriters exercise their over-allotment option in full, we will issue an additional 450,000 shares.

UHS has the option to purchase shares of beneficial interest in the Trust at fair market value to maintain a 5% interest in the Trust. As of March 31, 2001, UHS owned 8.5% of the Trust's outstanding shares of beneficial interest. After the completion of the offering, UHS will own 6.4% of the Trust's outstanding shares of beneficial interest if 3,000,000 shares of beneficial interest are issued, or, if the underwriters exercise their over-allotment option in full, 6.1% of the Trust's outstanding shares of beneficial interest.

## Risk Factors

Before making an investment in our shares of beneficial interest, you should carefully consider, among other factors, the risks described below and elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This prospectus supplement and the accompanying prospectus do not describe all of the risks of an investment in our shares of beneficial interest. You should consult your own financial and legal advisors as to the risks entailed by an investment in our shares of beneficial interest and the suitability of investing in these shares in light of your particular circumstances.

We concentrate our investments in healthcare-related properties and, therefore, are subject to the risks associated with investments in a single industry.

While the Trust is authorized to invest in various types of income-producing real estate and real estate-related loans, its current strategy is to invest in healthcare-related properties. Consequently, the Trust currently has chosen not to include assets selected to reduce risks associated with an investment in real estate in the healthcare industry, and is subject to the risks associated with investments in a single industry.

Our reliance on UHS would magnify the negative effect on us if UHS were to suffer financial hardships.

Currently, approximately 60% of our total revenues is derived from rental income from the six hospital facilities leased by us to subsidiaries of UHS. Each hospital facility is leased to a UHS subsidiary under a long-term lease arrangement for minimum rent plus additional rent, the payment of which is guaranteed by UHS. The additional rent for each facility is, however, contingent upon an increase in gross revenues from the operation of the facility over the gross revenues of such facility for a pre-determined base year. Our financial returns, therefore, are dependent on the successful operation of these facilities and the financial condition of UHS. The operating results of these hospital facilities will depend on various factors over which the UHS subsidiaries will have no control and which may affect revenues from the hospital facilities at present or in the future. It is not possible to predict whether or to what extent additional rents will become payable under these leases. We also cannot predict whether leases, which have renewal options at existing lease rates, will be renewed at the end of their lease terms. If these leases are not renewed at their current rates, we would be required to find other operators for those facilities and/or enter into leases on terms potentially less favorable to us than the current leases. In addition, UHS is responsible for providing insurance coverage with respect to these facilities. UHS self insures with respect to certain of these risks.

We may be unable to compete successfully in a highly competitive market.

We compete for property management, development and new purchases of healthcare-related facilities with, among others:

- . investors;
- . healthcare providers, including UHS;

- . other healthcare-related real estate investment trusts;
- . real estate partnerships; and
- . financial institutions.

Competition for attractive investments results in investment pressure on the Trust. We intend to adhere to our established acquisition standards; however, increased competition for properties from other real estate investment trusts and traditional and non-traditional equity and debt capital sources may affect our growth and financial return.

In most geographical areas in which our facilities operate, there are other facilities which provide services comparable to those offered by our facilities. Some of those facilities are owned by governmental agencies and supported by tax revenues, and others are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. Such support is not available to our facilities. In addition, certain hospitals located in the areas served by our facilities provide medical, surgical and behavioral health services that are not available at our hospitals.

Our properties are also subject to competition from the properties of other healthcare providers, some of which have greater capital resources than the providers currently leasing our facilities. All of our properties operate in a competitive environment, and patients and referral sources, including physicians, may change their preferences for a healthcare facility from time to time.

Adverse trends in healthcare provider operations may negatively affect our lease revenues and the value of our investments.

The healthcare service industry is currently experiencing:

- . substantial changes in the method of delivery of, and demand for, healthcare services;
- . changes in third party reimbursement policies;
- . significant unused capacity, which has created substantial competition among healthcare providers for patients;
- . continuing pressure by private and governmental payors; and
- . increased scrutiny by federal and state authorities.

These factors may adversely affect the economic performance of some or all of our tenants and, in turn, the lease revenues and value of our healthcare-related real estate investments.

The healthcare industry is heavily regulated by the government, which may adversely affect our rental revenues.

The healthcare industry is heavily regulated by federal, state and local laws. Government regulation of the healthcare industry affects us because:

- . the financial ability of lessees to make rent payments to us may be affected by government regulations such as licensure, certification for participation in government programs, and government reimbursements; and
- . our additional rents are, in some cases, based on our lessees' gross revenue from operations, which in turn are affected by the amount of reimbursement these lessees receive from the government.

The ability of a facility to generate revenue and profit determines the underlying value of that facility to us. As health insurers and governmental agencies attempt to limit the cost of hospital services and to reduce the utilization of healthcare facilities, a reduction in future revenue or slower revenue growth may occur.

**Licensure Risks.** Healthcare facilities must obtain licensure to operate. Failure to obtain licensure or loss of licensure would prevent a facility from operating. These events could adversely affect the facility operator's ability to make rent payments. State and local laws also may regulate expansion, including the addition of new beds or services or acquisition of medical equipment, and occasionally the contraction of healthcare facilities by requiring certificates of need or other similar approval programs. In addition, healthcare facilities are subject to the Americans with Disabilities Act and building and safety codes which govern access, physical design requirements and building standards for facilities.

**Environmental Matters.** A wide variety of federal, state and local environmental and occupational health and safety laws and regulations affect healthcare facility operations. Under these laws and regulations, a current or former owner of real property may be liable for the costs of removal or remediation of hazardous or toxic substances at, under or disposed of in connection with such property, as well as other costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons, natural resources and adjacent property). Such laws and regulations often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances and may be imposed on the owner in connection with the activities of a current or former operator of the property. The cost of any required abatement, remediation, removal, fines or personal or property damages and therefore the owner's liability could exceed the value of the property, and/or the assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect our ability to use, sell or rent such property or to borrow using such property as collateral which, in turn, would reduce our revenue.

Although the leases covering our properties require the lessee to comply with laws and regulations governing their operations and to indemnify us for certain environmental liabilities, the scope of such obligations may be limited. We cannot assure you that any such lessee would be able to fulfill its indemnification obligations. In addition, environmental and occupational

health and safety laws are constantly evolving and changes in laws, regulations or policies, or changes in their interpretations, could create liabilities where none exist today.

Medicare and Medicaid Programs. Sources of revenue for our operators may include the federal Medicare program, state Medicaid programs, private insurance carriers, healthcare service plans and health maintenance organizations, among others. Efforts to reduce costs by these payors will likely continue, which may result in reduced or slower growth in reimbursement for certain services provided by some of our operators. In addition, the failure of any of our operators to comply with various laws and regulations could jeopardize their ability to continue participating in the Medicare and Medicaid programs.

Medicare payments to acute care hospitals for inpatient services are based on the prospective payment system. Under the prospective payment system, a hospital is paid a prospectively established rate based on the category of the patient's diagnosis, commonly known as diagnostic related groups or DRGs. In 2001, the federal government will complete the phase-in of a prospective payment system for Medicare payments for capital-related inpatient costs in place of the cost-based reimbursement system previously used. DRG rates are subject to adjustment on an annual basis. Historically, rates paid under Medicare's prospective payment system for inpatient services have increased; however, these increases have been less than cost increases. The Balanced Budget Act of 1997 expanded the prospective payment system to include skilled nursing facilities, home health agencies, hospital outpatient departments, and rehabilitation hospitals. Under the prospective payment system, skilled nursing facilities are paid a case-mix adjusted federal per diem rate for Medicare-covered services provided by skilled nursing facilities. The per diem rate is calculated to cover routine service costs, ancillary costs and capital-related costs. Medicare payments for long-term and rehabilitative care are based on allowable costs. Beginning in federal fiscal year 2002, Medicare will begin the phase-in of a prospective payment per case for inpatient rehabilitative care rather than remit payments to hospitals based on actual costs.

Cost Control. The healthcare industry has continually faced various challenges, including increased government and private payor pressure on healthcare providers to control costs, migration of patients from acute care facilities into extended care and home care settings and vertical and horizontal consolidation of healthcare providers. The operators of our hospital facilities continue to experience a shift in payor mix resulting in an increase in revenues attributable to managed care payors and unfavorable general industry trends which include pressures to control healthcare costs. Pressures to control healthcare costs and a shift away from traditional Medicare to Medicare managed care plans have resulted in an increase in the number of patients whose healthcare coverage is provided under managed care plans, which include health maintenance organizations and preferred provider organizations.

Changes in the law, new interpretations of existing laws, and changes in payment methodology may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement furnished by both government and other third-party payors. These changes may be applied retroactively. The ultimate timing or effect of legislative efforts cannot be predicted and may impact us in different ways.

Our ownership of property through limited liability companies limits our control over those investments and subjects us to risks not otherwise present for investments made solely by us.

We have co-invested in 19 medical office complexes with third parties through limited liability companies. We have a non-controlling interest in each of these limited liability companies, in which all major decisions concerning the property require the unanimous vote of all members, and are therefore unable to control decisions relating to the underlying property.

Co-investments in limited liability companies or other vehicles may involve risks not present were a third party not involved, including the possibility that:

- . Our co-investors might become bankrupt or otherwise fail to fund their share of required capital contributions;
- . Our co-investors might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals; and
- . We may be liable for the actions of our co-investors.

Because real estate investments are illiquid, we may not be able to sell properties when appropriate, which could adversely affect our financial condition.

Real estate investments generally cannot be sold quickly. As a result, we may not be able to diversify our portfolio promptly in response to changing economic or other conditions. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations.

Our performance and share value will be affected by risks associated with the real estate industry. Factors that may adversely affect the economic performance and value of our operations include:

- . Changes in the national, regional and local economic climate;
- . Local conditions such as an oversupply of, or a reduction in demand for, special service hospitals or office space;
- . Attractiveness of our properties to staff physicians and tenants; and
- . Competition from other special service hospitals as well as general hospitals.

We have recorded asset impairment charges in the past and may incur asset impairment charges in the future.

It is our policy to review the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of the impairment loss is based on the fair value of the asset. Generally, the estimated fair value will be determined using valuation techniques such as the present value of expected future

cash flows. In assessing the carrying value of our real estate investments for possible impairment, management reviews estimates of future cash flows expected from each of its facilities and evaluates the creditworthiness of its lessees based on their current operating performance and on current industry conditions.

At various times in the past, we have recorded asset impairment charges related to this policy. Additionally, there can be no assurance that we will not record asset impairment charges in future periods or that the factors causing the asset impairment charge will not adversely affect the value of our related real estate investments.

We may have conflicts of interest with UHS and our trustees/officers that may adversely affect our operations and financial condition.

Conflicts as a result of overlapping management. Certain members of our executive management, including our Chief Financial Officer, serve in similar capacities for UHS. In addition, Alan B. Miller, Chairman of our Board of Trustees, also serves as Chairman of the Board of UHS. Although the individuals referred to above are committed to our success, they are also committed to the success of UHS. As of February 28, 2001, our senior management and trustees beneficially owned approximately 1.9% of our outstanding shares of beneficial interest, and a higher percentage of the outstanding common stock of UHS. There is a risk that the common membership of management, the Boards of Directors/Trustees and ownership of common stock will lead to conflicts of interest in the fiduciary duties owed to shareholders by common directors/trustees and officers in connection with transactions between the two entities, as well as a conflict in allocating management time.

Conflicts as a result of investment opportunities. We have in the past and intend in the future, from time to time, to engage in transactions with UHS or its affiliates. Although UHS acquires and disposes of healthcare-related properties in the regular course of its business, UHS has no obligation to make those properties available to us, although it may do so. As a result, conflicts of interest between the Trust and UHS may arise under certain circumstances. Our Declaration of Trust provides that a majority of our trustees must be independent trustees and that all transactions between the Trust and UHS or its affiliates must be approved by a majority vote of the trustees, including a majority of our independent trustees. Our independent trustees will evaluate, from time to time, the competitive relationship, if any, among the Trust, UHS and the Trust's officers and trustees affiliated with UHS and consider such relationship in connection with the annual renewal of our advisory agreement. All transactions with UHS will be entered into on terms at least as favorable as the Trust could otherwise obtain in arms-length negotiations and we intend to obtain independent appraisals prior to our acquisition of any property from a UHS-related entity.

Conflicts as a result of our lease arrangements. We currently lease six hospital facilities to subsidiaries of UHS. Each of these leases contains provisions granting the lessee a right of first refusal to lease or purchase the property. This right of first refusal is effective for a period of one hundred eighty days after expiration of the lease term, upon the same price and terms as we intend to offer to, or to accept from, any third party. This right of first refusal may adversely affect our ability to sell or lease a property, should we so desire. In addition, because the price and terms offered by any such third party are likely to be dependent in part upon the financial

performance of the facility during the final years of the lease term, potential exists for a conflict of interest between us and UHS and its subsidiaries during those years.

Conflicts as a result of our advisory agreement. Our advisor is a wholly-owned subsidiary of UHS. The advisor is responsible for our day-to-day operations and has a contractual obligation to provide us with a continuing and suitable investment program, but has no obligation to provide specific investment opportunities. Our advisory agreement does not restrict the advisor from acting in a similar capacity for other entities. Our advisor has expressed to the Board of Trustees that it does not intend to engage in any activity which will be in conflict with the interests of the Trust, and has agreed to inform our trustees of any change in such intention. Our Board of Trustees will evaluate the advisor's activities at least annually in connection with the renewal of the advisory agreement.

Our advisor receives an annual fee based in part on the average invested real estate assets of the Trust as well as reimbursement for all incurred costs. The investment of borrowed or other additional funds by the Trust in real estate assets would, therefore, increase the compensation payable to the advisor. The terms of the advisory agreement have been approved by the Board of Trustees, including a majority of our independent trustees.

Conflicts with our trustees and/or officers. Our Declaration of Trust and Bylaws contain no provisions limiting any of our trustees or officers from engaging for their own account or on behalf of other entities in activities of the type conducted by the Trust. Thus, we could be in competition for investments with one or more of our trustees or officers or with one or more corporations, partnerships or trusts with which such trustee or officer is affiliated.

The market value of our shares of beneficial interest could decrease based on our performance and market perception and conditions.

Effect of earnings and cash dividends. The market value of our shares of beneficial interest may be based primarily upon the market's perception of our growth potential and our current and future cash dividends, and may be secondarily based upon the real estate market value of our underlying assets. For the year ended December 31, 2000, we distributed approximately 72% of our cash available for distribution to our shareholders. We expect this percentage to increase as a result of this offering.

Adverse impact of rising interest rates. One factor which influences the price of securities is the dividend or interest rate on the securities relative to market interest rates. Rising interest rates may lead potential buyers of our shares of beneficial interest to expect a higher dividend rate, which would adversely affect the market price of our shares. In addition, rising interest rates would result in increased interest expense to us, thereby adversely affecting our cash flow and our ability to service our existing indebtedness.

Loss of our tax status as a real estate investment trust would have significant adverse consequences to us and the value of our shares.

We currently operate and have operated commencing with our taxable year ended December 31, 1986 in a manner that is intended to allow us to qualify as a real estate investment trust for federal income tax purposes under the Internal Revenue Code of 1986, as amended.

If we lose our real estate investment trust status, we will face serious tax consequences that will substantially reduce the funds available for distribution to you for each of the years involved because:

- . We would not be allowed a deduction for distributions to shareholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- . We also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- . Unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a real estate investment trust for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a real estate investment trust:

- . All distributions to our shareholders would be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits;
- . We will not be required to make distributions to our shareholders; and
- . Corporate distributees may be eligible for the dividends received deduction.

As a result of all these factors, our failure to qualify as a real estate investment trust could impair our ability to expand our business and raise capital, and would adversely affect the value of our shares of beneficial interest.

Our qualification as a real estate investment trust involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations, as well as the determination of factual matters and circumstances not entirely within our control.

The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a real estate investment trust. For example, in order to qualify as a real estate investment trust, at least 95% of our gross income in any year must be derived from qualifying sources. Also, we must make distributions to shareholders aggregating annually at least 90% of our net taxable income, excluding capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions may adversely affect our investors or our ability to qualify as a real estate investment trust for tax purposes. Although we believe

that we are organized and operate in such manner, we can give no assurance that we will continue to be organized or be able to operate in a manner so as to qualify or remain qualified as a real estate investment trust for tax purposes.

Limits on ownership and changes in control may deter changes in management and third party acquisition proposals.

Provisions of our Declaration of Trust and Bylaws which are intended to prevent concentrated ownership of the Trust and thereby preserve our status as a real estate investment trust under the Internal Revenue Code, authorize us to:

- . refuse to transfer or issue shares to any person who, as a result of such transfer or issuance, would beneficially own, directly or indirectly, shares representing in excess of 9.8% in value of our outstanding shares of beneficial interest; and
- . redeem those excess shares.

These provisions may inhibit market activity and the resulting opportunity for shareholders to receive a premium for their shares that might otherwise exist if a person were attempting to accumulate a block of shares greater than 9.8% in value of our outstanding shares.

These same provisions also may make the Trust an unsuitable investment vehicle for any person seeking to obtain (either alone or with others as a group) ownership of more than 9.8% in value of our shares of beneficial interest. Although we have no current intention to redeem or otherwise reduce the number of outstanding shares except as described above, if the number of outstanding shares were to be reduced, the 9.8% limitation might be exceeded by a shareholder without any action on his part.

Certain other provisions of our Declaration of Trust may have an anti-takeover effect and may prevent our shareholders from receiving a premium for their shares which is often obtained in takeover attempts. Our Board of Trustees is divided into three classes with staggered terms which may make it more difficult for our shareholders to remove our management than if all of our trustees were elected on an annual basis. In addition, we are authorized to issue up to 5,000,000 preferred shares of beneficial interest. Our trustees may determine, without shareholder approval, the powers, preferences, voting and other rights of these shares. These preferred shares of beneficial interest could have the effect of discouraging, delaying or preventing a change in control of the Trust. Our Declaration of Trust also requires a vote of the holders of 95% of our outstanding shares entitled to vote to approve certain business combinations. As UHS currently owns 8.5% of our outstanding shares of beneficial interest and has the option to purchase shares of beneficial interest in the Trust at fair market value to maintain a 5% interest in the Trust, it effectively will have the right to reject certain business combinations which have been approved by our trustees.

We hedge floating rate debt with interest rate swaps, and may record charges associated with the termination or change in value of the interest rate swaps.

The Trust has \$34 million of interest rate swaps that currently hedge interest payments on floating rate debt. The net proceeds to the Trust of the offering will be approximately \$65.2 million, or approximately \$75.0 million if the underwriters exercise their over-allotment option in full. The net proceeds will be used to repay a portion of the Trust's floating rate debt. The Trust will assess the probability that its expected future floating rate debt is sufficient for its swaps and may recognize a charge to earnings to reverse amounts previously recorded as a component of comprehensive income. The Trust may also terminate all or a portion of the interest rate swaps. The cost to terminate the swaps at March 31, 2001 was estimated to be approximately \$1.4 million. If the interest rate swaps are not terminated, changes in the value of the swaps may result in charges to earnings.

## Use of Proceeds

We estimate the net proceeds to us from the sale of the shares of beneficial interest offered by us in this offering to be approximately \$65.2 million, or approximately \$75.0 million if the underwriters exercise their over-allotment option in full, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds to repay a portion of the amounts outstanding under our revolving credit agreement with several financial institutions. The revolving credit agreement provides for revolving loans of up to \$100 million on an unsecured and non-amortizing basis. However, under the terms of the revolving credit agreement, this \$100 million credit facility will be reduced by 50% of the net proceeds generated from this offering to approximately \$67 million, or approximately \$63 million if the underwriters exercise their over-allotment option in full. The revolving credit agreement provides for interest, at our option, of a certificate of deposit rate plus .625% to 1.125%, Eurodollar rate plus .50% to 1.125% or the prime rate. A fee of .175% to .375% is required on the unused portion of the available credit. At May 29, 2001, approximately \$74.4 million was outstanding under the revolving credit agreement, and approximately \$6.5 million was outstanding under letters of credit.

Capitalization

The following table sets forth our capitalization as of March 31, 2001, on an actual basis and as adjusted to reflect the sale by us of 3,000,000 shares of beneficial interest offered by us, at an assumed public offering price of \$23.02 per share, and the application of the estimated net proceeds of \$65.2 million to us to repay outstanding indebtedness as described under "Use of Proceeds."

|  | At March 31, 2001 |             |
|--|-------------------|-------------|
|  | Actual            | As Adjusted |
|  | (In thousands)    |             |
| Bank borrowings.....   | \$ 79,749         | \$ 14,568   |
| Note payable to UHS.....   | 1,386             | 1,386       |
| Total debt.....  | \$ 81,135         | \$ 15,954   |
| 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 8,985,991 at March 31, 2001; 11,985,991 issued and outstanding as adjusted..... | 90                | 120         |
| Capital in excess of par value.....  | 129,200           | 194,351     |
| Accumulated other comprehensive income:  |                   |             |
| Cash flow hedges.....  | (1,452)           | (1,452)     |
| Cumulative net income.....   | 160,826           | 160,826     |
| Cumulative dividends.....  | (190,806)         | (190,806)   |
| Total shareholders' equity.....  | \$ 97,858         | \$ 163,039  |
| Total capitalization.....  | \$ 178,993        | \$ 178,993  |

Price Range of Shares of Beneficial Interest

The Trust's shares of beneficial interest are listed on the New York Stock Exchange under the symbol "UHT." The following table shows the high and the low per share sale prices of our shares of beneficial interest for the periods indicated as reported by the New York Stock Exchange:

|  | High     | Low       |
|--|----------|-----------|
|  | -----    |           |
| Year ended December 31, 1999               |          |           |
| First Quarter.....                         | \$ 20.75 | \$ 19.125 |
| Second Quarter.....                        | 20.4375  | 19.3125   |
| Third Quarter.....                         | 19.9375  | 16.8125   |
| Fourth Quarter.....                        | 18.1875  | 14.25     |
| Year ended December 31, 2000               |          |           |
| First Quarter.....                         | 16.8125  | 14.25     |
| Second Quarter.....                        | 19.125   | 15.125    |
| Third Quarter.....                         | 19.4375  | 16.75     |
| Fourth Quarter.....                        | 19.875   | 17.0625   |
| Year ended December 31, 2001               |          |           |
| First Quarter.....                         | 21.02    | 18.75     |
| Second Quarter (through May 29, 2001)..... | 23.99    | 19.60     |

The last reported sale price for our shares of beneficial interest as reported on the New York Stock Exchange on May 29, 2001 was \$23.02 per share.

Dividend Policy

As of January 31, 2001, there were approximately 795 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 so 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:

|                     | 2000    | 1999    | 1998    | 1997    | 1996    |
|---------------------|---------|---------|---------|---------|---------|
| First Quarter.....  | \$0.455 | \$0.450 | \$0.435 | \$0.425 | \$0.420 |
| Second Quarter..... | 0.460   | 0.450   | 0.435   | 0.425   | 0.425   |
| Third Quarter.....  | 0.460   | 0.455   | 0.440   | 0.425   | 0.425   |
| Fourth Quarter..... | 0.465   | 0.455   | 0.445   | 0.430   | 0.425   |
|                     | \$1.840 | \$1.810 | \$1.755 | \$1.705 | \$1.695 |

For the first quarter of 2001, the Trust declared a dividend of \$0.465 per share.

Selected Financial Information

The following tables set forth selected consolidated financial data which have been derived from our consolidated financial statements incorporated by reference in the accompanying prospectus. The data for the quarters ended March 31, 2000 and 2001 are derived from the Trust's unaudited financial statements which, in the opinion of management, include all adjustments necessary for a fair presentation of the Trust's results of operations and financial position for such periods. The results of operations for the quarter ending March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

(000s except per share amounts)

|                                | Years Ended December 31, |          |          |          |          | Three Months Ended March 31, |         |
|--------------------------------|--------------------------|----------|----------|----------|----------|------------------------------|---------|
|                                | 2000                     | 1999     | 1998     | 1997     | 1996     | 2001                         | 2000    |
| Revenues.....                  | \$27,315                 | \$23,865 | \$23,234 | \$22,764 | \$21,923 | \$6,885                      | \$6,685 |
| Net income.....                | \$16,256                 | \$13,972 | \$14,337 | \$13,967 | \$14,158 | \$4,140                      | \$3,916 |
| Funds from Operations (1)..... | \$22,878                 | \$21,772 | \$19,857 | \$18,809 | \$18,174 | \$5,989                      | \$5,662 |
| Per Share Data:                |                          |          |          |          |          |                              |         |
| Net income-Basic.....          | \$ 1.81                  | \$ 1.56  | \$ 1.60  | \$ 1.56  | \$ 1.58  | \$ 0.46                      | \$ 0.44 |
| Net income-Diluted.....        | \$ 1.81                  | \$ 1.56  | \$ 1.60  | \$ 1.56  | \$ 1.58  | \$ 0.46                      | \$ 0.44 |
| Dividends.....                 | \$ 1.840                 | \$ 1.810 | \$ 1.755 | \$ 1.705 | \$ 1.695 | \$0.465                      | \$0.455 |

(1) Funds from operations, or FFO, may not be calculated in the same manner for all companies, and accordingly, FFO as presented above may not be comparable to similarly titled measures by other companies. FFO 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. FFO shown above is calculated as follows:

|   | (000s)   |          |          |          |          |         |         |
|---|----------|----------|----------|----------|----------|---------|---------|
|   | 2000     | 1999     | 1998     | 1997     | 1996     | 2001    | 2000    |
| Net income.....                                     | \$16,256 | \$13,972 | \$14,337 | \$13,967 | \$14,158 | \$4,140 | \$3,916 |
| Depreciation expense:                               |          |          |          |          |          |         |         |
| Consolidated investments.....                       | 4,414    | 3,833    | 3,809    | 3,740    | 3,554    | 1,093   | 1,081   |
| Unconsolidated affiliates.....                      | 2,964    | 2,322    | 1,587    | 978      | 337      | 835     | 665     |
| Amortization of interest rate cap....               | --       | 62       | 124      | 124      | 125      | --      | --      |
| Provision for investment loss, net...               | --       | 1,583    | --       | --       | --       | --      | --      |
| Equity in provision for investment loss of LLC..... | 1,139    | --       | --       | --       | --       | --      | --      |
| Gain on sale of real property to UHS.....           | (1,895)  | --       | --       | --       | --       | --      | --      |
| Gain on derivatives.....                            | --       | --       | --       | --       | --       | (79)    | 0       |
| Total.....  | \$22,878 | \$21,772 | \$19,857 | \$18,809 | \$18,174 | \$5,989 | \$5,662 |

(000s)

|                                 | At December 31, |           |           |           |           | At March 31, |           |
|---------------------------------|-----------------|-----------|-----------|-----------|-----------|--------------|-----------|
|                                 | 2000            | 1999      | 1998      | 1997      | 1996      | 2001         | 2000      |
| Total Assets.....               | \$183,658       | \$178,821 | \$169,406 | \$146,755 | \$148,566 | \$182,682    | \$186,957 |
| Debt.....                       | \$ 82,031       | \$ 76,889 | \$ 66,016 | \$ 42,347 | \$ 43,082 | \$ 81,135    | \$ 85,610 |
| Total Shareholders' Equity..... | \$ 99,257       | \$ 99,675 | \$101,348 | \$102,692 | \$103,982 | \$ 97,858    | \$ 99,389 |

Underwriting

We and the underwriters named below have entered into an underwriting agreement concerning the shares being offered. Subject to conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table.

| Underwriters   | Number of shares          |
|--|---------------------------|
| -----  |                           |
| UBS Warburg LLC.....                                       |                           |
| Merrill Lynch, Pierce, Fenner & Smith<br>Incorporated..... |                           |
| Banc of America Securities LLC.....                        |                           |
| Total.....   | <u>3,000,000</u><br>===== |

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have a 30-day option to buy up to an additional 450,000 shares from us at the public offering price less the underwriting discounts and commissions to cover these sales. If any shares are purchased under this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions that we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional 450,000 shares from us.

|                | Paid by us                              |   |
|----------------|---|---|
|                | No exercise of<br>over-allotment option | Full exercise of<br>over-allotment option |
|                | -----                                   | -----                                     |
| Per share..... | \$                                      | \$  |
| Total.....     | \$                                      | \$  |

We estimate that the total expenses of this offering payable by us, excluding underwriting discounts and commissions, will be approximately \$350,000.

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$\_\_\_\_\_ per share from the public offering price. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to \$\_\_\_\_\_ per share from the public offering price. If all the shares are not sold at the public offering price, the representatives may change the offering price and the other selling terms.

We, our trustees and executive officers and UHS have agreed with the underwriters not to offer, sell, contract to sell, hedge or otherwise dispose of, directly or indirectly, any of our shares of beneficial interest or securities convertible into or exchangeable for shares of beneficial interest during the period from the date of this prospectus supplement continuing through the date 90 days after the date of this prospectus supplement, without the prior written consent of UBS Warburg LLC.

In connection with this offering, the underwriters may purchase and sell shares of beneficial interest in the open market. These transactions may include stabilizing transactions, short sales and purchases to cover positions created by short sales. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our shares of beneficial interest while this offering is in progress. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. Short sales may be either "covered short sales" or "naked short sales." Covered short sales are sales made in an amount not greater than the underwriters' over-allotment option to purchase additional shares in this offering. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned there may be downward pressure on the price of shares in the open market after pricing that could adversely affect investors who purchase in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of our shares of beneficial interest. As a result, the price of our shares of beneficial interest may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the New York Stock Exchange or otherwise.

We have agreed to indemnify the several underwriters against some liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the underwriters may be required to make in respect thereof.

In the ordinary course of their respective businesses, the underwriters and certain of their affiliates have in the past and may in the future engage in investment and commercial banking or other transactions with us, including the provision of certain advisory services and making loans to us. Bank of America (as successor by merger to NationsBank), an affiliate of Banc of America Securities LLC, is a participating lender under our revolving credit facility and, as such, will receive approximately 20% of the net proceeds of this offering upon repayment of amounts outstanding under that revolving credit facility. See "Use of Proceeds."

Legal Matters

Certain legal matters with respect to the validity of the Trust's shares of beneficial interest and tax matters will be passed upon for us by Fulbright & Jaworski L.L.P., 666 Fifth Avenue, New York, New York 10103.

Dewey Ballantine LLP, New York, New York, is counsel for the underwriters in connection with this offering.

\*\*\*\*\*  
The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.  
\*\*\*\*\*

Subject to Completion, dated May 30, 2001

PROSPECTUS

\$100,000,000

UNIVERSAL HEALTH REALTY INCOME TRUST

Shares of Beneficial Interest

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We may offer to the public, from time to time in one or more issuances, our shares of beneficial interest.

This prospectus provides you with a general description of our shares of beneficial interest that we may offer. Each time we offer shares of beneficial interest, we will provide a prospectus supplement that will contain specific information about the terms of that offering. You should read this prospectus and each prospectus supplement carefully before you invest.

Our shares of beneficial interest currently trade on the New York Stock Exchange under the symbol "UHT."

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated \_\_\_\_\_, 2001.

Unless the context otherwise requires, "Trust," "us," "our" and "we" refer to Universal Health Realty Income Trust and "UHS" refers to Universal Health Services, Inc.

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You should rely only on the information contained or incorporated by reference in this prospectus or in the prospectus supplement which is delivered with this prospectus, or which is referred to under "Where You Can Find Additional Information." We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell or a solicitation of an offer to buy any securities other than the Trust's shares of beneficial interest which are referred to in the prospectus supplement. This prospectus is not an offer to sell or a solicitation of an offer to buy any securities other than the Trust's shares of beneficial interest in any circumstances in which an offer or solicitation is unlawful. You should not interpret the delivery of this prospectus, or any sale of the Trust's shares of beneficial interest, as an indication that there has been no change in our affairs since the date of this prospectus. You should be aware that information in this prospectus may change after this date.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our file number is 1-9321. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, DC 20549, as well as at the regional offices of the SEC located at 7 World Trade Center, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Chicago, Illinois 60661. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

The Trust's shares of beneficial interest are listed on the New York Stock Exchange. You may also inspect the information we file with the SEC at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We are "incorporating by reference" specified documents that we file with the SEC, which means:

- . incorporated documents are considered part of this prospectus;
- . we are disclosing important information to you by referring you to those documents; and
- . information that we file in the future with the SEC will automatically update and supersede the information in this prospectus.

We incorporate by reference the documents listed below, and any documents that we file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the termination of this offering:

- . our annual report on Form 10-K for the year ended December 31, 2000.
- . our quarterly report on Form 10-Q for the quarter ended March 31, 2001.
- . the description of the Trust's shares of beneficial interest contained in the Trust's Registration Statement on Form 8-A filed with the SEC on November 12, 1986.

You may also request a copy of these filings, at no cost, by writing or telephoning our chief financial officer at the following address:

Universal Health Realty Income Trust  
Universal Corporate Center  
P.O. Box 61558  
367 South Gulph Road  
King of Prussia, Pennsylvania 19406-0958  
Attention: Chief Financial Officer  
Telephone: (610) 265-0688

#### THE TRUST

The Trust is a Maryland real estate investment trust organized in August 1986 to invest in income-producing, health care-related properties. The Trust has investments in 41 facilities located in 15 states. These investments include:

- . ownership of four acute care, one rehabilitation and one behavioral hospital facilities leased to subsidiaries of UHS;
- . ownership of ten medical care office buildings, four preschool childcare centers, and one subacute care and one rehabilitation hospital facility leased to unaffiliated third parties; and
- . varying non-controlling equity interests ranging from 33% to 99% in limited liability companies which own the real estate assets of an aggregate of 19 medical care office buildings.

Included in the Trust's portfolio is ownership of eight hospital facilities (aggregate investment of \$130 million) which contain an aggregate of 1,149 licensed beds. The leases with respect to hospital facilities comprised 72% of the Trust's 2000 revenues (excluding revenues derived from the Trust's non-controlling limited liability company interests), have fixed terms with an average of 3.6 years remaining and provide for renewal options for up to six five-year terms.

For the eight hospital facilities owned by the Trust (excluding from all three years the facility sold to a subsidiary of UHS in December, 2000), the combined ratio of earnings before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to minimum rent plus additional rent payable to the Trust was approximately 5.6, 5.3 and 5.4 for the years ended December 31, 2000, 1999 and 1998, respectively. The coverage ratio for individual facilities varies.

The Trust's principal executive offices are located at Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, Pennsylvania 19406-0958. The Trust's telephone number is (610) 265-0688.

#### THE TRUST'S RELATIONSHIP TO UHS

UHS' principal business is owning and operating acute care hospitals, behavioral health centers, ambulatory surgery centers, radiation oncology centers and women's centers. At December 31, 2000, UHS operated 59 hospitals, consisting of 23 acute care hospitals, 35 behavioral health centers, and one women's center. As part of UHS' Ambulatory Treatment Centers Division, at December 31, 2000 UHS owned, either outright or in partnership with physicians, and operated or managed 25 surgery and radiation oncology centers located in 12 states and the District of Columbia. UHS' facilities are located in Arkansas, California, Delaware, the District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, Nevada, New Jersey, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Texas, Utah and Washington.

For the year ended December 31, 2000, UHS had assets of \$1,742,377,000, revenues of \$2,242,444,000 and net income of \$93,362,000. In 2000, UHS' acute care hospitals, ambulatory

surgery centers, radiation oncology centers and women's center contributed approximately 84% of UHS' consolidated net revenues and UHS' behavioral health centers contributed approximately 16% of UHS' consolidated net revenues.

Services provided by UHS' hospitals include general surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, pediatric services and behavioral health services. UHS' facilities benefit from shared centralized services, such as central purchasing, information services, finance and control systems, facilities planning, physician recruitment services, administrative personnel management, marketing and public relations.

Leases. Subsidiaries of UHS lease six of the eight hospital facilities owned by the Trust with terms expiring in 2001 through 2006. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another. Each of the leases contains renewal options of up to six five-year periods. These leases accounted for 70% of the total revenue of the Trust for the five years ended December 31, 2000 (63% for the year ended December 31, 2000). Including 100% of the revenues generated at the unconsolidated limited liability companies in which the Trust has various non-controlling equity interests ranging from 33% to 99%, the UHS leases accounted for 45% of the combined consolidated and unconsolidated revenue for the five years ended December 31, 2000 (35% for the year ended December 31, 2000).

For the six hospital facilities owned by the Trust and leased to subsidiaries of UHS, the combined ratio of EBITDAR to minimum rent plus additional rent payable to the Trust (excluding from all three years the facility sold to a subsidiary of UHS in December, 2000) was approximately 5.7, 5.6 and 5.5 for the years ended December 31, 2000, 1999 and 1998, respectively. The coverage ratio for individual facilities vary and range from 2.7 to 8.3 in 2000, 1.1 to 9.0 in 1999 and 1.1 to 8.6 in 1998. Management of the Trust cannot predict whether the leases with subsidiaries of UHS, which have renewal options at existing lease rates, or any of the Trust's other leases, will be renewed at the end of their lease terms. If the leases are not renewed at their current rates, the Trust would be required to find other operators for those facilities and/or enter into leases on terms potentially less favorable to the Trust than the current leases.

Pursuant to the terms of the leases with UHS, the lessees have rights of first refusal to:

- . purchase the respective leased facilities during and for 180 days after each lease term at the same price, terms and conditions of any third-party offer, or;
- . renew the lease on the respective leased facility at the end of, and for 180 days after, the lease term at the same terms and conditions pursuant to any third-party offer.

Each lease also grants the lessee options, exercisable on at least six months notice, to purchase the leased facility 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 prior to the expiration of its term 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 the trustees who are unaffiliated with UHS. The purchase options and rights of first refusal granted to the respective lessees to purchase or lease the respective leased facilities, after the expiration of the lease term, may adversely affect the Trust's ability to sell or lease a facility, and may 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., a wholly-owned subsidiary of UHS, serves as advisor to the Trust under an Advisory Agreement, dated December 24, 1986, between the parties. Under the Advisory Agreement, UHS of Delaware is obligated to:

- . present an investment program to the Trust;
- . use its best efforts to obtain investments suitable for that program (although it is not obligated to present any particular investment opportunity to the Trust); and
- . provide administrative services to the Trust and to conduct the Trust's day-to-day affairs.

In performing its services under the Advisory Agreement, UHS of Delaware may utilize independent professional services, including accounting, legal and other services, for which it 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 trustees who are unaffiliated with UHS that UHS of Delaware's performance has been satisfactory. The Advisory Agreement may be terminated for any reason upon sixty days written notice by either party. The Advisory Agreement has been renewed for 2001. All transactions with UHS must be approved by a majority of the trustees who are unaffiliated with UHS. The Advisory Agreement provides that UHS of Delaware 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, UHS of Delaware is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders for each year, as defined in the Advisory Agreement, 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 2000, 1999 and 1998. 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 fair market value to maintain a 5% interest in the Trust. As of March 31, 2000, UHS owned 8.5% of the Trust's outstanding shares of beneficial interest.

#### USE OF PROCEEDS

Unless otherwise provided in the prospectus supplement that accompanies this prospectus, the Trust intends to add the net proceeds from the sale of its shares of beneficial interest to the Trust's general funds. The Trust expects to use the proceeds for general operating purposes, including working capital, capital expenditures and the repayment of borrowings. Before the Trust uses the proceeds for these purposes, the Trust may invest the proceeds in interest-bearing time deposits or short-term marketable securities.

DESCRIPTION OF THE TRUST'S SHARES OF BENEFICIAL INTEREST

The summary of the terms of the Trust's shares of beneficial interest set forth below does not purport to be complete and is subject to and qualified in its entirety by reference to the Declaration of Trust, as amended and/or restated from time to time, and the Amended and Restated Bylaws, as amended and/or restated from time to time, each of which is incorporated herein by reference.

The Trust's authorized capital stock consists of 95,000,000 shares of beneficial interest, par value \$0.01 per share, and 5,000,000 preferred shares of beneficial interest, par value \$0.01 per share. The Trust has agreed to issue to UHS, one of its shareholders, additional shares of beneficial interest from time to time in the future, at their then fair market value, sufficient for UHS to maintain a 5% interest in the Trust.

Shares of Beneficial Interest. Except as otherwise determined by the trustees of the Trust with respect to any class of or series of preferred shares of beneficial interest, all shares of beneficial interest will participate equally in distributions payable to shareholders when and as declared by the trustees of the Trust and in net assets available for distribution to shareholders, on liquidation or dissolution, will have one vote per share on all matters submitted to a vote of the Trust's shareholders and will not have cumulative voting rights in the election of the Trust's trustees. The shares of beneficial interest offered hereby will be validly issued, fully paid and, except as set forth below, non-assessable by the Trust upon issuance, and will have no preference, conversion, exchange or pre-emptive rights.

Preferred Shares of Beneficial Interest. No preferred shares of beneficial interest are presently outstanding. Preferred shares of beneficial interest may be issued from time to time by the Trust's trustees, without shareholder approval, in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or other provisions, as may be fixed by the trustees in the resolution authorizing their issuance.

Redemption and Business Combination Provisions. If the Trust's trustees shall, at any time and in good faith, be of the opinion that direct or indirect ownership of at least 9.8% in value of the outstanding shares of beneficial interest (taking into account the constructive ownership rules contained in Sections 318 and 544 of the Internal Revenue Code of 1986, or the Code) has or may become concentrated in the hands of one beneficial owner, the Trust's trustees shall have the power:

- . by lot or other means deemed equitable by them to call for the purchase from any such shareholder that number of the Trust's shares of beneficial interest sufficient, in the opinion of the trustees, to maintain or bring the direct or indirect ownership of the Trust's shares of beneficial interest of such owner to a level equal to 9.8% in value of the outstanding shares; and
- . to refuse to transfer or issue the Trust's shares of beneficial interest to any person whose acquisition of such shares would cause a person to hold in excess of 9.8% in value of the outstanding shares of beneficial interest.

Any transfer of the Trust's shares of beneficial interest that would create a direct or indirect owner of more than 9.8% in value of the outstanding shares of beneficial interest shall be

deemed void and the intended transferee shall be deemed never to have had an interest therein. The purchase price for any of the shares of beneficial interest so redeemed shall be equal to the fair market value of the shares reflected in the closing sales price for the shares, if then listed on a national securities exchange or traded in the Nasdaq National Market, or the average of the closing sales prices for the shares if then listed on more than one national securities exchange, or if the shares are not then listed on a national securities exchange, the latest bid quotation for the shares if then traded over-the-counter, on the last business day immediately preceding the day on which notices of such acquisition are sent by the Trust or, if no such closing sale prices or quotations are available, then the purchase price shall be equal to the net asset value of such shares as determined by the trustees in accordance with the provisions of applicable law. From and after the date fixed for purchase by the Trust's trustees, the holder of any shares of beneficial interest so called for purchase shall cease to be entitled to distributions, voting rights and other benefits with respect to such shares, except the right to payment of the purchase price for the shares.

If any person knowingly holds in excess of 9.8% in value of the outstanding shares of beneficial interest and the Trust loses its qualification as a real estate investment trust under the Code or becomes a personal holding company, that person would be required to indemnify the Trust for the full amount of any damages and expenses resulting from the loss of its qualification as a real estate investment trust or its becoming a personal holding company. These damages and expenses might include increased corporate taxes, attorneys' fees and administrative costs.

The Declaration of Trust permits the trustees to effect any merger or consolidation in accordance with applicable law, except any merger or consolidation with, or any sale, lease, transfer or other disposition of all or any substantial part of the assets of the Trust to, or from, a holder of shares of beneficial interest of the Trust representing, in the aggregate, 5% or more of the total number of votes authorized to be cast by holders of the Trust's shares of beneficial interest. Business combinations with these related persons must be approved by the affirmative vote of the holders of shares representing at least 95% of the total number of votes authorized to be cast by holders of the Trust's shares of beneficial interest unless:

- . the trustees by a vote or written consent of all but one of the trustees have expressly approved in advance the acquisition of the outstanding shares of the Trust that caused that person to become a related person or shall have approved the business combination prior to that person having become a related person; or
- . the business combination is solely between the Trust and another trust or corporation of which 100% of that entity's voting securities are owned directly or indirectly by the Trust.

Shareholder Liability. Title 8 of the Maryland General Corporation Law provides that a shareholder of a real estate investment trust shall have immunity from personal liability for the obligations of the real estate investment trust. This Title also provides that the declaration of a real estate investment trust may include any provision expanding or limiting the liability of its shareholders for money damages except for limiting the liability of its shareholders to the extent:

- . actual receipt of an improper benefit or profit in money, property or services is proved; or

- . active and deliberate dishonesty is established by a final judgment as being material to the cause of action.

The Declaration of Trust also provides that the Trust's shareholders shall not be subject to any liability for the acts or obligations of the Trust and that, as far as practicable, each of the Trust's written agreements creating an obligation of the Trust shall contain a provision to that effect. With respect to all types of claims in some jurisdictions, tort claims only in other jurisdictions, contract claims where shareholder liability is not disavowed as described above, and claims for taxes and certain statutory liabilities, a shareholder may be held personally liable to the extent that claims are not satisfied by the Trust. The Declaration of Trust provides that, upon payment of any such liability, the shareholder will be entitled to reimbursement from the Trust's general assets. There can be no assurance that, at the time any such liability arises, the Trust will have assets sufficient to satisfy this reimbursement obligation. The Trust's trustees intend to conduct the Trust's operations, with the advice of counsel, in such a way as to avoid, as far as practicable, the ultimate liability of the Trust's shareholders. The Trust's trustees do not intend to provide insurance covering such risks to the Trust's shareholders.

Transfer Agent and Registrar. EquiServe Trust Company, N.A. acts as transfer agent, registrar and dividend reinvestment agent of the Trust's shares of beneficial interest.

Trading Market. The Trust's shares of beneficial interest currently trade on the New York Stock Exchange under the symbol "UHT."

#### CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the federal income tax considerations the Trust believes are material to a holder of the Trust's shares of beneficial interest. This summary is based on current law, is for general information only and is not tax advice. Your tax treatment will vary depending on your particular situation and this discussion does not purport to deal with all aspects of taxation that may be relevant to a holder of shares of beneficial interest in light of his or her personal investments or tax circumstances, or to shareholders who receive special treatment under the federal income tax laws except to the extent discussed under the headings "---Taxation of Tax Exempt-Shareholders" and "--Taxation of Foreign Shareholders." Shareholders receiving special treatment include, without limitation:

- . insurance companies;
- . financial institutions or broker-dealers;
- . tax-exempt organizations;
- . stockholders holding securities as part of a conversion transaction, or a hedge or hedging transaction, or as a position in a straddle for tax purposes;
- . foreign corporations or partnerships; and
- . persons who are not citizens or residents of the United States.

In addition, this summary does not consider the effect of any foreign, state, local or other tax laws that may be applicable to you as a holder of the Trust's shares of beneficial interest.

The information in this section is based on:

- . the Code;
- . current, temporary and proposed Treasury Regulations promulgated under the Code;
- . the legislative history of the Code;
- . current administrative interpretations and practices of the Internal Revenue Service ("IRS"); and
- . court decisions;

in each case, as of the date of this prospectus. Future legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any change could apply retroactively to transactions preceding the date of the change. The Trust has not requested, and does not plan to request, any rulings from the IRS concerning its tax treatment, and the statements in this prospectus are not binding on the IRS or any court. Thus, the Trust cannot assure you that the tax considerations contained in this discussion will not be challenged by the IRS or if challenged, will be sustained in court.

The summary below is for general information only and is not tax advice. You are urged to consult your tax advisor regarding the specific tax consequences to you of:

- . the acquisition, ownership and sale or other disposition of the Trust's shares of beneficial interest, including the federal, state, local, foreign and other tax consequences;
- . the Trust's election to be taxed as a real estate investment trust for federal income tax purposes; and
- . potential changes in the tax laws.

#### Taxation of the Trust

General. The Trust elected to be taxed as a real estate investment trust, or REIT, commencing with its taxable year ended December 31, 1986. The Trust believes that it was organized and has operated in a manner that permits it to satisfy the requirements for taxation as a REIT under the applicable provisions of the Code and intends to continue to operate in such a manner. No assurance can be given, however, that such requirements have been or will continue to be met.

The following discussion is based on the law existing and in effect on the date hereof and the Trust's qualification and taxation as a REIT will depend on compliance with such law and with any future amendments or modifications to such law. The qualification and taxation as a REIT will further depend upon the ability to meet, on a continuing basis through actual operating results, the various qualification tests imposed under the Code discussed below. No assurance can be given that the Trust will satisfy these tests on a continuing basis.

In brief, an entity that invests primarily in real estate can, if it meets the REIT provisions of the Code described below, claim a tax deduction for the dividends it pays to its shareholders. Such an entity generally is not taxed on its "REIT taxable income" to the extent such income is currently distributed to shareholders, thereby substantially eliminating the "double taxation" (i.e., at both the entity and shareholder levels) that generally results from an investment in an entity which is taxed as a corporation. However, as discussed in greater detail below, such an entity remains subject to tax in certain circumstances even if it qualifies as a REIT. Further, if the entity were to fail to qualify as a REIT in any year, it would not be able to deduct any portion of the dividends it paid to its shareholders and would be subject to full federal corporate income taxation on its earnings, thereby significantly reducing or eliminating the cash available for distribution to its shareholders.

Fulbright & Jaworski L.L.P. has opined that the Trust was organized and has operated in conformity with the requirements for qualification as a REIT under the Code for each of its taxable years and that its proposed method of operations as described in this prospectus and as represented to Fulbright & Jaworski by the Trust will enable the Trust to continue to satisfy the requirements for qualification and taxation as a REIT under the Code for future taxable years. This opinion was rendered as of May 10, 2001, and Fulbright & Jaworski has no obligation to update its opinion subsequent to this date.

The opinion of Fulbright & Jaworski is based upon certain assumptions and certain factual representations made by the Trust, including representations made by the Trust in this prospectus and a factual certificate provided by one of the Trust's officers. Moreover, such qualification and taxation as a REIT depends upon the ability of the Trust to meet, for each taxable year, various tests imposed under the Code as discussed below, and Fulbright & Jaworski has not reviewed in the past, and may not review in the future, the Trust's compliance with these tests. Accordingly, neither Fulbright & Jaworski nor the Trust can assure you that the actual results of the operations of the Trust for any particular taxable year will satisfy such requirements.

In any year in which the Trust qualifies as a REIT, it will not generally be subject to federal corporate income tax on that portion of its net income which is distributed to shareholders. The Trust will, however, be subject to tax at normal corporate rates on any undistributed "real estate investment trust taxable income," including capital gains. Shareholders are required to include their proportionate share of the REIT's undistributed long-term capital gain in income, but would receive a credit for their share of any taxes paid on such gain by the REIT.

Notwithstanding its qualification as a REIT, the Trust also may be subject to taxation in the following circumstances:

- . If the Trust should fail to satisfy either the 75% or the 95% gross income test and nonetheless maintains its qualification as a REIT because certain other requirements are met, it will be subject to a 100% tax on the greater of the amount by which the Trust fails either the 75% or the 95% gross income test (substituting for purposes of calculating the amount by which the 95% gross income test is failed, 90% for 95%) multiplied by a fraction intended to reflect the Trust's profitability.

- . The Trust will also be subject to a tax of 100% on net income from any "prohibited transaction" (as described below), and if the Trust has (i) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, it will be subject to tax on such income from foreclosure property at the highest corporate rate.
- . If the Trust should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year and (iii) any undistributed taxable income from prior years, the Trust would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed.
- . If the Trust disposes of any asset acquired from a corporation which is or has been a C corporation in a transaction in which the Trust's basis in the asset is determined by reference to the basis of the asset in the hands of that C corporation, within the ten-year period following the Trust's acquisition of that asset, the Trust may be required, under Treasury Regulations, to distribute at least 90% (95% for taxable years ending before January 1, 2001) of the after-tax gain, if any, recognized on the disposition of the asset, to the extent that gain does not exceed the excess of (a) the fair market value of the asset on the date the Trust acquired the asset over (b) the Trust's adjusted basis in the asset on the date the Trust acquired the asset.
- . The Trust also may be subject to the corporate alternative minimum tax.

The Trust uses the calendar year both for federal income tax purposes, as is required of a REIT under the Code, and for financial reporting purposes.

**Failure to Qualify.** If the Trust fails to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, the Trust will be subject to tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Distributions to shareholders in any year in which the Trust fails to qualify as a REIT will not be deductible by the Trust, nor will the Trust be required to distribute any amounts to shareholders. In such event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable as ordinary income and, subject to certain limitations in the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, the Trust also will be disqualified from re-electing taxation as a REIT for the four taxable years following the year during which qualification was lost.

#### REIT Qualification Requirements

In order to qualify as a REIT, the Trust must meet the following requirements, among others:

**Share Ownership Tests.** The Trust's shares of beneficial interest must be held by a minimum of 100 persons for at least 335 days in each taxable year (or a proportionate number of days in any short taxable year). In addition, at all times during the second half of each taxable year, no more than 50% in value of the outstanding shares of beneficial interest of the Trust may

be owned, directly or indirectly and taking into account the effects of certain constructive ownership rules, by five or fewer individuals, which for this purpose includes certain tax-exempt entities (the "50% Limitation"). However, for purposes of this test, any shares of beneficial interest held by a qualified domestic pension or other retirement trust will be treated as held directly by its beneficiaries in proportion to their actuarial interest in such trust rather than by such trust. In addition, for purposes of the 50% Limitation, shares of beneficial interest owned, directly or indirectly, by a corporation will be considered as being owned proportionately by its shareholders.

To ensure compliance with these share ownership tests, the Trust's Declaration of Trust places restrictions on the transfer of its shares of beneficial interest to prevent additional concentration of share ownership. Moreover, to evidence compliance with these requirements, Treasury Regulations require the Trust to maintain records which disclose the actual ownership of its outstanding shares of beneficial interest. In fulfilling its obligations to maintain records, the Trust must and will demand written statements each year from the record holders of designated percentages of its shares of beneficial interest disclosing the actual owners of those shares of beneficial interest. A list of those persons failing or refusing to comply with such demand must be maintained as part of the Trust's records. A shareholder failing or refusing to comply with the Trust's written demand must submit with his tax return a similar statement disclosing the actual ownership of the Trust shares of beneficial interest and certain other information.

Under the Trust's Declaration of Trust a person is generally prohibited from owning more than 9.8% in value of the aggregate outstanding shares of beneficial interest.

Asset Tests. At the close of each quarter of the Trust's taxable year, the Trust must satisfy two tests relating to the nature of its assets (determined in accordance with generally accepted accounting principles). First, at least 75% of the value of the Trust's total assets must be represented by interests in real property, interests in mortgages on real property, shares in other REITs, cash, cash items, government securities and qualified temporary investments. Second, not more than 25% of the value of the Trust's assets generally may be represented by securities (other than securities included in the 75% asset test). Of the investments included in the 25% asset class, such securities may not exceed:

- . in the case of securities of any one non-government issuer, 5% of the value of the Trust's total assets; or
- . 10% of the outstanding voting securities of any one such issuer (or the "Issuer Voting Stock Test"), and 10% of the total value of any such issuer.

In addition, the value of the securities in any "taxable REIT subsidiary" may not exceed 20% of the value of the Trust's total assets. Certain debt securities held by a REIT will not be taken into account for purposes of the Issuer Value Test. Finally, certain "grandfathering" rules also exempt from the Issuer Value Test securities owned by a REIT on July 12, 1999. Where the Trust invests in a partnership, including any limited liability company classified as a partnership for federal income tax purposes, it will be deemed to own a proportionate share of the partnership's assets, and the partnership interest will not constitute a security for purposes of these tests.

After initially meeting the asset tests at the close of any quarter, the Trust will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the Trust fails to satisfy the asset tests because it acquires securities or other property during a quarter, the Trust can cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of the quarter. For this purpose, an increase in the Trust's interests in any partnership or limited liability company in which it owns an interest will be treated as an acquisition of a portion of the securities or other property owned by that partnership or limited liability company. If the Trust fails to cure any noncompliance with the asset tests within this time period, it would cease to qualify as a REIT.

Gross Income Tests. There are two separate percentage tests relating to the sources of the Trust's gross income which must be satisfied for each taxable year. For purposes of these tests, where the Trust invests in a partnership, or a limited liability company classified as a partnership for federal income tax purposes, the Trust generally will be treated as receiving its share of the income and loss of the partnership and the gross income of the partnership will retain the same character in the hands of the Trust as it has in the hands of the partnership. The two tests are described below.

The 75% Test. At least 75% of the Trust's gross income for the taxable year must be "qualifying income." Qualifying income generally includes:

- . rents from real property (except as modified below);
- . interest on obligations secured by mortgages on, or interests in, real property;
- . gains from dealer property - that is, gains from the sale or other disposition of interests in real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of the Trust's trade or business;
- . dividends or other distributions on shares in other REITs, as well as gain from the sale of such shares;
- . abatements and refunds of real property taxes;
- . income from foreclosure property - that is, income from the operation, and gain from the sale, of property acquired at or in lieu of a foreclosure of the mortgage secured by such property; and
- . commitment fees received for agreeing to make loans secured by mortgages on real property or to purchase or lease real property.

The 95% Test. In addition to deriving 75% of its gross income from the sources listed above, at least 95% of the Trust's gross income for the taxable year must be derived from the above-described qualifying income or from dividends, interest, or gains from the sale or other disposition of stock or other securities that are not dealer property. Dividends and interest on obligations not collateralized by an interest in real property are included for purposes of the 95% test, but not for purposes of the 75% test. The Trust intends to monitor closely its non-qualifying

income and anticipates that non-qualifying income from its activities will not result in the Trust failing to satisfy either the 75% or 95% gross income test.

For purposes of the gross income tests, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. The amount received or accrued generally will not be excluded from the term "interest," however, solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents received from a tenant will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

- . The amount of rent must not be based in any way on the income or profits of any person. An amount received or accrued generally will be not be excluded from the term "rents from real property" solely because it is based on a fixed percentage or percentages of receipts or sales.
- . The Trust, or an actual or constructive owner of 10% or more of the Trust's capital stock, does not actually or constructively own 10% or more of the interests in the tenant.
- . Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as "rents from real property."
- . The Trust generally must not operate or manage its property or furnish or render services to its tenants, subject to a 1% de minimis exception, other than through an independent contractor from whom it derives no revenue. The Trust may, however, directly perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common area. Further, under recently enacted legislation beginning in 2001, the Trust is permitted to employ a "taxable REIT subsidiary" which is wholly or partially owned by the Trust, to provide both customary and noncustomary services to its tenants without causing the rent received from those tenants to fail to qualify as "rents from real property." The Trust currently does not own any interest in any "taxable REIT subsidiary."

For purposes of determining whether the Trust complies with the 75% and the 95% gross income tests, gross income does not include income from prohibited transactions. A "prohibited transaction" is a sale of dealer property (excluding foreclosure property); however, a sale of property will not be a prohibited transaction if such property is held for at least four years and certain other requirements relating to the number of properties sold in a year, their tax bases and the cost of improvements made thereto are satisfied.

Even if the Trust fails to satisfy one or both of the 75% and 95% gross income tests for any taxable year, it may still qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will generally be available if:

- . the Trust's failure to comply is due to reasonable cause and not to willful neglect;
- . the Trust reports the nature and amount of each item of its income included in the tests on a schedule attached to its tax return; and
- . any incorrect information on this schedule is not due to fraud with intent to evade tax.

If these relief provisions apply, however, the Trust will nonetheless be subject to a 100% tax on the greater of the amount by which it fails either the 75% or 95% gross income test (substituting for purposes of calculating the amount by which the 95% gross income test is failed, 90% for 95%) multiplied by a fraction intended to reflect the Trust's profitability. It is not possible, however, to state whether in all circumstances the Trust would be entitled to the benefit of these relief provisions. For example, if the Trust fails to satisfy the gross income tests because nonqualifying income that the Trust intentionally accrues or receives exceeds the limits on nonqualifying income, the IRS could conclude that the Trust's failure to satisfy the tests was not due to reasonable cause.

The Trust intends to continue to monitor its operations and investments in the context of these standards so as to continue to satisfy the 75% and 95% gross income tests. While the Trust or its affiliates provide certain services with respect to the properties in which the Trust, and the partnerships and limited liability companies owned by the Trust, own interests and possibly with respect to any newly acquired properties, the Trust believes that for purposes of the 75% and 95% gross income tests the services provided at such properties and any other services and amenities provided by the Trust, and the partnerships and limited liability companies owned by the Trust, or its agents with respect to such properties will be of the type usually or customarily rendered in connection with the rental of space for occupancy only and not rendered to the occupants of such properties. The Trust intends that services that cannot be provided directly by the Trust, and the partnerships and limited liability companies owned by the Trust, or other agents will be performed by independent contractors.

**Annual Distribution Requirements.** In order to qualify as a REIT, the Trust is required to distribute dividends, other than capital gains dividends, to its shareholders each year in an amount at least equal to (A) the sum of (i) 90% (95% for taxable years ending before January 1, 2001) of the Trust's REIT taxable income, computed without regard to the dividends received deduction and the Trust's net capital gain, and (ii) 90% (95% for taxable years ending before January 1, 2001) of the net after tax income, if any, for foreclosure property, minus (B) the sum of certain items of non-cash income. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Trust timely files its tax return for such year and if paid on or before the first regular dividend payment after the declaration. To the extent that the Trust does not distribute all of its net capital gain or distributes at least 90% (95% for taxable years ending before January 1, 2001) but less than 100%, of its REIT taxable income, as adjusted, it will be subject to tax on the undistributed amount at regular capital gain or ordinary corporate tax rates, as the case may be.

The Trust intends to make timely distributions sufficient to satisfy the annual distribution requirements described in the first sentence of the preceding paragraph. It is possible that the Trust may not have sufficient cash or other liquid assets to meet the above-described distribution requirement, either due to timing differences between the actual receipt of income and actual payment of expenses on the one hand, and the inclusion of such income and deduction of such expenses in computing the Trust's REIT taxable income on the other hand, or for other reasons. The Trust will monitor closely the relationship between its REIT taxable income and cash flow and, if necessary, intends to borrow funds or cause its affiliates to borrow funds in order to satisfy the distribution requirement. However, there can be no assurance that such borrowing would be available at such time.

If the Trust fails to meet the above-described distribution requirement as a result of an adjustment to the Trust's tax return by the IRS, the Trust may retroactively cure the failure by paying a "deficiency dividend" plus applicable penalties and interest within a specified period.

In addition, the Trust will be required to pay a 4% excise tax on the excess of the required distribution over the amounts, if any, by which the Trust's actual distributions during a calendar year are less than the sum of 85% of the Trust's ordinary income for the year, 95% of the Trust's capital gain net income for the year plus, in each case, any undistributed ordinary income or capital gain net income, as the case may be, from prior periods. Any taxable income or net capital gain income on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating the tax.

## Taxation of Shareholders

As used below, the term "domestic shareholder" means a holder of shares of beneficial interest who is for United States federal income tax purposes:

- . a citizen or resident of the United States;
- . a corporation, partnership, or other entity created or organized in or under the laws of the United States or of any state or under the laws of the District of Columbia, unless, in the case of a partnership, Treasury Regulations provide otherwise;
- . an estate which is required to pay United States federal income tax regardless of the source of its income; or
- . a trust whose administration is under the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

Notwithstanding the preceding sentence, to the extent provided in Treasury Regulations, some trusts in existence on August 20, 1996, and treated as United States persons prior to this date that elect to continue to be treated as United States persons, also shall be considered domestic shareholders.

Taxation of Taxable Domestic Shareholders. As long as the Trust qualifies as a REIT, distributions made to its taxable domestic shareholders out of current or accumulated earnings and profits and not designated as capital gain dividends will constitute dividends taxable as ordinary income, and corporate shareholders will not be eligible for the dividends received deduction as to such amounts. Distributions that are designated as capital gain dividends will be taxed as gain from the sale or exchange of a capital asset to the extent they do not exceed the Trust's actual net capital gain for the taxable year without regard to the period for which the shareholder has held its shares of beneficial interest. In the event the Trust designates any portion of a dividend as a capital gain dividend, a shareholder's share of such capital gain dividend would be an amount which bears the same ratio to the total amount of dividends paid to such shareholder for the taxable year as the total amount of capital gain dividends bears to the total amount of all dividends paid on all classes of shares for the taxable year. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. The Trust may elect to retain and pay income tax on any net long-term capital gain, in which case its domestic shareholders would include in their income as long-term capital gain their proportionate share of such undistributed net long-term capital gain. A domestic shareholder would also receive a refundable tax credit for such shareholder's proportionate share of the tax paid by the Trust on such retained capital gains and an increase in its basis in its shares in an amount equal to the difference between the undistributed long-term capital gains and the amount of tax paid by the Trust.

Distributions in excess of current and accumulated earnings and profits will not be taxable to a shareholder to the extent that they do not exceed the adjusted basis of the shareholder's shares of beneficial interest, but rather will reduce the adjusted basis of such shares of beneficial interest. To the extent that distributions exceed the adjusted basis of a shareholder's

shares of beneficial interest, assuming the shares of beneficial interest are capital assets in the hands of the shareholder, they will be included in income as short-term or long-term capital gain depending on the length of time the shares of beneficial interest have been held. In addition, any dividend declared by the Trust in October, November or December of any year and payable to a shareholder of record on a specific date in any such month shall be treated as both paid by the Trust and received by the shareholder on December 31 of such year, provided that the dividend is actually paid by the Trust during January of the following calendar year.

Domestic shareholders may not include in their individual income tax returns any of the Trust's net operating losses or capital losses. Instead, such losses would be carried over by the Trust for potential offset against future income, subject to certain limitations. Distributions made by the Trust and gain arising from the sale or exchange of shares of beneficial interest will not be treated as passive activity income, and, as a result, shareholders generally will not be able to apply any "passive losses" against such income and gain. In addition, taxable distributions from the Trust generally will be treated as investment income. Capital gain dividends, including distributions treated as such, and capital gain from the disposition of shares of beneficial interest, however, will be treated as investment income only if a shareholder so elects, in which case such capital gain will be taxed at ordinary income rates. The Trust will notify shareholders after the close of its taxable year as to the portions of distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

In general, a domestic shareholder will realize capital gain or loss on the disposition of the Trust's shares of beneficial interest equal to the difference between:

- . the amount of cash and the fair market value of any property received on such disposition; and
- . the shareholder's adjusted basis of such shares of beneficial interest.

This gain or loss generally will constitute short-term capital gain or loss if the shareholder has not held the shares of beneficial interest for more than one year and long-term capital gain or loss if the shareholder has held the shares of beneficial interest for more than one year. Loss upon a sale or exchange of the Trust's shares of beneficial interest by a shareholder who has held such shares of beneficial interest for six months or less after applying certain holding period rules will be treated as a long-term capital loss to the extent of distributions from the Trust required to be treated by such shareholder as long-term capital gain.

Capital Gains and Losses. The maximum marginal individual income tax rate is 39.6%. The maximum tax rate on net capital gains applicable to individuals, trusts and estates from the sale or exchange of capital assets held for more than one year is 20%, and the maximum rate is reduced to 18% for assets acquired after December 31, 2000 and held for more than five years. For individuals, trusts and estates who would be subject to a maximum tax rate of 15%, the rate on net capital gains is reduced to 10%, and, effective for taxable years commencing after December 31, 2000, the rate is reduced to 8% for assets held for more than five years. The maximum rate for net capital gains attributable to the sale of depreciable real property held for more than 18 months is 25% to the extent of the deductions for depreciation, other than certain depreciation recapture taxable as ordinary income, with respect to such property. Accordingly, the tax rate differential between capital gain and ordinary income for noncorporate taxpayers may be significant. In addition, the characterization of income as capital or ordinary may affect

the deductibility of capital losses. Capital losses not offset by capital gains may be deducted against a noncorporate taxpayer's ordinary income only up to a maximum annual amount of \$3,000. Unused capital losses may be carried forward. All net capital gain of a corporate taxpayer is subject to tax at ordinary corporate rates. A corporate taxpayer can deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Backup Withholding. The Trust will report to its domestic shareholders and the IRS the amount of dividends paid during each calendar year and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a shareholder may be subject to backup withholding at the rate of 31% with respect to dividends paid unless such holder:

- . is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact; or
- . provides a taxpayer identification number, certifies as to no loss of exemption and otherwise complies with the applicable requirements of the backup withholdings rules.

Any amount paid as backup withholding will be creditable against the shareholder's income tax liability. The United States Treasury issued final regulations on October 6, 1997 regarding the withholding and information reporting rules discussed above. In general, the final regulations do not alter the substantive withholding and information reporting requirements but unify current certification procedures and forms and clarify and modify reliance standards. The final regulations are generally effective for payments made on or after January 1, 2001, subject to certain transition rules. Prospective investors should consult their own tax advisors concerning the adoption of the final regulations and the potential effect on their ownership of the Trust's shares of beneficial interest.

In addition, as is discussed below under "--Taxation of Foreign Shareholders," the Trust may be required to withhold a portion of capital gain distributions made to shareholders that fail to certify their non-foreign status to the Trust.

Taxation of Tax-Exempt Shareholders. The IRS has ruled that amounts distributed as dividends by a REIT generally do not constitute unrelated business taxable income when received by a tax-exempt entity. Based on that ruling, dividend income from the Trust's shares of beneficial interest will not be unrelated business taxable income to a tax-exempt shareholder, provided that the tax-exempt shareholder has not held its shares of beneficial interest as "debt financed property" within the meaning of the Code and such shares of beneficial interest are not otherwise used in a trade or business. Similarly, income from the sale of the Trust's shares of beneficial interest will not constitute unrelated business taxable income unless the tax-exempt shareholder has held the Trust's shares of beneficial interest as "debt financed property" within the meaning of the Code or has used the shares of beneficial interest in a trade or business.

For tax-exempt stockholders which are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, income from an investment in shares of the Trust will constitute unrelated business taxable income unless the organization is able to properly claim a deduction for

amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in shares of the Trust. These prospective investors should consult their tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" will be treated as unrelated business taxable income as to specified tax exempt trusts which hold more than 10%, by value, of the interests in the REIT. A REIT's tax status as a "pension-held REIT" depends, in part, on the ownership of its stock. As a result of the limitations on the transfer and ownership of shares of beneficial interest contained in the Trust's Declaration of Trust, the Trust does not expect to be classified as a "pension-held REIT."

**Taxation of Foreign Shareholders.** The rules governing the United States federal income taxation of the ownership and disposition of the Trust's shares of beneficial interest by persons that are "foreign shareholders" - that is, persons that are not domestic shareholders as defined above - are complex and no attempt will be made herein to provide more than a summary of such rules.

Prospective foreign shareholders should consult with their own tax advisors to determine the impact of federal, state, and local income tax laws with regard to an investment in the Trust's shares of beneficial interest, including any reporting requirements, as well as the tax treatment of such an investment under their home country laws.

In general, foreign shareholders will be subject to regular United States federal income taxation with respect to their investment in the Trust's shares of beneficial interest in the same manner as a domestic shareholder if their investment in the Trust is "effectively connected" with the conduct by such foreign shareholder of a trade or business in the United States. A foreign shareholder that is a corporation and that receives income with respect to its investment in the Trust's shares of beneficial interest that is, or is treated as, "effectively connected" with the conduct of a trade or business in the United States also may be subject to the 30% branch profits tax imposed under Section 884 of the Code, which is payable in addition to the regular United States corporate income tax.

The following discussion addresses only the federal income taxation of foreign shareholders whose investment in the Trust's shares of beneficial interest is not "effectively connected" with the conduct of a trade or business in the United States. Prospective investors whose investment in the Trust's shares of beneficial interest is or may be deemed "effectively connected" with the conduct of a United States trade or business should consult their own tax advisors as to the tax consequences thereof.

Distributions that are not attributable to gain from sales or exchanges of United States real property interests and that are not designated by the Trust as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of the Trust's current or accumulated earnings and profits. Such distributions ordinarily will be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. Dividends paid to an address in a country outside the United States are no longer presumed to be paid to a resident of that country for purposes of determining the applicability of withholding discussed above and the availability of a reduced tax treaty rate. A foreign shareholder who wishes to claim the benefit of an applicable treaty rate will now be required to satisfy certain certification and other requirements. Distributions that the

Trust makes in excess of its current and accumulated earnings and profits will not be taxable to a foreign shareholder to the extent they do not exceed the adjusted basis of the foreign shareholder's shares of beneficial interest, but rather will reduce the adjusted basis of the shares of beneficial interest, but not below zero. To the extent that such distributions exceed the adjusted basis of a foreign shareholder's shares of beneficial interest, they will give rise to tax liability if such foreign shareholder would otherwise be subject to tax on any gain from the sale or disposition of shares of beneficial interest, as described below.

For withholding tax purposes, the Trust was required to treat all distributions as if made out of its current or accumulated earnings and profits and thus intends to withhold at the rate of 30% or a reduced treaty rate if applicable on the amount of any distribution, other than distributions designated as capital gain dividends, made to a foreign shareholder. Under the final regulations issued on October 6, 1997 by the United States Treasury regarding the withholding and information reporting rules, generally effective for distributions on or after January 1, 2001, the Trust will be required to withhold at the 30% rate on distributions the Trust reasonably estimates to be in excess of its current and accumulated earnings and profits. If it cannot be determined at the time a distribution is made whether such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to ordinary dividends. However, a foreign shareholder may seek a refund of such amounts from the IRS if it is subsequently determined that such distribution was, in fact, in excess of its current or accumulated earnings and profits, and the amount withheld exceeded the foreign shareholder's United States tax liability, if any, with respect to the distribution.

For any year in which the Trust qualifies as a REIT, distributions that are attributable to gain from sales or exchanges of United States real property interests will be taxed to a foreign shareholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA. Under FIRPTA, these distributions are taxed to a foreign shareholder as if such gain were effectively connected with the conduct of a United States trade or business. Foreign shareholders would thus be taxed at the normal capital gain rates applicable to domestic shareholders, subject to applicable alternative minimum tax and special alternative minimum tax in the case of nonresident alien individuals, without regard as to whether such distributions are designated by the Trust as capital gain dividends. Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a foreign corporate shareholder not entitled to treaty exemption. The Trust is required by Treasury Regulations to withhold 35% of any distribution to a foreign shareholder that could be designated as a capital gain dividend. This amount is creditable against the foreign shareholder's FIRPTA tax liability.

Gain recognized by a foreign shareholder upon a sale of the Trust's shares of beneficial interest generally will not be subject to United States taxation unless the shares of beneficial interest constitute a "United States real property interest" within the meaning of FIRPTA. The Trust's shares of beneficial interest will not constitute a "United States real property interest" so long as the Trust is a "domestically controlled REIT." A "domestically controlled REIT" is generally a REIT in which at all times during a specified testing period less than 50% in value of its shares were held directly or indirectly by foreign shareholders. The Trust believes that it will be a "domestically controlled REIT" and therefore, the sale of the Trust's shares of beneficial interest will not be subject to taxation under FIRPTA. However, because the Trust's shares of beneficial interest will be publicly traded, no assurance can be given that the Trust will continue to be a "domestically controlled REIT." Notwithstanding the foregoing, gain from the sale or exchange of the Trust's shares of beneficial interest not otherwise subject to FIRPTA

generally will be taxable to a foreign shareholder if the foreign shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States. In such case, the nonresident alien individual will be subject to a 30% United States withholding tax on the amount of such individual's gain.

If the Trust does not qualify as or ceases to be a "domestically controlled REIT," whether gain arising from the sale or exchange by a foreign shareholder of the Trust's shares of beneficial interest would be subject to U.S. taxation under FIRPTA will depend on whether the shares of beneficial interest are "regularly traded" (as defined in applicable Treasury Regulations) on an established securities market, such as the NYSE on which the Trust's shares of beneficial interest are traded, and on the size of the selling foreign shareholder's interest in the Trust. If the gain on the sale of the Trust's shares of beneficial interest were to be subject to tax under FIRPTA, the foreign shareholder would be subject to the same treatment as a domestic shareholder with respect to such gain (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals and the possible application of the 30% branch profits tax in the case of foreign corporations), and the purchaser would be required to withhold and remit to the IRS 10% of the purchase price. In addition, if the Trust is not a "domestically controlled REIT," distributions in excess of its current and accumulated earnings and profits would be subject to withholding at a rate of 10%.

Dividends paid in the United States with respect to the Trust's shares of beneficial interest, and proceeds from the sale of the Trust's shares of beneficial interest, through a United States broker, or certain brokers having significant connections with the United States, may be subject to the information reporting requirements of the Code. Under the backup withholding rules, a shareholder may be subject to backup withholding at the rate of 31% unless such shareholder:

- . is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact; or
- . provides a taxpayer identification number and certifies as to no loss of exemption, and otherwise complies with the applicable requirements of the backup withholding rules.

Foreign shareholders are generally exempt from information reporting and backup withholding, but may be required to provide a properly completed Form W-8 or otherwise comply with applicable certification and identification procedures in order to prove their exemption. Any amount paid as backup withholding will be creditable against the foreign shareholder's United States income tax liability.

The final regulations issued on October 6, 1997 by the United States Treasury regarding the withholding and information reporting rules as discussed above in "-Backup Withholding" also affect the rules applicable to payments to foreign persons. In general, these final regulations do not alter the substantive withholding and information reporting requirements but unify current certification procedures and modify reliance standards. In addition, the final regulations also address certain issues relating to intermediary certification procedures designed to simplify compliance by withholding agents. The final regulations are generally effective for payments made on or after January 1, 2001, subject to certain transition rules. Prospective investors should

consult their own tax advisors concerning the adoption of the final regulations and the potential effect on their ownership of the Trust's shares of beneficial interest.

#### Other Tax Considerations

**Tax Aspects of the Partnerships.** The Trust currently owns interests in several partnerships, including limited liability companies that are classified as partnerships for federal income tax purposes, and may own interests in additional partnerships in the future. The Trust's ownership of an interest in these partnerships involves special tax considerations. These special tax considerations include, for example, the possibility that the IRS might challenge the status of one or more of the partnerships in which the Trust owns an interest as partnerships, as opposed to associations taxable as corporations, for federal income tax purposes. If a partnership in which the Trust owns an interest, or one or more of its subsidiary partnerships, were treated as an association, it would be taxable as corporation and, therefore, subject to an entity-level tax on its income. In this situation, the character of the Trust's assets and items of gross income would change, and could prevent the Trust from satisfying the real estate investment trust asset tests and/or the real estate investment trust income tests. This, in turn, would prevent the Trust from qualifying as a real estate investment trust. In addition, a change in the tax status of one or more of the partnerships in which the Trust owns an interest might be treated as a taxable event. If so, the Trust might incur a tax liability without any related cash distributions.

Treasury Regulations that apply for tax periods beginning on or after January 1, 1997, provide that a domestic business entity not otherwise organized as a corporation and which has at least two members may elect to be treated as a partnership for federal income tax purposes. Unless it elects otherwise, an eligible entity in existence prior to January 1, 1997, will have the same classification for federal income tax purposes that it claimed under the entity classification Treasury Regulations in effect prior to this date. In addition, an eligible entity which did not exist or did not claim a classification prior to January 1, 1997, will be classified as a partnership for federal income tax purposes unless it elects otherwise. All of the partnerships in which the Trust owns an interest intend to claim classification as partnerships under these Treasury Regulations. As a result, the Trust believes that these partnerships will be classified as partnerships for federal income tax purposes. The treatment described above also applies with respect to the Trust's ownership of interests in limited liability companies that are treated as partnerships for tax purposes.

**State and Local Taxes.** The Trust and its shareholders may be subject to state or local taxation in various state or local jurisdictions, including those in which the Trust or they transact business or reside. The state and local tax treatment of the Trust and its shareholders may not conform to the federal income tax consequences discussed above. Consequently, prospective shareholders should consult with their own tax advisors regarding the effect of state, local and other tax laws of any investment in the Trust's shares of beneficial interest.

ERISA

Regulations issued by the United States Department of Labor provide that, under certain circumstances, the assets of an equity (such as the Trust) are deemed to be assets of employee benefit plans which acquire an entity interest in the entity for the purpose of applying the fiduciary requirements and the prohibited transaction rules of the Employee Retirement Income Security Act of 1974, which we refer to as ERISA, and the Code.

This so-called "plan asset look-through rule" does not apply to the acquisition of equity interests that are "publicly-offered" securities.

For this purpose, a "publicly-offered security" includes a security that is:

- . freely transferable
- . part of a class of securities that is widely-held, and
- . either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Exchange Act, or (b) sold to a plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the class of securities of which such security is a part is registered under the Exchange Act within 120 days (or such longer period allowed by the Securities and Exchange Commission) after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred.

Whether a security is considered "freely transferable" depends on the facts and circumstances of each case. Generally, if the security is part of an offering in which the minimum investment is not more than \$10,000, restrictions against transfer of such security for the purposes of preventing a termination or reclassification of the entity for federal or state tax purposes will not of itself prevent the security from being considered freely transferable. A class of securities is considered "widely-held" if it is a class of securities that is owned by 100 or more investors independent of the issuer and of one another.

Based upon the above, the Trust believes that the shares of beneficial interest of the Trust will meet the criteria of the publicly-offered securities exception to the plan asset look-through rule. Accordingly, the Trust believes that, if an employee plan purchases shares of beneficial interest of the Trust, the Trust's assets should not be deemed to be plan assets for purposes of applying the fiduciary and prohibited transaction provisions of ERISA and the Code.

## PLAN OF DISTRIBUTION

The Trust may sell its shares of beneficial interest to or through one or more underwriters or dealers, and also may sell its shares of beneficial interest directly to other purchasers or through agents. These firms may also act as the Trust's agents in the sale of its shares of beneficial interest. Only underwriters named in the prospectus supplement will be considered as underwriters of the Trust's shares of beneficial interest offered by the prospectus supplement. The Trust may distribute its shares of beneficial interest at different times in one or more transactions. The Trust may sell its shares of beneficial interest at fixed prices, which may change, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

In connection with the sale of the Trust's shares of beneficial interest, underwriters may receive compensation from the Trust or from purchasers of the Trust's shares of beneficial interest in the form of discounts, concessions or commissions. Underwriters, dealers and agents that participate in the distribution of the Trust's shares of beneficial interest may be deemed to be underwriters. Discounts or commissions they receive and any profit on their resale of the Trust's shares of beneficial interest may be considered underwriting discounts and commissions under the Securities Act of 1933. The Trust will identify any such underwriter or agent, and will describe any such compensation, in the prospectus supplement.

The Trust may agree to indemnify underwriters, dealers and agents who participate in the distribution of the Trust's shares of beneficial interest against certain liabilities, including liabilities under the Securities Act of 1933. The Trust may also agree to contribute to payments which the underwriters, dealers or agents may be required to make in respect of such liabilities. The Trust may authorize dealers or other persons who act as the Trust's agents to solicit offers by certain institutions to purchase shares of beneficial interest from the Trust under contracts which provide for payment and delivery on a future date. The Trust may enter into these contracts with commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others. If the Trust enters into these agreements concerning its shares of beneficial interest, the Trust will indicate that in the prospectus supplement.

In connection with an offering of the Trust's shares of beneficial interest, underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Trust's shares of beneficial interest. Specifically, underwriters may over-allot in connection with the offering, creating a syndicate short position in the Trust's shares of beneficial interest for their own account. In addition, underwriters may bid for, and purchase, the Trust's shares of beneficial interest in the open market to cover short positions or to stabilize the price of the Trust's shares of beneficial interest.

Finally, underwriters may reclaim selling concessions allowed for distributing the Trust's shares of beneficial interest in the offering if the underwriters repurchase previously distributed shares of beneficial interest in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Trust's shares of beneficial interest above independent market levels. Underwriters are not required to engage in any of these activities and may end any of these activities at any time. Agents and underwriters may engage in transactions with, or perform services for, the Trust and its affiliates in the ordinary course of business.

#### LEGAL MATTERS

Certain legal matters with respect to the validity of the Trust's shares of beneficial interest and tax matters will be passed upon for us by Fulbright & Jaworski L.L.P., 666 Fifth Avenue, New York, New York 10103.

#### EXPERTS

The consolidated financial statements and schedules of the Trust and subsidiaries incorporated by reference in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in giving said report.

The Declaration of Trust establishing Universal Health Realty Income Trust, dated August 5, 1986, a copy of which, together with all amendments thereto (the "Declaration"), is 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.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following is an itemized statement of all expenses payable by the Trust in connection with the registration of the shares of beneficial interest offered hereby, other than underwriting discounts and commissions (if any). All of the amounts shown are estimates except the SEC registration fee.

|  |           |
|--|-----------|
| SEC registration fee.....              | \$ 25,000 |
| NYSE listing fee.....                  | \$ 47,800 |
| Blue sky fees and expenses.....        | \$ 20,000 |
| Accounting fees and expenses.....      | \$ 50,000 |
| Legal fees and expenses.....           | \$100,000 |
| Printing and engraving expenses.....   | \$ 50,000 |
| Transfer agent and registrar fees..... | \$ 2,500  |
| Miscellaneous.....                     | \$ 54,700 |
|  | -----     |
| Total.....                             | \$350,000 |

Item 15. Indemnification of Directors and Officers.

Section 4.5 of the Declaration of Trust provides that the Trust shall indemnify its trustees and officers to the full extent required or permitted by the General Laws of the State of Maryland. Section 8-305(15) of the Maryland General Corporation Law ("MGCL") permits a Maryland real estate investment trust to indemnify or advance expenses to trustees and officers to the same extent as is permitted for directors and officers of a Maryland corporation under the MGCL. The MGCL requires a Maryland corporation (unless its charter provides otherwise, which the Trust's Declaration of Trust does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. A Maryland corporation, however, may not indemnify for an adverse judgment in a suit by, or in the right of, the corporation, or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then, only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and a written undertaking by such director or officer on his or her behalf to repay the amount paid or

reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

The Declaration of Trust also permits the Trust to indemnify any of its employees, agents or affiliates of an affiliated trustee to such extent as shall be authorized by its trustees or by-laws, or as permitted by law.

The above rights of indemnification shall not exclude any other rights to which any trustee, officer, employee, agent or affiliate of an affiliated trustee may lawfully be entitled.

The Trust has purchased and maintains insurance through a commercial policy arranged by UHS on behalf of all of its trustees, whether or not the Trust is required or has the power to indemnify them against liability.

Item 16. Exhibits.

- 1.1 - Form of Underwriting Agreement.
- 4.1\* - Declaration of Trust, dated as of August 1986.
- 4.2\* - Amendment to Declaration of Trust, dated as of June 23, 1993.
- 4.3\* - Amended and Restated Bylaws.
- 4.4\*\* - Specimen Shares of Beneficial Interest Certificate.
- 5.1\* - Opinion of Fulbright & Jaworski L.L.P.
- 8.1\* - Tax Opinion of Fulbright & Jaworski L.L.P.
- 23.1\* - Consent of Arthur Andersen LLP.
- 23.2\* - Consents of Fulbright & Jaworski L.L.P. (included in Exhibit 5.1 and Exhibit 8.1).
- 24.1\* - Power of Attorney (included on signature page).

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\* Previously filed.

\*\* Incorporated by reference to Exhibit 7 to the Registration Statement on Form 8-A of Universal Health Realty Income Trust (Registration No. 1-9321).

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Trust certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No.1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in King of Prussia, Commonwealth of Pennsylvania, on May 29, 2001.

UNIVERSAL HEALTH REALTY INCOME TRUST

By: /s/ Alan B. Miller

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

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature<br>-----  | Title<br>-----  | Date<br>----- |
|---|---|---------------|
| /s/ Alan B. Miller<br>-----<br>Alan B. Miller             | Chairman of the Board and<br>Chief Executive Officer<br>(Principal Executive Officer)         | May 29, 2001  |
| /s/ Kirk E. Gorman<br>-----<br>Kirk E. Gorman             | President, Chief Financial<br>Officer, Secretary and Trustee<br>(Principal Financial Officer) | May 29, 2001  |
| /s/ James E. Dalton, Jr.<br>-----<br>James E. Dalton, Jr. | Trustee   | May 29, 2001  |
| /s/ Myles H. Tanenbaum<br>-----<br>Myles H. Tanenbaum     | Trustee   | May 29, 2001  |
| /s/ Daniel M. Cain<br>-----<br>Daniel M. Cain             | Trustee   | May 29, 2001  |
| -----<br>Miles L. Berger                                  | Trustee   |               |
| /s/ Elliot J. Sussman<br>-----<br>Elliot J. Sussman       | Trustee   | May 29, 2001  |
| /s/ Charles F. Boyle<br>-----<br>Charles F. Boyle         | Vice President and Controller<br>(Principal Accounting Officer)                               | May 29, 2001  |

EXHIBIT INDEX

| Exhibit<br>No.<br>----- | Exhibit<br>-----                |
|-------------------------|---------------------------------|
| 1.1                     | Form of Underwriting Agreement. |

UNIVERSAL HEALTH REALTY INCOME TRUST  
3,000,000 Shares of Beneficial Interest  
UNDERWRITING AGREEMENT

May \_\_, 2001

UNDERWRITING AGREEMENT

May \_\_\_\_, 2001

UBS Warburg LLC  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Banc of America Securities LLC  
as Representatives of the several Underwriters

c/o UBS Warburg LLC  
299 Park Avenue  
New York, New York 10171-0026

Ladies and Gentlemen:

Universal Health Realty Income Trust, a real estate investment trust organized under the laws of the State of Maryland (the "Company"), proposes to

issue and sell to the underwriters named in Schedule A annexed hereto (the "Underwriters") an aggregate of 3,000,000 shares (the "Firm Shares") of

beneficial interest (the "Common Shares") of the Company. In addition, solely

for the purpose of covering over-allotments, the Company proposes to grant to the Underwriters the option to purchase from the Company up to an additional 450,000 Common Shares (the "Additional Shares"). The Firm Shares and the

Additional Shares are hereinafter collectively sometimes referred to as the "Shares." The Shares are described in the Prospectus which is referred to

below.

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the

Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), a registration statement (file

number 333-60638) on Form S-3 under the Act (the "registration statement"), and

such amendments to such registration statement as may have been required prior to the date hereof have been similarly prepared and have been filed with the Commission. Such registration statement, as so amended, and any post-effective amendments thereto, have been declared by the Commission to be effective under the Act. Such registration statement, as amended at the date of this Agreement, meets the requirements set forth in Rule 415(a)(1)(x) under the Act and complies in all other material respects with said Rule. The Company will next file with the Commission pursuant to Rule 424(b) under the Act a final prospectus supplement to the basic prospectus included in such registration

statement, as so amended, describing the Shares and the offering thereof, in such form as has been provided to or discussed with, and approved, by the Underwriters.

The term "Registration Statement" as used in this Agreement means the

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registration statement, as amended at the time it became effective, as supplemented or amended prior to the execution of this Agreement, including (i) all financial schedules and exhibits thereto and (ii) all documents incorporated by reference or deemed to be incorporated by reference therein. If it is contemplated, at the time this Agreement is executed, that a post-effective amendment to the registration statement will be filed and must be declared effective before the offering of the Shares may commence, the term "Registration

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Statement" as used in this Agreement means the registration statement as amended  
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by said post-effective amendment. The term "Basic Prospectus" as used in this

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Agreement means the prospectus included in the Registration Statement. The term "Prepricing Prospectus" as used in this Agreement means any preliminary form of

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the Prospectus (as defined herein) subject to completion, in the form first filed with, or transmitted for filing to, the Commission. The term "Prospectus

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Supplement" as used in this Agreement means any prospectus supplement

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specifically relating to the Shares, in the form filed with, or transmitted for filing to, the Commission pursuant to Rule 424 under the Act. The term "Prospectus" as used in this Agreement means the Basic Prospectus together with

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the Prospectus Supplement except that if such Basic Prospectus is amended or supplemented on or prior to the date on which the Prospectus Supplement was first filed pursuant to Rule 424, the term "Prospectus" shall refer to the Basic

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Prospectus as so amended or supplemented and as supplemented by the Prospectus Supplement. Any reference in this Agreement to the registration statement, the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, any Prospectus Supplement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of the registration statement, the Registration Statement, the Basic Prospectus, such Prepricing Prospectus, such Prospectus Supplement or the Prospectus, as the case may be, and any reference to any amendment or supplement to the registration statement, the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, any Prospectus Supplement or the Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which, upon filing, are incorporated by reference

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therein, as required by paragraph (b) of Item 12 of Form S-3. As used herein, the term "Incorporated Documents" means the documents which at the time are

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incorporated by reference in the registration statement, the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, any Prospectus Supplement, the Prospectus, or any amendment or supplement thereto.

The Company and the Underwriters agree as follows:

1. Sale and Purchase. Subject to such adjustments as you may

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determine to avoid fractional shares, the Company hereby agrees, subject to all the terms and conditions set forth herein, to issue and sell to each Underwriter and, upon the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions set forth herein, each Underwriter agrees, severally and not jointly, to purchase from the Company, at a purchase price of \$\_\_\_\_\_ per Share (the "purchase price per

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share"), the number of Firm Shares set forth opposite the name of such

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Underwriter in Schedule A annexed hereto (or such number of Firm Shares increased as set forth in Section 8 hereof).

The Company is advised by you that the Underwriters intend (i) to make a public offering of their respective portions of the Firm Shares as soon after the date hereof as in your judgment is advisable and (ii) initially to offer the Firm Shares upon the terms set forth in the Prospectus. You may from time to time increase or decrease the public offering price after the initial public offering to such extent as you may determine.

In addition, the Company hereby grants to the several Underwriters the option to purchase, and upon the basis of the representations, warrants and agreement of the Company and subject to all the terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company, ratably in accordance with the number of Firm Shares to be purchased by each of them (subject to such adjustment as you shall determine to avoid fractional shares), all or a portion of the Additional Shares as may be necessary to cover over-allotments made in connection with the offering of the Firm Shares, at the same purchase price per share to be paid by the Underwriters to the Company for the Firm Shares. This option may be exercised by you on behalf of the several Underwriters at any time (but not more than once) on or before the thirtieth day following the date hereof, by written notice to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the option is being exercised, and the date and time when the Additional Shares are to be delivered (such date and time being herein referred to as the "additional time of purchase"); provided, however,

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that the additional time of purchase shall not be earlier than the time of purchase (as defined below) nor earlier than the second business day/1/ after the date on which the option shall have been exercised nor later than the tenth business day after the date on which the option shall have been exercised. The number of Additional Shares to be sold to each Underwriter shall be the number which bears the same proportion to the aggregate number of Additional Shares being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule A hereto bears to

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/1/ As used herein "business day" shall mean a day on which the New York Stock

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Exchange is open for trading.

the total number of Firm Shares (subject, in each case, to such adjustment as you may determine to eliminate fractional shares).

2. Payment and Delivery. Payment of the purchase price for the Firm

Shares shall be made to the Company by Federal Funds wire transfer, against delivery of the certificates for the Firm Shares to you through the facilities of the Depository Trust Company ("DTC") for the respective accounts of the

Underwriters. Such payment and delivery shall be made at 10:00 A.M., New York City time, on \_\_\_\_\_, 2001 (unless another time shall be agreed to by you or unless postponed in accordance with the provisions of Section 8 hereof). The time at which such payment and delivery are actually made is hereinafter sometimes called the "time of purchase." Certificates for the Firm Shares shall

be delivered to you in definitive form in such names and in such denominations as you shall specify no later than the second business day preceding the time of purchase. For the purpose of expediting the checking of the certificates for the Firm Shares by you, the Company agrees to make such certificates available to you for such purpose at least one full business day preceding the time of purchase.

Payment of the purchase price for the Additional Shares shall be made at the additional time of purchase in the same manner and at the same office as the payment for the Firm Shares. Certificates for the Additional Shares shall be delivered to you in definitive form in such names and in such denominations as you shall specify no later than the second business day preceding the additional time of purchase. For the purpose of expediting the checking of the certificates for the Additional Shares by you, the Company agrees to make such certificates available to you for such purpose at least one full business day preceding the additional time of purchase.

3. Representations and Warranties of the Company. The Company

represents and warrants to each of the Underwriters that:

(a) No order preventing or suspending the use of the Basic Prospectus, any Prepricing Prospectus, the Prospectus Supplement or the Prospectus is in effect and no proceedings for such purpose are pending or, to the knowledge of the Company, threatened by the Commission or the securities authority of any state or other jurisdiction. The Registration Statement has become effective under the Act; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission or the securities authority of any state or other jurisdiction.

(b) (i) The Company is eligible to use Form S-3 and the offering of the Shares complies with the requirements of Rule 415, (ii) each part of the Registration Statement, when such part became effective, complied in all material respects with

applicable requirements of the Act and the Exchange Act, (iii) each part of the Registration Statement, when such part became effective, did not contain and each such part, as may be amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (iv) the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, the Prospectus Supplement and the Prospectus comply and, as may be amended or supplemented, if applicable, will comply in all material respects with the Act and (v) the Prospectus does not contain and, as may be amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph (b) do not apply to statements or omissions in the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, the Prospectus Supplement or the Prospectus based upon information relating to any Underwriter furnished to the Company by such Underwriter through you expressly for use therein.

(c) The Incorporated Documents, when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act, and none of such documents, when they were filed with the Commission, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein not misleading; and any further documents so filed and incorporated by reference in the Prospectus, when such documents are filed with the Commission, will conform in all material respects to the requirements of the Exchange Act, as applicable, and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading.

(d) As of the date of this Agreement, the Company has and will have an authorized capitalization as set forth under the heading entitled "Actual" in the section of the Prospectus Supplement entitled "Capitalization"; all of the issued and outstanding shares of beneficial interest, including the Common Shares, of the Company have been duly and validly authorized and issued and are fully paid and non-assessable, have been issued in compliance with all federal and state securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal or similar right;

(e) The Company has been duly incorporated and is validly existing as a real estate investment trust in good standing under the laws of the State of Maryland,

with full power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement.

(f) The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to so qualify in any such jurisdiction would not individually or in the aggregate have a material adverse effect on the business, prospects, properties, condition (financial or otherwise) or results of operation of the Company and the Subsidiaries (as defined herein), taken as a whole (a "Material Adverse Effect").

(g) The Company has no subsidiaries other than \_\_\_\_\_ (collectively, the "Subsidiaries"). Other than the subsidiaries referred to above, the Company does not own, directly or indirectly, any shares of stock or any other equity or long-term debt of any other corporation or have any direct or indirect equity interest or ownership of long-term debt in any firm, partnership, joint venture, limited liability company, association or other entity.

(h) Each Subsidiary that is a corporation (a "Corporate Subsidiary") \_\_\_\_\_ has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and corporate authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus. Each Corporate Subsidiary is duly qualified and in good standing as a foreign corporation authorized to do business in each other jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect. All of the outstanding shares of capital stock of each Corporate Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable, were not issued in violation of or subject to any preemptive or similar rights, and, except as set forth in the Registration Statement, are owned by the Company directly, or indirectly through one of the other Subsidiaries, free and clear of all security interests, liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in any Corporate Subsidiary are outstanding.

(i) Each Subsidiary that is a partnership (a "Partnership") \_\_\_\_\_ has been duly organized, is validly existing as a partnership under the laws of its jurisdiction of organization and has the partnership power and partnership authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement. Each Partnership is duly qualified as a foreign partnership authorized to do

business in each other jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect. The initial capital contributions with respect to the outstanding units of each Partnership have been made to the Partnership. Except as set forth in the Registration Statement and the Prospectus, the general and limited partnership interests therein held directly or indirectly by the Company are owned free and clear of all security interests, liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into ownership interests in any Partnership are outstanding. Each partnership agreement pursuant to which the Company or a Subsidiary holds an interest in a Partnership is in full force and effect and constitutes the legal, valid and binding agreement of the parties thereto, enforceable against such parties in accordance with the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles. There has been no material breach of or default under, and no event which with notice or lapse of time would constitute a material breach of or default under, such partnership agreements by the Company or any Subsidiary or, to the Company's knowledge, any other party to such agreements.

(j) Each Subsidiary that is a limited liability company (an "LLC") has been duly organized, is validly existing as a limited liability company under the laws of its jurisdiction of organization and has the limited liability company power and limited liability company authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement. Each LLC is duly qualified as a foreign limited liability company authorized to do business in each other jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect. The initial capital contributions with respect to the outstanding membership interests of each LLC have been made to the LLC. All outstanding membership interests in the LLCs were issued and sold in compliance with the applicable operating agreements of such LLCs and all applicable federal and state securities laws, and, except as set forth in the Registration Statement and the Prospectus, the membership interests therein held directly or indirectly by the Company are owned free and clear of all security interests, liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into ownership interests in any LLC are outstanding. Each operating agreement pursuant to which the Company or a Subsidiary holds a membership interest in an LLC is in full force and effect and constitutes the legal, valid and binding agreement of the parties thereto,

enforceable against such parties in accordance with the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles. There has been no material breach of or default under, and no event which with notice or lapse of time would constitute a material breach of or default under, such operating agreements by the Company or any Subsidiary or, to the Company's knowledge, any other party to such agreements.

(k) This Agreement has been duly authorized, executed and delivered by the Company and is a legal, valid and binding agreement of the Company enforceable in accordance with its terms.

(l) The shares of beneficial interest of the Company, including the Shares, conform in all material respects to the description thereof included or incorporated by reference in the Registration Statement and the Prospectus. The certificates for the Shares are in due and proper form and conform in all material respects to the requirements of the Maryland Corporation Act.

(m) The Shares have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued, fully paid and non-assessable and free of any preemptive or similar rights.

(n) Neither the Company nor any of the Subsidiaries is in breach or violation of, or in default under (and no event has occurred which with notice, lapse of time, or both would result in any breach or violation of, or constitute a default under), its Declaration of Trust, charter or by-laws or other organizational documents or in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which any of them or any of their properties is bound or affected, the effect of which would, individually or in the aggregate, have a Material Adverse Effect. The execution, delivery and performance of this Agreement and the issuance and sale of the Shares contemplated hereby and by the Registration Statement will not conflict with, or result in any breach or violation of or constitute a default under (nor constitute any event which with notice, lapse of time, or both would result in any breach or violation of, or constitute a default under), any provisions of the Declaration of Trust, charter or by-laws or other organizational documents of the Company or any of the Subsidiaries or under any provision of any license, permit, franchise, indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is a

party or by which any of them or their properties may be bound or affected, or under any federal, state, local or foreign law, regulation or rule or any decree, judgment or order applicable to the Company any of the Subsidiaries, the result of which would, individually or in the aggregate, have a Material Adverse Effect; the execution, delivery and performance of this Agreement and the issuance and sale of the Shares contemplated hereby and by the Registration Statement will not result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which any of their properties is bound or affected, the result of which could, individually or in the aggregate, have a Material Adverse Effect.

(o) No approval, authorization, consent or order of or filing with any federal, state or local or foreign governmental or regulatory commission, board, body, authority or agency is required in connection with the issuance and sale of the Shares or the consummation by the Company of the transaction as contemplated hereby other than registration of the Shares under the Act and any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters or under the rules and regulations of NASD Regulation, Inc. ("NASDR").

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(p) Except as set forth in the Registration Statement and the Prospectus: (i) no person has the right, contractual or otherwise, to cause the Company to issue to it, or register pursuant to the Act, any shares of beneficial interest or other equity interests; and (ii) no person has preemptive rights, co-sale rights, rights of first refusal or other rights to purchase any Common Shares. No person has the right, contractual or otherwise, to cause the Company to register under the Act any shares of beneficial interest or other equity interests as a result of the filing or effectiveness of the Registration Statement or the sale of Shares contemplated thereby, except for such rights as have been complied with or waived.

(q) Arthur Andersen LLP, whose report on the consolidated financial statements of the Company and the Subsidiaries was filed with the Commission as part of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and is incorporated by reference in the Registration Statement and Prospectus, are independent public accountants as required by the Act.

(r) All legal or governmental proceedings, contracts, leases or documents of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement have been so described or filed as required.

(s) Except as otherwise set forth in the Prospectus, there are no material legal or governmental proceedings pending to which the Company or any of the Subsidiaries or any lessee, sublessee or operator of any Property or portion thereof is a party or of which any of the Company's or any of the Subsidiaries' property or assets or, to the knowledge of the Company, any Property is the subject, and, to the Company's knowledge, no such proceedings are threatened or contemplated. Neither the Company nor any of the Subsidiaries has, nor, to the Company's knowledge, any person from whom the Company or any of the Subsidiaries acquired any of the Properties (a "seller"), lessee, sublessee or operator of any Property, or

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portion thereof or any previous owner thereof has, received from any governmental authority notice of any material violation of any municipal, state or federal law, rule or regulation (including without limitation any such law, rule or regulation applicable to the health care industry ("Health Care Laws") and including foreign, federal, state or local law or

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regulation relating to human health or safety or the environment or Hazardous Materials, as defined below ("Environmental Laws") concerning the

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Properties, or any part thereof which has not heretofore been cured, and neither the Company nor any of the Subsidiaries and, to the Company's knowledge, each such other person, does not know of any such violation, or any occurrence or circumstance that would give rise to a claim under or pursuant to any Environmental Laws, which would, individually or in the aggregate, have a Material Adverse Effect. Neither the Company nor any of the Subsidiaries, nor, to the Company's knowledge, any seller, lessee, sublessee or operator of any Property, or portion thereof has, received from any governmental authority any written notice of any condemnation or zoning change affecting the Properties, or any part thereof and the Company does not know of any such condemnation or zoning change which is threatened and which if consummated would have a Material Adverse Effect, or a material adverse effect on any of the Properties. No contract or document of a character required to be described in the Registration Statement, the Prospectus or any Incorporated Document or to be filed as an exhibit to the Registration Statement or any Incorporated Document is not so described, filed or incorporated by reference as required.

(t) The Company and the Subsidiaries have good and indefeasible title in fee simple to the properties disclosed in the Prospectus as being owned by them (the "Properties"), free and clear of all liens,

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encumbrances, claims, mortgages, deeds of trust, restrictions, security interests and defects ("Property Encumbrances"), except for: (x) the

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leasehold interests of lessees in the Company's and the Subsidiaries' properties held under lease (the "Leases") and (y) any other Property

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Encumbrances that would not, individually or in the aggregate, have a Material Adverse Effect or a material adverse effect on such Property. All Property Encumbrances on or affecting the Properties which are required to be disclosed in the Prospectus are disclosed therein.

(u) Except as otherwise set forth in the Prospectus, neither the Company nor any of the Subsidiaries, nor to the best of the Company's knowledge, any seller, lessee, sublessee or operator of any Property or portion thereof has knowledge of (i) the presence of any hazardous or toxic substances or wastes, pollutants or contaminants ("Hazardous Materials")

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at, on or under any of the Properties or (ii) any spills, releases, discharges or disposal of Hazardous Materials at, on or under or occurring in connection with any of the Properties, other than those that would not have, individually or in the aggregate, a Material Adverse Effect.

(v) The Company and each of the Subsidiaries and, to the Company's knowledge, each of the operators, lessees or sublessees of any Property or portion thereof has such permits, licenses, approvals, certificates, franchises and authorizations of governmental or regulatory authorities ("permits"), including, without limitation, under any Health Care Laws or

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Environmental Laws, as are necessary in the case of each such party, as the case may be, to acquire and own, lease or sublease, lease to others and conduct its business, all as described in the Prospectus, except where the failure to obtain such permits would not individually or in the aggregate have a Material Adverse Effect, or a material adverse effect on such Property; the Company and each of the Subsidiaries and, to the Company's knowledge, each of the lessees or sublessees of any Property or portion thereof has fulfilled and performed all of its material obligations with respect to such permits and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or result in any other material impairment of the rights of the holder of any such permit; and, except as described in the Prospectus, such permits contain no restrictions that are materially burdensome to the Company and the Subsidiaries, taken as a whole. Each of the Properties and the current and intended use and occupancy thereof, complies with all applicable zoning laws, ordinances and regulations in all material respects, except where such failure does not materially impair the value of the applicable Property and will not result in a forfeiture or reversion of title. Neither the Company nor any of the Subsidiaries is in violation of, or in default under, any such permit or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or any of the Subsidiaries the effect of which could have a Material Adverse Effect.

(w) The financial statements, together with the related schedules and notes, forming a part of the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly the consolidated financial position of the Company and the Subsidiaries as of the dates indicated and the consolidated results of operations and cash flows of the Company and the Subsidiaries for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods

involved. The pro forma financial data included in the Registration Statement and the Prospectus comply as to form in all material respects with the applicable accounting requirements of Regulation S-X of the Securities Act, and the pro forma adjustments have been properly applied to the historical amounts in the compilation of those statements. The other financial and statistical data set forth in the Registration Statement and the Prospectus are accurately presented and prepared on a basis consistent with such financial statements and books and records of the Company. There are no financial statements (historical or pro forma) that are required to be included in the Registration Statement and the Prospectus that are not included as required.

(x) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been (i) any material adverse change, or any prospective material adverse change, in the business, properties, condition (financial or otherwise), or results of operations of the Company and the Subsidiaries taken as a whole, (ii) any transaction which is material to the Company or the Subsidiaries, (iii) any obligation, direct or contingent, which is material to the Company and the Subsidiaries taken as a whole, incurred by the Company or the Subsidiaries, (iv) any change in the shares of beneficial interest or outstanding indebtedness of the Company or the Subsidiaries or (v) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company. Neither the Company nor the Subsidiaries has any material contingent obligation which is not disclosed in the Registration Statement.

(y) The Company has obtained for the benefit of the Underwriters the agreement (a "Lock-Up Agreement") of each of its directors and executive

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officers and of Universal Health Services Inc. ("UHS") not to sell, offer to sell, contract to sell, hypothecate, grant any option to sell or otherwise dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable for Common Shares or warrants or other rights to purchase Common Shares for a period of 90 days after the date of the Prospectus Supplement without the prior written consent of UBS Warburg LLC.

(z) Each of the Leases pertaining to the Properties has been duly authorized by the Company or one of the Subsidiaries, as applicable, and is a valid and binding agreement of the Company or one of the Subsidiaries, as applicable, and, to the knowledge of the Company, each other party thereto, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(aa) To the knowledge of the Company, no lessee of any portion of any of the Properties is in default under its respective lease and there is no event which, but for the passage of time or the giving of notice or both, would constitute a default under any such lease, except such defaults that would, individually or in the aggregate, not have a Material Adverse Effect.

(bb) The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amount as are customary in the business in which it is engaged. All policies of insurance insuring the Company and the Subsidiaries or any of their businesses, assets, employees, officers and directors are in full force and effect, and the Company and the Subsidiaries are in compliance with the terms of such policies in all material respects. There are no claims by the Company or any of the Subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause.

(cc) Neither the Company nor any of the Subsidiaries has either sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements referred to or described in, or filed as an exhibit to, the Registration Statement, and no such termination or non-renewal has been threatened by the Company or any of the Subsidiaries or any other party to any such contract or agreement, including, without limitation, the Advisory Agreement, dated as of December 24, 1986 between UHS Delaware, Inc. and the Company, as amended.

(dd) All statistical and market-related data included in the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources to the extent required.

(ee) Neither the Company nor any of the Subsidiaries or any of their respective affiliates has taken, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(ff) The Company and the Subsidiaries own or have obtained licenses (which such licenses are enforceable against the Company and/or the Subsidiaries, as applicable, and, to the Company's best knowledge, the other parties thereto) for the patents, patent applications, inventions, technology, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, trade secrets and rights described in the Prospectus as being owned or used by or licensed to the Company and the Subsidiaries or necessary for the conduct of their business as

currently conducted (collectively, the "Intellectual Property"), and the

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Company is not aware of any claim to the contrary or any challenge by any other person to the rights of the Company and the Subsidiaries with respect to the Intellectual Property.

(gg) The Company and the Subsidiaries have not sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with their businesses from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as disclosed in the Prospectus or other than any loss or interference, which could individually or in the aggregate have a Material Adverse Effect.

(hh) The Company and the Subsidiaries have not violated any federal, state, local or foreign law or regulation relating to discrimination in the hiring, promotion or pay of employees or any applicable wages and hours laws, nor any provisions of the Employee Retirement Income Security Act of 1976, as amended, or the rules and regulations promulgated thereunder or any similar act or law, which could individually or in the aggregate result in a Material Adverse Effect.

(ii) The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(jj) The Company and the Subsidiaries have filed all federal, state, local and foreign tax returns and tax forms required to be filed. Such returns and forms are complete and correct in all material respects, and all taxes shown by such returns or otherwise assessed that are due or payable have been paid, except such taxes as are being contested in good faith and as to which adequate reserves have been provided. All payroll withholdings required to be made by the Company and the Subsidiaries with respect to employees have been made. The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of any tax liability for any year not finally determined are adequate to meet any assessments or reassessments for additional taxes. There have been no tax deficiencies asserted and, to the Company's knowledge, no tax deficiency might be reasonably asserted or threatened against the Company and/or the Subsidiaries that could individually or in the aggregate have a Material Adverse Effect.

(kk) The outstanding Common Shares are, and the Shares as of the date the Registration Statement becomes effective will be, listed on the New York Stock Exchange (the "NYSE").  
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(ll) The Company meets the requirements for qualification and taxation as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986 (the "Code").  
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(mm) The Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").  
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4. Certain Covenants of the Company. The Company hereby agrees:  
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(a) to furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under the securities or blue sky laws of such states as you may designate and to maintain such qualifications in effect so long as required for the distribution of the Shares; provided that the Company shall not be required  
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to qualify as a foreign corporation or to consent to the service of process under the laws of any such state (except service of process with respect to the offering and sale of the Shares); and to promptly advise you of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(b) to make available to the Underwriters in New York City as many copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto) as the Underwriters may reasonably request for the purposes contemplated by the Act; in case any Underwriter is required to deliver a prospectus beyond the nine-month period referred to in Section 10(a)(3) of the Act in connection with the sale of the Shares, the Company will prepare promptly upon request, but at its request, such amendment or amendments to the Registration Statement and such prospectuses as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act;

(c) to advise you promptly, confirming such advice in writing, of any request by the Commission for amendments or supplements to the Registration Statement or Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order suspending the effectiveness of the Registration Statement and, if the Commission should enter a stop order suspending the effectiveness of the Registration Statement, to make every

reasonable effort to obtain the lifting or removal of such order as soon as possible; to advise you promptly of any proposal to amend or supplement the Registration Statement or Prospectus including by filing any documents that would be incorporated therein by reference and to file no such amendment or supplement to which you shall object in writing;

(d) to file promptly all reports and any definitive proxy or information statement required to be filed by the Company with the Commission in order to comply with the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the shares, and to promptly notify you of such filing;

(e) if necessary or appropriate, to file a registration statement pursuant to Rule 462(b) under the Act;

(f) to furnish to you and, upon request, to each of the other Underwriters for a period of five years from the date of this Agreement (i) copies of any reports or other communications which the Company shall send to its stockholders or shall from time to time publish or publicly disseminate, (ii) copies of all annual, quarterly and current reports filed with the Commission on Forms 10-K, 10-Q and 8-K, or such other similar form as may be designated by the Commission, (iii) copies of documents or reports filed with any national securities exchange on which any class of securities of the Company is listed, and (iv) such other information as you may reasonably request regarding the Company or the Subsidiaries, in each case as soon as such communications, documents or information becomes available;

(g) to advise the Underwriters promptly of the happening of any event known to the Company within the time during which a Prospectus relating to the Shares is required to be delivered under the Act which, in the judgment of the Company, would require the making of any change in the Prospectus then being used, or in the information incorporated therein by reference, so that the Prospectus would not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, and, during such time, to prepare and furnish, at the Company's expense, to the Underwriters promptly such amendments or supplements to such Prospectus as may be necessary to reflect any such change and to furnish you a copy of such proposed amendment or supplement before filing any such amendment or supplement with the Commission;

(h) to make generally available to its security holders, and to deliver to you, an earnings statement of the Company (which will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the

effective date of the Registration Statement (as defined in Rule 158(c) of the Act) as soon as is reasonably practicable after the termination of such twelve-month period;

(i) to furnish to its shareholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, shareholders' equity and of cash flow of the Company for such fiscal year, accompanied by a copy of the certificate or report thereon of nationally recognized independent certified public accountants;

(j) to furnish to you five signed copies of the Registration Statement, as initially filed with the Commission, and of all amendments thereto (including all exhibits thereto and documents incorporated by reference therein) and sufficient conformed copies of the foregoing (other than exhibits) for distribution of a copy to each of the other Underwriters;

(k) to furnish to you as early as practicable prior to the time of purchase and the additional time of purchase, as the case may be, but not later than two business days prior thereto, a copy of the latest available unaudited interim consolidated financial statements, if any, of the Company and its Subsidiaries which have been read by the Company's independent certified public accountants, as stated in their letter to be furnished pursuant to Section 8(c) hereof;

(l) to apply the net proceeds from the sale of the Shares in the manner set forth under the caption "Use of Proceeds" in the Prospectus;

(m) to pay all expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement, each Preliminary Prospectus, the Prospectus, and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (ii) the issuance, sale and delivery of the Shares by the Company, (iii) the word processing and/or printing of this Agreement, any Agreement Among Underwriters, any dealer agreements, any Statements of Information, the Custody Agreement and the Powers of Attorney and the reproduction and/or printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (iv) the qualification of the Shares for offering and sale under state laws and the determination of their eligibility for investment under state law as aforesaid (including the legal fees and filing fees and other disbursements of counsel to the Underwriters) and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Underwriters and to dealers, (v) any listing of the Shares on any securities exchange or qualification of the Shares for quotation on the Nasdaq Stock Market ("Nasdaq") and any registration thereof under the Exchange Act, (vi) the

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filing for review of the public offering of the Shares by the

NASDR (including the legal fees and filing fees and other disbursements of counsel to the Underwriters), and (vii) the performance of the Company's other obligations;

(n) to furnish to you, before filing with the Commission subsequent to the effective date of the Registration Statement and during the period referred to in paragraph (g) above, a copy of any document proposed to be filed pursuant to Section 13, 14 or 15(d) of the Exchange Act;

(o) not to sell, offer to sell, contract to sell, hypothecate, pledge, grant any option to sell or otherwise dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable or exercisable for Common Shares or options, warrants or other rights to purchase Common Shares or any other shares of the Company that are substantially similar to Common Shares or file a registration statement under the Act relating to the offer and sale of any shares of Common Shares or securities convertible into or exchangeable or exercisable for Common Shares or options, warrants or other rights to purchase Common Shares or any other shares of the Company that are substantially similar to Common Shares for a period of ninety (90) days after the date hereof (the "Lock-up Period"), without the prior written consent of UBS Warburg LLC,

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except for (i) the registration of the Shares and the sales to the Underwriters pursuant to this Agreement, (ii) issuances of Common Shares upon the exercise of outstanding options or warrants as disclosed in the Registration Statement and the Prospectus to persons who have entered into Lock-Up Agreements with the Underwriters and (iii) the issuance of employee stock options not exercisable during the Lock-up Period pursuant to stock option plans described in the Registration Statement and the Prospectus;

(p) to use its best efforts to cause the Shares to be listed on the NYSE; and

(q) to use its best efforts to continue to qualify as a REIT under Sections 856 through 860 of the Code.

5. Reimbursement of Underwriters' Expenses. If the Shares are not

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delivered for any reason other than the termination of this Agreement pursuant to clause (ii), (iii) or (iv) of the second paragraph of Section 7 hereof or pursuant to the last paragraph of Section 8 hereof or the default by one or more of the Underwriters in its or their respective obligations hereunder, the Company shall, in addition to paying the amounts described in Section 4 hereof, reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of their counsel.

6. Conditions of Underwriters' Obligations. The several

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obligations of the Underwriters hereunder are subject to the accuracy of the representations and warranties on the part of the Company on the date hereof and at the time of purchase (and the several

obligations of the Underwriters at the additional time of purchase are subject to the accuracy of the representations and warranties on the part of the Company on the date hereof and at the time of purchase (unless previously waived) and at the additional time of purchase, as the case may be), the performance by the Company of their obligations hereunder and to the following additional conditions precedent:

(a) The Company shall furnish to you at the time of purchase and at the additional time of purchase, as the case may be, an opinion of Fulbright & Jaworski L.L.P., counsel for the Company, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with reproduced copies for each of the other Underwriters and in form satisfactory to Dewey Ballantine LLP, counsel for the Underwriters, stating that:

(i) the Company has been duly organized and is validly existing as a real estate investment trust in good standing under the laws of the State of Maryland, with full power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and the Prospectus, to execute and deliver this Agreement and to issue, sell and deliver the Shares as herein contemplated;

(ii) each of the Subsidiaries is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization with the requisite corporate power and authority to own, lease and operate its properties and to conduct its business;

(iii) the Company and each of the Subsidiaries are duly qualified to do business as foreign corporations or other legal entities and are in good standing in each jurisdiction in which the ownership or leasing of their properties or the conduct of their business requires such qualification, except where the failure to so qualify would not individually or in the aggregate have a Material Adverse Effect;

(iv) this Agreement has been duly authorized, executed and delivered by the Company, and is a legal, valid and binding agreement of the Company, enforceable in accordance with its terms, except as enforcement of the same may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles and except as to those provisions relating to indemnities for liabilities arising under the Act as to which no opinion need be expressed.

(v) the Shares to be sold by the Company have been duly authorized and, when issued and delivered to and paid for by the Underwriters, will be validly issued, fully paid and non-assessable;

(vi) the Company has authorized and outstanding shares of beneficial interest as set forth or incorporated by reference in the Registration Statement and the Prospectus; the outstanding shares of beneficial interest of the Company have been duly and validly authorized and issued and are fully paid, nonassessable and free of any preemptive rights, resale rights, rights of first refusal and similar rights under the Maryland Corporation Act or under any contract, agreement or instrument described in or filed as an exhibit to the Registration Statement or otherwise known to such counsel; the Shares being sold by the Company, when issued, will be free of any preemptive rights, resale rights, rights of first refusal and similar rights under the Maryland Corporation Act; and the certificates for the Shares are in due and proper form and conform in all material respects to the requirements of the Maryland Corporation Act;

(vii) except as described in the Registration Statement and the Prospectus, all of the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable, are owned by the Company and are not subject to any perfected security interest or, to such counsel's knowledge, any other encumbrance or adverse claim; to such counsel's knowledge, no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of capital stock or ownership interests in the Subsidiaries are outstanding;

(viii) the Registration Statement and the Prospectus (except as to the financial statements and schedules and other financial and statistical data contained therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act;

(ix) the Registration Statement has become effective under the Act and, to such counsel's knowledge, no stop order proceedings with respect thereto are pending or threatened under the Act and any required filing of the Prospectus, and any supplement thereto pursuant to Rule 424 under the Act has been made in the manner and within the time period required by such Rule 424;

(x) no approval, authorization, consent or order of or filing with any federal, state or local governmental or regulatory commission, board, body, authority or agency is required in connection with the execution, delivery and performance of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated hereby and by the Registration Statement, other than those that have been obtained under the Act and other than any necessary qualification under the state securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters, as to which such qualification such counsel need express no opinion;

(xi) the execution, delivery and performance of this agreement by the Company and the transactions contemplated hereby and by the Registration Statement do not and will not conflict with, or result in any breach of, or constitute a default under (nor constitute any event which with notice, lapse of time, or both, would result in any breach of, or constitute a default under) any provisions of the Declaration of Trust, charter or by-laws or other organizational documents of the Company or any of the Subsidiaries; to such counsel's knowledge, neither the Company nor any of the Subsidiaries is in violation of its Declaration of Trust, charter or by-laws or other organizational documents;

(xii) to such counsel's knowledge, there are no contracts, licenses, agreements, leases or documents of a character which are required to be filed as exhibits to the Registration Statement or to be described in the Prospectus which have not been so filed or described;

(xiii) the Company is not, and after the offering and sale of the Shares, will not be, an "investment company," for or an entity controlled by an "investment company," as such terms are defined in the Investment Company Act; and

(xiv) to such counsel's knowledge the statements in (i) the Registration Statement and the Prospectus under the captions [insert captions, include tax captions] insofar as such statements constitute summaries of regulatory matters, contracts, agreements or other legal documents, or refer to statements of law or legal conclusions, are accurate in all material respects and present fairly the information required to be shown with respect to the Company and the Subsidiaries, as of the date of the Prospectus and as of the date of such opinion; and nothing has come to such counsel's attention that causes such counsel to believe that the above-described portions of the Prospectus, at the date of the Prospectus or at the

date of such opinion, contained or contains an untrue statement of material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

In addition, such counsel shall state that, in the opinion of such counsel, and assuming the elections and other procedural steps described in the Prospectus under the caption "Certain Federal Income Tax Considerations" are completed by the Company in a timely fashion, the Company was and is organized in conformity with the requirements for qualification as a REIT and its methods of operations as described in the Prospectus permits it to meet the requirements for qualification and taxation as a REIT.

Also, such counsel shall state that it has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants of the Company and representatives of the Underwriters at which the contents of the Registration Statement and Prospectus were discussed and, although such counsel is not passing upon and does not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or Prospectus (except as and to the extent stated in subparagraphs (ix), (x) and (xviii) above), on the basis of the foregoing nothing has come to the attention of such counsel that causes them to believe that the Registration Statement or any amendment thereto at the time such Registration Statement or amendment became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus or any supplement thereto at the date of such Prospectus or such supplement, and at all times up to and including the time of purchase or additional time of purchase, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no opinion with respect to the financial statements and schedules and other financial and statistical data included in the Registration Statement or Prospectus).

(b) The Company shall furnish to you at the time of purchase and at the additional time of purchase, as the case may be, an opinion of Bruce R. Gilbert, general counsel of UHS, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with reproduced copies for each of the other Underwriters and in form satisfactory to Dewey Ballantine LLP, counsel for the Underwriters, stating that:

(i) the Company has been duly organized and is validly existing as a real estate investment trust in good standing under the laws of the State of Maryland, with full power and authority to own, lease and

operate its properties and conduct its business as described in the Registration Statement and the Prospectus, to execute and deliver this Agreement and to issue, sell and deliver the Shares as herein contemplated;

(ii) each of the Subsidiaries is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization with the requisite corporate power and authority to own, lease and operate its properties and to conduct its business;

(iii) the Company and each of the Subsidiaries are duly qualified to do business as foreign corporations or other legal entities and are in good standing in each jurisdiction in which the ownership or leasing of their properties or the conduct of their business requires such qualification, except where the failure to so qualify would not individually or in the aggregate have a Material Adverse Effect;

(iv) the execution, delivery and performance of this agreement by the Company and the transactions contemplated hereby and by the Registration Statement do not and will not conflict with, or result in any breach of, or constitute a default under (nor constitute any event which with notice, lapse of time, or both, would result in any breach of, or constitute a default under) (A) any provisions of the Declaration of Trust, charter or by-laws or other organizational documents of the Company or any of the Subsidiaries, (B) any provision of any license, permit, franchise, indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which their respective properties may be bound or affected that is described in or filed as an exhibit to the Registration Statement or is otherwise known by such counsel or (C) any federal, state, local or foreign law, regulation or rule, or any decree, judgment or order applicable to the Company or the Subsidiaries;

(v) to such counsel's knowledge, neither the Company nor any of the Subsidiaries is in violation of its Declaration of Trust, charter or by-laws or other organizational documents, nor is any of them in breach or violation of or in default under (nor has any event occurred which with notice, lapse of time, or both would result in any breach or violation of, or constitute a default under), any license, permit, franchise, indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of

indebtedness, or any lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is or was a party or by which any of them or their respective properties may be bound or affected and which is known to such counsel or in violation of any federal, state, local or foreign law, regulation or rule or any decree, judgment or order applicable to the Company or any of the Subsidiaries, the effect of which would individually or in the aggregate have a Material Adverse Effect

(vi) to such counsel's knowledge, except as described in the Prospectus or as would not, individually or in the aggregate, have a Material Adverse Effect, there are no private or governmental actions, suits, claims, investigations or proceedings pending, threatened or contemplated to which the Company or any of the Subsidiaries or any of their officers is subject or of which any of their properties is subject, whether at law, in equity or before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency; and

(vii) to such counsel's knowledge, no person has the right, pursuant to the terms of any contract, agreement or other instrument described in or filed as an exhibit to the Registrations Statement, to cause the Company to register under the Act any shares of beneficial interest or other equity interests as a result of the filing or effectiveness of the Registration Statement or the sale of the Shares as contemplated hereby, except for such rights as have been complied with or waived; and to the knowledge of such counsel, except as described in the Registration Statement and Prospectus, no person is entitled to registration rights with respect to shares of capital stock or other securities of the Company.

In addition, such counsel shall state that it has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants of the Company and representatives of the Underwriters at which the contents of the Registration Statement and Prospectus were discussed and, although such counsel is not passing upon and does not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or Prospectus, on the basis of the foregoing nothing has come to the attention of such counsel that causes them to believe that the Registration Statement or any amendment thereto at the time such Registration Statement or amendment became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus or any supplement thereto at the date of such Prospectus or such supplement, and at all times up to and including the time of purchase or

additional time of purchase, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no opinion with respect to the financial statements and schedules and other financial and statistical data included in the Registration Statement or Prospectus).

(c) You shall have received at the time of purchase and at the additional time of purchase, as the case may be, an opinion of Dewey Ballantine LLP, counsel for the Underwriters, dated the time of purchase with respect to the issuance and sale of the Shares by the Company, the Registration Statement, the Prospectus and such other related matters as the Underwriters may require. In addition, Dewey Ballantine LLP may rely on the opinion of Fulbright & Jaworski L.L.P. as to all matters of Maryland law.

(d) You shall have received from Arthur Andersen LLP, a letter dated, respectively, the date of this Agreement and the time of purchase and the additional time of purchase, as the case may be, and addressed to the Underwriters (with reproduced copies for each of the Underwriters) in the forms approved by Dewey Ballantine LLP, counsel for the Underwriters.

(e) No amendment or supplement to the Registration Statement or Prospectus, including documents deemed to be incorporated by reference therein, shall have been to which you have objected in writing.

(f) Prior to the time of purchase and the additional time of purchase, as the case may be, (i) no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act or proceedings initiated under Section 8(d) or 8(e) of the Act; (ii) the Registration Statement and all amendments thereto, or modifications thereof, if any, shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (iii) the Prospectus and all amendments or supplements thereto, or modifications thereof, if any, shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(g) Between the time of execution of this Agreement and the time of purchase and the additional time of purchase, as the case may be, (i) no material and unfavorable change, financial or otherwise (other than as referred to in the Registration Statement and Prospectus), in the business, prospects, properties, condition of the Company and the Subsidiaries taken as a whole shall occur or become

known and (ii) no transaction which is material and unfavorable to the Company and the Subsidiaries taken as a whole shall have been entered into by the Company or any of the Subsidiaries.

(h) Between the time of execution of this Agreement and the time of purchase or the additional time of purchase, as the case may be, there shall not have occurred any downgrading, nor shall any notice or announcement have been given or made of (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate an improvement, in the rating accorded any securities of or guaranteed by the Company or any of the Subsidiaries by any "nationally recognized statistical rating organization," as that term is defined in Rule 436(g)(2) under the Act.

(i) You shall have received Lock-up Agreements of each of the Company's directors and executive officers and of UHS not to sell, offer to sell, contract to sell, hypothecate grant any option to sell or otherwise dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable for Common Shares or warrants or other rights to purchase Common Shares for a period of 90 days after the date of the Prospectus Supplement without the prior written consent of UBS Warburg LLC.

(j) The Company will, at the time of purchase and the additional time of purchase, as the case may be, deliver to you a certificate of two of its executive officers to the effect that the representations and warranties of the Company as set forth in this Agreement are true and correct as of such date, that the Company has performed such of its obligations under this Agreement as are to be performed at or before the time of purchase and the conditions set forth in paragraphs (f), (g) and (h) of this Section 6 have been met.

(k) The Company will, at the time of purchase and the additional time of purchase, as the case may be, deliver to you a certificate signed by the chief financial officer and the chief accounting officer of the Company substantially in such form approved by you and counsel to the Underwriters, respecting the Company's compliance, both prior to and after giving effect to the transactions contemplated hereby, with the financial covenants set forth in the Company's credit agreement and certain other agreements and instruments respecting outstanding indebtedness of the Company and the Subsidiaries.

The Company shall have furnished to you such other documents and certificates as to the accuracy and completeness of any statement in the Registration Statement and the Prospectus as of the time of purchase as you may reasonably request.

7. Effective Date of Agreement; Termination. This Agreement shall

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become effective when the parties hereto have executed and delivered this Agreement.

The obligations of the several Underwriters hereunder shall be subject to termination in the absolute discretion of you or any group of Underwriters (which may include you) which has agreed to purchase in the aggregate at least 50% of the Firm Shares (i) if, since the time of execution of this Agreement or the respective dates as of which information is given in the Registration Statement and Prospectus, (y) there has been any material adverse and unfavorable change, financial or otherwise (other than as referred to in the Registration Statement and Prospectus), in the business, prospects, properties, condition (financial or otherwise) or results of operations of the Company and the Subsidiaries taken as a whole, which would, in your judgment or in the judgment of such group of Underwriters, make it impracticable to market the Shares, or (z) there shall have occurred any downgrading, or any notice shall have been given of (a) any intended or potential downgrading or (b) any review or possible change that does not indicate an improvement, in the rating accorded any securities of or guaranteed by the Company or any of the Subsidiaries by any "nationally recognized statistical rating organization", as that term is defined in Rule 436(g) (2) under the Act or (ii) if, at any time prior to the time of purchase, trading in securities on the New York Stock Exchange, the American Stock Exchange or Nasdaq shall have been suspended or limitations or minimum prices shall have been established on the NYSE, the American Stock Exchange or the Nasdaq or (iii) if, at any time prior to the time of purchase, a banking moratorium shall have been declared either by the United States or New York State authorities, or (iv) if, at any time prior to the time of purchase, the United States shall have declared war in accordance with its constitutional processes or there shall have occurred any material outbreak or escalation of hostilities or other national or international calamity or crisis of such magnitude in its effect on the financial markets of the United States as, in your judgment or in the judgment of such group of Underwriters, to make it impracticable to market the Shares.

If you or any group of Underwriters elects to terminate this Agreement as provided in this Section 7, the Company and each other Underwriter shall be notified promptly by letter or telegram.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement or if such sale is not carried out because the Company shall be unable to comply with any of the terms of this Agreement, the Company shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 4, 5 and 9 hereof), and the Underwriters shall be under no obligation or liability to the Company under this Agreement (except to the extent provided in Section 9 hereof) or to one another hereunder.

8. Increase in Underwriters' Commitments. Subject to Sections 6

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and 7, if any Underwriter shall default in its obligation to take up and pay for the Firm Shares to be purchased by it hereunder (otherwise than for reasons sufficient to justify the termination of this Agreement under the provisions of Section 7 hereof) and if the principal amount of Firm Shares which all Underwriters so defaulting shall have agreed but failed to take up and pay for does not exceed 10% of the total aggregate principal amount of Firm Shares, the non-defaulting Underwriters shall take up and pay for (in addition to the principal amount of Firm Shares they are obligated to purchase pursuant to Section 1 hereof) the principal amount of Firm Shares agreed to be purchased by all such defaulting Underwriters, as hereinafter provided. Such Firm Shares shall be taken up and paid for by such non-defaulting Underwriter or Underwriters in such principal amount or amounts as you may designate with the consent of each Underwriter so designated or, in the event no such designation is made, such Firm Shares shall be taken up and paid for by all non-defaulting Underwriters pro rata in proportion to the aggregate principal amount of Firm Shares set opposite the names of such non-defaulting Underwriters in Schedule A.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company agrees with the non-defaulting Underwriters that it will not sell any Firm Shares hereunder unless all of the Firm Shares are purchased by the Underwriters (or by substituted Underwriters selected by you with the approval of the Company or selected by the Company with your approval).

If a new Underwriter or Underwriters are substituted by the Underwriters or by the Company for a defaulting Underwriter or Underwriters in accordance with the foregoing provision, the Company or you shall have the right to postpone the time of purchase for a period not exceeding five business days in order that any necessary changes in the Prospectus and other documents may be effected.

The term Underwriter as used in this agreement shall refer to and include any Underwriter substituted under this Section 8 with like effect as if such substituted Underwriter had originally been named in Schedule A.

If the aggregate principal amount of Shares which the defaulting Underwriter or Underwriters agreed to purchase exceeds 10% of the total aggregate principal amount of Shares which all Underwriters agreed to purchase hereunder, and if neither the non-defaulting Underwriters nor the Company shall make arrangements within the five business day period stated above for the purchase of all the Shares which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall be terminated without further act or deed and without any liability on the part of the Company to any non-defaulting Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company. Nothing in this paragraph, and no action taken hereunder, shall relieve any

defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

9. Indemnity and Contribution.  
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(a) The Company agrees to indemnify, defend and hold harmless each Underwriter, its partners, directors, officers, employees and agents and any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, any Prospectus Supplement or in the Prospectus (or in any of the foregoing as the same may at any time be amended or supplemented), or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, any Prospectus Supplement or the Prospectus (or in any of the foregoing as the same may at any time be amended or supplemented) or necessary to make the statements made therein not misleading, except insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished by or on behalf of any Underwriter through you to the Company expressly for use with reference to such Underwriter in the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, any Prospectus Supplement or the Prospectus (or in any of the foregoing as the same may at any time be amended or supplemented) or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information required to be stated in the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, any Prospectus Supplement or the Prospectus (or in any of the foregoing as the same may at any time be amended or supplemented) or necessary to make such information not misleading or (ii) any untrue statement or alleged untrue statement made by the Company in Section 3 of this Agreement or the failure by the Company to perform when and as required any agreement or covenant contained herein or (iii) any untrue statement or alleged untrue statement of any material fact contained in any audio or visual materials provided by the Company or based upon written information furnished by or on behalf of the Company including, without limitation, slides, videos, films, tape recordings, used in connection with the marketing of the Shares.

If any action, suit or proceeding (together, a "Proceeding") is  
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brought against an Underwriter or any such person in respect of which indemnity  
may be sought against the

Company pursuant to the foregoing paragraph, such Underwriter or such person shall promptly notify the Company in writing of the institution of such Proceeding and the Company shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses; provided, however, that the omission

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to so notify the Company shall not relieve the Company from any liability which the Company may have to any Underwriter or any such person or otherwise. Such Underwriter or such person shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Underwriter or of such person unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such Proceeding or the Company shall not have, within a reasonable period of time in light of the circumstances employed counsel to have charge of the defense of such Proceeding or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from, additional to or in conflict with those available to the Company (in which case the Company shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Company and paid as incurred (it being understood, however, that the Company shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel) in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding). The Company shall not be liable for any settlement of any such Proceeding effected without its written consent but if settled with the written consent of the Company, the Company agrees to indemnify and hold harmless any Underwriter and any such person from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 business days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault, culpability or a failure to act, by or on behalf of such indemnified party.

(b) Each Underwriter severally agrees to indemnify, defend and hold harmless the Company, its directors, officers, employees and agents, and any person who controls the Company within the meaning of Section 15 of the Act, or Section 20 of the Exchange Act, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Company or any such person may incur under the Act, the Exchange Act, or common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished by or on behalf of such Underwriter through you to the Company expressly for use with reference to such Underwriter in the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, the Prospectus Supplement or in the Prospectus (or in any of the foregoing as such document may at any time be amended or supplemented) or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information required to be stated in the Registration Statement, the Basic Prospectus, any Prepricing Prospectus, the Prospectus Supplement or the Prospectus (or in any of the foregoing as such document may at any time be amended or supplemented) or necessary to make such information not misleading.

If any Proceeding is brought against the Company or any such person in respect of which indemnity may be sought against any Underwriter pursuant to the foregoing paragraph, the Company or such person shall promptly notify such Underwriter in writing of the institution of such Proceeding and such Underwriter shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses, provided, however, that the omission to so

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notify such Underwriter shall not relieve such Underwriter from any liability which such Underwriter may have to the Company or any such person or otherwise. The Company or such person shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Company or such person unless the employment of such counsel shall have been authorized in writing by such Underwriter in connection with the defense of such Proceeding or such Underwriter shall not have employed counsel to have charge of the defense of such Proceeding or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to or in conflict with those available to such Underwriter (in which case such Underwriter shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties, but such Underwriter may employ counsel and participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such Underwriter), in any of which events such fees and expenses shall be borne by such Underwriter and paid as incurred (it being understood, however, that such Underwriter shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel) in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding). No

Underwriter shall be liable for any settlement of any such Proceeding effected without the written consent of such Underwriter but if settled with the written consent of such Underwriter, such Underwriter agrees to indemnify and hold harmless the Company and any such person from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 business days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding.

(c) If the indemnification provided for in this Section 9 is unavailable to an indemnified party under subsections (a) and (b) of this Section 9 in respect of any losses, damage, expenses, liabilities or claims referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same respective proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate public offering price of the Shares. The relative fault of the Company on the one hand and of the Underwriters on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or

omission. The amount paid or payable by a party as a result of the losses, damages, expenses, liabilities and claims referred to in this subsection shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any claim or Proceeding.

(d) The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in subsection (c) above. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by such Underwriter and distributed to the public were offered to the public exceeds the amount of any damage which such Underwriter has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several in proportion to their respective underwriting commitments and not joint.

(e) The indemnity and contribution agreements contained in this Section 9 and the covenants, warranties and representations of the Company contained in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter, its partners, directors, officers, employees or agents or any person (including each partner, officer, director, employee or agent of such person) who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, or by or on behalf of the Company, its directors, officers, employees or agents or any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and shall survive any termination of this Agreement or the issuance and delivery of the Shares. The Company and each Underwriter agree promptly to notify each other commencement of any Proceeding against it and, in the case of the Company, against any of the Company's officers, directors, employees or agents in connection with the issuance and sale of the Shares, or in connection with the Registration Statement or Prospectus.

10. Notices. Except as otherwise herein provided, all statements, ----- requests, notices and agreements shall be in writing or by telegram and, if to the Underwriters, shall be sufficient in all respects if delivered or sent to UBS Warburg LLC, 299 Park Avenue, New York, New York 10171, Attention: Syndicate Department, with a copy to Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019, Attention: Frederick W. Kanner Esq., and if to the Company, shall be sufficient in all respects if delivered or sent to the Company at the offices of the Company at Universal Corporate Center, 367 South Gulph

Road, King of Prussia, Pennsylvania 19406-0958, Attention: Kirk E. Gorman, President and Chief Financial Officer, with a copy to Fulbright & Jaworski, L.L.P., 666 Fifth Avenue, New York, New York 10103, Attention: Warren J. Niemetz, Esq.

11. Governing Law; Construction. This Agreement and any claim,  
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counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Agreement (a "Claim"), directly or indirectly, shall be

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governed by, and construed in accordance with, the laws of the State of New York. The Section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

12. Submission to Jurisdiction. Except as set forth below, no  
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Claim may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Company consents to the jurisdiction of such courts and personal service with respect thereto. The Company hereby consents to personal jurisdiction, service and venue in any court in which any Claim arising out of or in any way relating to this Agreement is brought by any third party against an Underwriter or any indemnified party. Each Underwriter and the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. The Company agrees that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company and may be enforced in any other courts in the jurisdiction of which the Company is or may be subject, by suit upon such judgment.

13. Parties at Interest. The Agreement herein set forth has been  
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and is made solely for the benefit of the Underwriters, the Company and to the extent provided in Section 9 hereof the controlling persons, directors and officers referred to in such Section, and their respective successors, assigns, heirs, pursuant representatives and executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.

14. Information Furnished by the Underwriters. The statements  
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set forth in the last sentence on the penultimate paragraph on the cover page of the Prospectus Supplement and the statements set forth in the \_\_\_\_ paragraphs under the caption "Underwriting" in the Prospectus Supplement constitute the only information furnished by or on behalf of the Underwriters as such information is referred to in Sections 3 and 9 hereof.

15. Counterparts. This Agreement may be signed by the parties in one or more counterparts that together shall constitute one and the same agreement among the parties.

16. Successors and Assigns. This Agreement shall be binding upon -----  
the Underwriters, the Company and their respective successors and assigns and any successor or assign of any substantial portion of the Company's and any of the Underwriters' respective businesses and/or assets.

17. Miscellaneous. UBS Warburg LLC, an indirect, wholly-owned -----  
subsidiary of UBS AG, is not a bank and is separate from any affiliated bank, including any U.S. branch or agency of UBS Warburg LLC. Because UBS Warburg LLC is a separately incorporated entity, it is solely responsible for its own contractual obligations and commitments, including obligations with respect to sales and purchases of securities. Securities sold, offered or recommended by UBS Warburg LLC are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by a branch or agency, and are not otherwise an obligation or responsibility of a branch or agency.

A lending affiliate of UBS Warburg LLC may have lending relationships with issuers of securities underwritten or privately placed by UBS Warburg LLC. To the extent required under the securities laws, prospectuses and other disclosure documents for securities underwritten or privately placed by UBS Warburg LLC will disclose the existence of any such lending relationships and whether the proceeds of the issue will be used to repay debts owed to affiliates of UBS Warburg LLC.

If the foregoing correctly sets forth the understanding between the Company and the Underwriters, please so indicate in the space provided below for the purpose, whereupon this letter and your acceptance shall constitute a binding agreement between the Company and the Underwriters severally.

Very truly yours,

UNIVERSAL HEALTH REALTY INCOME TRUST

By: \_\_\_\_\_  
Name:  
Title:

Accepted and agreed to  
as of the date first above written:

UBS WARBURG LLC  
MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED  
BANC OF AMERICA SECURITIES LLC

By: UBS WARBURG LLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

SCHEDULE A

| Underwriter<br>-----                                    | Number of<br>Firm Shares<br>----- |
|---|-----------------------------------|
| UBS Warburg LLC.....                                    |                                   |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated..... |                                   |
| Banc of America Securites LLC.....                      |                                   |
|   | -----                             |
| Total.....  | \$<br>=====                       |