

UNIVERSAL HEALTH REALTY INCOME TRUST

Form S-3

November 21, 2012

[Table of Contents](#)

As filed with the Securities and Exchange Commission on November 21, 2012

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**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 No.)

**Universal Corporate Center**

**367 South Gulph Road**

**P.O. Box 61558**

**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)**

**Alan B. Miller**

**Chairman of the Board, Chief Executive Officer and President**

**Universal Health Realty Income Trust**

**Universal Corporate Center**

**367 South Gulph Road**

**P.O. Box 61558**

**King of Prussia, Pennsylvania 19406-0958**

**(610) 265-0688**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies of all communications, including all communications sent to the agent for service, should be sent to:*

**Warren J. Nimetz, Esq.**

**Manuel G. Rivera, Esq.**

**Fulbright & Jaworski L.L.P.**

**666 Fifth Avenue**

**New York, New York 10103**

**(212) 318-3000**

## Edgar Filing: UNIVERSAL HEALTH REALTY INCOME TRUST - Form S-3

**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, as amended (the Securities Act), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

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 this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(2)	Amount of registration fee(3)
Common shares of beneficial interest, \$.01 par value	(4)	(4)	\$50,000,000	\$2,586.58
Preferred shares of beneficial interest, \$.01 par value				
Debt securities				

- (1) An indeterminate amount of each identified class of securities is being registered as may be issued by Universal Health Realty Income Trust from time to time at indeterminate prices.
- (2) Estimated solely for purposes of calculating the registration fee. The aggregate maximum offering price of all securities issued pursuant to this registration statement will not exceed \$50,000,000.
- (3) Calculated pursuant to Rule 457(o) under the Securities Act. Pursuant to Rule 457(p) under the Securities Act, the registrant is offsetting from the filing fee of \$6,820 otherwise due herewith a previously paid filing fee of \$4,233.42 in respect of \$75,867,850 of unsold securities previously registered on the registrant's registration statement on Form S-3 initially filed on August 13, 2009 (File No. 333-161330).
- (4) Omitted pursuant to General Instruction II.D. of Form S-3.

Edgar Filing: UNIVERSAL HEALTH REALTY INCOME TRUST - Form S-3

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 Section 8(a), may determine.

**Table of Contents**

**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 is not soliciting an offer to buy these securities in any jurisdiction where an offer or sale is not permitted.**

**Subject to completion, dated November 21, 2012**

**PROSPECTUS**

**\$50,000,000**

**Common Shares of Beneficial Interest**

**Preferred Shares of Beneficial Interest**

**Debt Securities**

Universal Health Realty Income Trust from time to time may offer to sell the securities listed above. The preferred shares of beneficial interest and debt securities may be convertible into or exercisable or exchangeable for common or preferred shares of beneficial interest or other securities of Universal Health Realty Income Trust. Our common shares of beneficial interest are quoted on the New York Stock Exchange (NYSE) under the symbol UHT.

Universal Health Realty Income Trust may offer and sell these securities directly or to or through one or more underwriters, dealers and/or agents, or directly to purchasers on a continuous or delayed basis.

This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. The specific terms of any securities to be offered, and the specific manner in which they may be offered, will be described in a supplement to this prospectus. This prospectus may not be used to sell securities unless accompanied by the applicable prospectus supplement.

**You should consider the risks discussed in Risk Factors beginning on page 3 of this prospectus before you invest in our securities.**

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

**The date of this prospectus is \_\_\_\_\_, 2012**

**Table of Contents****TABLE OF CONTENTS**

	Page
<u>About This Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Risk Factors</u>	3
<u>Cautionary Language Regarding Forward-Looking Statements</u>	3
<u>The Trust</u>	6
<u>The Trust's Relationship to UHS</u>	6
<u>Ratio of Earnings to Fixed Charges</u>	10
<u>Use of Proceeds</u>	12
<u>Description of the Trust's Common Shares of Beneficial Interest and Preferred Shares of Beneficial Interest</u>	13
<u>Description of Debt Securities</u>	19
<u>Legal Ownership and Book-Entry Issuance</u>	23
<u>United States Federal Income Tax Considerations</u>	29
<u>Plan of Distribution</u>	51
<u>Legal Matters</u>	53
<u>Experts</u>	53

*All references in this prospectus to we, us, our and the Trust refer to Universal Health Realty Income Trust. In this prospectus, the term revenues does not include the revenues of the unconsolidated limited liability companies ( LLCs ) in which we have various non-controlling equity interests ranging from 33% to 95%. We currently account for our share of the income/loss from these investments by the equity method. As of September 30, 2012, we had investments or commitments in fourteen LLCs, thirteen of which are accounted for by the equity method and one that is currently consolidated in our financial statements. Additionally, during the fourth quarter of 2011, we purchased the third-party minority ownership interests in eleven LLCs of which we previously held non-controlling, majority ownership interests ranging from 85% to 99%. As a result, we now own 100% of each of these entities and began recording their financial results in our financial statements on a consolidated basis during the fourth quarter of 2011.*

**When acquiring any securities discussed in this prospectus, you should rely only on the information contained or incorporated by reference in this prospectus and the applicable prospectus supplement. We have not authorized anyone else to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. An offer to sell these securities will not be made in any jurisdiction where the offer and sale is not permitted. You should not assume that the information appearing in this prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of any date other than the date mentioned on the front cover of those documents. Our business, financial condition, results of operations and prospects may have changed since that date.**

**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a shelf registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC. As allowed by the SEC rules, this prospectus does not contain all of the information included in the registration statement. For further information, we refer you to the registration statement, including its exhibits. Statements contained in this prospectus about the provisions or contents of any agreement or other document are not necessarily complete. If the SEC's rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

You should read this prospectus and any prospectus supplement together with any additional information you may need to make your investment decision. You should also read and carefully consider the information in the documents we have referred you to in **Where You Can Find More Information** below. Information incorporated by reference after the date of this prospectus is considered a part of this prospectus and may add, update or change information contained in this prospectus. Any information in such subsequent filings that is inconsistent with this prospectus will supersede the information in this prospectus or any earlier prospectus supplement.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any materials we file with the SEC at its public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>. You may inspect information that we file with The New York Stock Exchange, as well as our SEC filings, at the offices of The New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference certain information we file with the SEC, which means that we can disclose important information to you by referring to the other information we have filed with the SEC. We incorporate by reference the following documents we filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act :

our Current Reports on Form 8-K filed on January 25, 2012, February 6, 2012 and June 11, 2012;

our amended Current Report on Form 8-K/A filed on February 1, 2012;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012 and September 30, 2012;

our Annual Report on Form 10-K for the fiscal year ended December 31, 2011; and

the description of the Trust's common shares of beneficial interest contained in the Trust's Current Report on Form 8-K, filed on August 13, 2009, including any amendments or reports filed for the purpose of updating such description.

We are also incorporating by reference additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the offering of the securities described in this prospectus (other than any portions of any such documents that are not deemed filed under the Exchange Act in accordance with the Exchange Act and applicable SEC rules). These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and



**Table of Contents**

Current Reports on Form 8-K, as well as Proxy Statements. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference the exhibit in this prospectus. You may obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from:

Universal Health Realty Income Trust

Universal Corporate Center

367 South Gulph Road

P.O. Box 61558

King of Prussia, Pennsylvania 19406-0958

Attention: Chief Financial Officer

(610) 265-0688

-2-

**Table of Contents**

**RISK FACTORS**

Investing in our securities involves significant risks. Please see the risk factors under the heading "Risk Factors" in our most recent Annual Report on Form 10-K for the year ended December 31, 2011, which is on file with the SEC and incorporated by reference in this prospectus, and in the documents and reports that we file with the SEC after the date of this prospectus that are incorporated by reference into this prospectus, as well as any risks described in any applicable prospectus supplement. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus and any prospectus supplement. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations.

**CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS**

Statements in this prospectus and the information incorporated by reference in this prospectus or any prospectus supplement that are not historical factual statements are forward-looking statements that reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning our possible future results of operations, business and growth strategies, financing plans, expectations that regulatory developments or other matters will not have a material adverse effect on our business or financial condition, our competitive position and the effects of competition, the projected growth of the industry in which we operate, and the benefits and synergies to be obtained from our completed and any future acquisitions, and statements of our goals and objectives, and other similar expressions concerning matters that are not historical facts. Words such as may, will, should, could, would, predicts, potential, continue, expects, anticipates, future, intends, plans, be, projects and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or our good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Such factors include, among other things, the following:

a substantial portion of our revenues are dependent upon one operator, Universal Health Services, Inc. ( UHS );

a number of legislative initiatives have recently been passed into law that may result in major changes in the health care delivery system on a national or state level to the operators of our facilities, including UHS. No assurances can be given that the implementation of these new laws will not have a material adverse effect on the business, financial condition or results of operations of our operators;

a subsidiary of UHS is our Advisor and our officers are all employees of UHS, which may create the potential for conflicts of interest;

lost revenues from purchase option exercises and lease expirations and renewals, loan repayments and other restructuring;

the availability and terms of capital to fund the growth of our business;

the outcome of known and unknown litigation, government investigations, and liabilities and other claims asserted against us or the operators of our facilities;

failure of the operators of our hospital facilities to comply with governmental regulations related to the Medicare and Medicaid licensing and certification requirements could have a material adverse impact on our future revenues and the underlying value of the

property;

**Table of Contents**

the potential unfavorable impact on our business of deterioration in national, regional and local economic and business conditions, including a continuation or worsening of unfavorable credit and/or capital market conditions, which may adversely affect, on acceptable terms, our access to sources of capital which may be required to fund the future growth of our business and refinance existing debt with near term maturities;

further deterioration in general economic conditions which could result in increases in the number of people unemployed and/or insured and likely increase the number of individuals without health insurance; as a result, the operators of our facilities may experience decreases in patient volumes which could result in decreased occupancy rates at our medical office buildings;

a worsening of the economic and employment conditions in the United States could materially affect the business of our operators, including UHS, which may unfavorably impact our future bonus rentals (on the UHS hospital facilities) and may potentially have a negative impact on the future lease renewal terms and the underlying value of the hospital properties;

real estate market factors, including without limitation, the supply and demand of office space and market rental rates, changes in interest rates as well as an increase in the development of medical office condominiums in certain markets;

government regulations, including changes in the reimbursement levels under the Medicare and Medicaid program resulting from, among other things, the various health care reform initiatives being implemented;

the issues facing the health care industry that affect the operators of our facilities, including UHS, such as: changes in, or the ability to comply with, existing laws and government regulations; unfavorable changes in the levels and terms of reimbursement by third party payors or government programs, including Medicare (including, but not limited to, the potential unfavorable impact of future reductions to Medicare reimbursements resulting from the recently passed Budget Control Act of 2011, as discussed below) and Medicaid (most states have reported significant budget deficits that have resulted in the reduction of Medicaid funding to the operators of our facilities, including UHS, during each of the last several years, and many states may effectuate further reductions in the level of Medicaid funding due to continued projected state budget deficits); demographic changes; the ability to enter into managed care provider agreements on acceptable terms; an increase in uninsured and self-pay patients which unfavorably impacts the collectability of patient accounts; decreasing in-patient admission trends; technological and pharmaceutical improvements that may increase the cost of providing, or reduce the demand for, health care, and; the ability to attract and retain qualified medical personnel, including physicians;

in August, 2011, the Budget Control Act of 2011 (the 2011 Act ) was enacted into law. The 2011 Act imposed annual spending limits for most federal agencies and programs aimed at reducing budget deficits by \$917 billion between 2012 and 2021, according to a report released by the Congressional Budget Office. The 2011 Act provides for new spending on program integrity initiatives intended to reduce fraud and abuse under the Medicare program. Among its other provisions, the law established a bipartisan Congressional committee, known as the Joint Select Committee on Deficit Reduction (the Joint Committee ), which was tasked with making recommendations aimed at reducing future federal budget deficits by an additional \$1.5 trillion over 10 years. The Joint Committee was unable to reach an agreement by the November 23, 2011 deadline and, as a result, across-the-board cuts to discretionary, national defense and Medicare spending were implemented which, if triggered, would result in Medicare payment reductions of up to 2% per fiscal year with a uniform percentage reduction across all Medicare programs starting in 2013. We cannot predict whether Congress will attempt to suspend or restructure the automatic budget cuts or what other deficit reduction initiatives may be proposed by Congress. We also cannot predict the effect this enactment will have on operators (including UHS), and, thus, our business;

**Table of Contents**

three LLCs that own properties in California (one of which was divested subsequent to the third quarter of 2012), in which we have various non-controlling equity interests, could not obtain earthquake insurance at rates which are economically beneficial in relation to the risks covered;

competition for our operators from other REITs;

the operators of our facilities face competition from other health care providers, including physician owned facilities and other competing facilities, including certain facilities operated by UHS but the real property of which is not owned by us. Such competition is experienced in markets including, but not limited to, McAllen, Texas, the site of our McAllen Medical Center, a 428-bed acute care hospital, and Riverside County, California, the site of our Southwest Healthcare System-Inland Valley Campus, a 130-bed acute care hospital;

changes in, or inadvertent violations of, tax laws and regulations and other factors than can affect REITs and our status as a REIT;

should we be unable to comply with the strict income distribution requirements applicable to REITs, utilizing only cash generated by operating activities, we would be required to generate cash from other sources which could adversely affect our financial condition;

our majority ownership interests in various LLCs in which we hold non-controlling equity interests. In addition, pursuant to the operating agreements of most of the LLCs (consisting of substantially all of the LLCs that own MOBs in Arizona, Reno, Nevada and California), the third-party member and the Trust, at any time, have the right to make an offer ( Offering Member ) to the other member(s) ( Non-Offering Member ) in which it either agrees to: (i) sell the entire ownership interest of the Offering Member to the Non-Offering Member ( Offer to Sell ) at a price as determined by the Offering Member ( Transfer Price ), or (ii) purchase the entire ownership interest of the Non-Offering Member ( Offer to Purchase ) at the equivalent proportionate Transfer Price. The Non-Offering Member has 60 days to either: (i) purchase the entire ownership interest of the Offering Member at the Transfer Price, or (ii) sell its entire ownership interest to the Offering Member at the equivalent proportionate Transfer Price. The closing of the transfer must occur within 60 days of the acceptance by the Non-Offering Member;

UHS's 2010 acquisition of Psychiatric Solutions, Inc. and 2012 acquisition of Ascend Health Corporation have required UHS to substantially increase its level of indebtedness, which could, among other things, adversely affect its ability to raise additional capital to fund operations, limit its ability to react to changes in the economy or its industry and could potentially prevent it from meeting its obligations under the agreements related to its indebtedness. If UHS experiences financial difficulties and, as a result, operations of its existing facilities suffer, or UHS otherwise fails to make payments to us, our revenues will significantly decline;

fluctuations in the value of our common shares; and

other factors referenced in this prospectus or in our other filings with the SEC.

Given these uncertainties, risks and assumptions, you are cautioned not to place undue reliance on such forward-looking statements. Our actual results and financial condition, including the operating results of our lessees and the facilities leased to subsidiaries of UHS, could differ materially from those expressed in, or implied by, the forward-looking statements.

Forward-looking statements speak only as of the date the statements are made. We assume no obligation to publicly update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except as may be required by law. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.



---

**Table of Contents**

**THE TRUST**

We are a real estate investment trust, or REIT, that commenced operations in 1986. We invest in health care and human service related facilities including acute care hospitals, behavioral healthcare facilities, rehabilitation hospitals, sub-acute facilities, surgery centers, childcare centers and medical office buildings. As of September 30, 2012, we have fifty-five real estate investments or commitments located in fifteen states consisting of:

seven hospital facilities consisting of three acute care, one behavioral healthcare, one rehabilitation and two sub-acute;

forty-four medical office buildings, including fourteen owned by various jointly-owned LLCs, the majority of which are unconsolidated; and

four pre-school and childcare centers.

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

**THE TRUST'S RELATIONSHIP TO UHS**

UHS' principal business is owning and operating, through its subsidiaries, acute care hospitals, behavioral health centers, surgical hospitals, ambulatory surgery centers and radiation oncology centers. As of October 31, 2012, UHS owned and/or operated 24 acute care hospitals (excluding Auburn Regional Medical Center that was divested in October, 2012) and 197 behavioral health centers (including 9 facilities acquired from Ascend Health Corporation in October, 2012) located in 36 states, Washington, D.C., Puerto Rico and the U.S. Virgin Islands. As part of its ambulatory treatment centers division, UHS manages and/or owns outright or in partnerships with physicians, 6 surgical hospitals and surgery and radiation oncology centers located in 4 states and Puerto Rico.

As of September 30, 2012, UHS had assets of \$7,781,066,000, and, for the nine months ended September 30, 2012, UHS's net revenues were \$5,196,473,000 and net income was \$341,387,000. Net revenues from UHS' acute care hospitals, surgical hospitals, ambulatory surgery centers and radiation oncology centers accounted for 55% and 50% of UHS' consolidated net revenues during the year ended December 31, 2011 and for the nine months ended September 30, 2012, respectively. Net revenues from UHS' behavioral health care facilities accounted for 45% and 50% of its consolidated net revenues during the year ended December 31, 2011 and the nine month period ended September 30, 2012, respectively.

Services provided by UHS' hospitals include general and specialty surgery, internal medicine, obstetrics, emergency room care, radiology, oncology, diagnostic care, coronary care, pediatric services, pharmacy services and/or behavioral health services. UHS provides capital resources as well as a variety of management services to its facilities, including central purchasing, information services, finance and control systems, facilities planning, physician recruitment services, administrative personnel management, marketing and public relations.

*Leases:* We commenced operations in 1986 by purchasing properties of certain subsidiaries from UHS and immediately leasing the properties back to the respective subsidiaries. Most of the leases were entered into at the time we commenced operations and provided for initial terms of 13 to 15 years with up to six additional 5-year renewal terms. The current base rentals and lease and rental terms for each facility are provided below. The base rents are paid monthly and each lease also provides for additional or bonus rents which are computed and paid on a quarterly basis based upon a computation that compares current quarter revenue to a corresponding quarter in the base year. The leases with subsidiaries of UHS are unconditionally guaranteed by UHS and are cross-defaulted with one another.

**Table of Contents**

The combined revenues generated from the leases on the UHS hospital facilities comprised approximately 29% and 30% of our consolidated revenues during the three and nine months ended September 30, 2012, respectively, and 55% and 59% of our consolidated revenues during the three and nine months ended September 30, 2011, respectively. The decreases during the third quarter and the first nine months of 2012, as compared to the comparable quarter and nine months of the prior year, were due primarily to the December, 2011 purchase of the third-party minority ownership interests in eleven LLCs in which we previously held non-controlling majority ownership interests (we began recording the financial results of these entities in our financial statements on a consolidated basis at that time) and various acquisitions of medical office buildings (MOBs) and clinics completed during 2011 and the first quarter of 2012. Including 100% of the revenues generated at the unconsolidated LLCs in which we have various non-controlling equity interests ranging from 33% to 95%, the leases on the UHS hospital facilities accounted for approximately 21% and 18% of the combined consolidated and unconsolidated revenue for the three month periods ended September 30, 2012 and 2011, respectively, and 21% and 19% of the combined consolidated and unconsolidated revenue for the nine months ended September 30, 2012 and 2011, respectively. In addition, fourteen MOBs, twelve of which are owned by LLCs in which we hold either 100% of the ownership interest or various non-controlling, majority ownership interests, include or will include tenants which are subsidiaries of UHS. The leases to the hospital facilities of UHS are guaranteed by UHS and cross-defaulted with one another.

Pursuant to the Master Lease Document by and among us and certain subsidiaries of UHS, dated December 24, 1986 (the Master Lease), which governs the leases of all hospital properties with subsidiaries of UHS, UHS has the option to renew the leases at the lease terms described below by providing notice to us at least 90 days prior to the termination of the then current term. In addition, UHS has rights of first refusal to: (i) purchase the respective leased facilities during and for 180 days after the lease terms at the same price, terms and conditions of any third-party offer, or; (ii) renew the lease on the respective leased facility at the end of, and for 180 days after, the lease term at the same terms and conditions pursuant to any third-party offer. UHS also has the right to purchase the respective leased facilities at the end of the lease terms or any renewal terms at the appraised fair market value. In addition, the Master Lease, as amended during 2006, includes a change of control provision whereby UHS has the right, upon one month's notice should a change of control of the Trust occur, to purchase any or all of the four leased hospital properties listed below at their appraised fair market value.

The table below details the existing lease terms and renewal options for each of the UHS hospital facilities, giving effect to the above-mentioned renewals:

Hospital Name	Type of Facility	Annual Minimum Rent	End of Lease Term	Renewal Term (years)
McAllen Medical Center	Acute Care	\$ 5,485,000	December, 2016	15(a)
Wellington Regional Medical Center	Acute Care	\$ 3,030,000	December, 2016	15(b)
Southwest Healthcare System, Inland Valley Campus	Acute Care	\$ 2,648,000	December, 2016	15(b)
The Bridgeway	Behavioral Health	\$ 930,000	December, 2014	10(c)

- (a) UHS has three 5-year renewal options at existing lease rates (through 2031).
- (b) UHS has one 5-year renewal option at existing lease rates (through 2021) and two 5-year renewal options at fair market value lease rates (2022 through 2031).
- (c) UHS has two 5-year renewal options at fair market value lease rates (2015 through 2024).

We are committed to invest up to a total of \$8.9 million in equity and debt financing, of which \$5.0 million has been funded as of September 30, 2012, in exchange for a 95% non-controlling equity interest in an LLC (Palmdale Medical Properties) that constructed, owns, and operates the Palmdale Medical Plaza, located in Palmdale, California, on the campus of a UHS hospital. This MOB has a triple net, 75% master lease commitment by UHS of Palmdale, Inc., a wholly-owned subsidiary of UHS, pursuant to the terms of which the master lease for each suite will be cancelled at such time that the suite is leased to another tenant acceptable to



---

**Table of Contents**

the LLC and UHS of Palmdale, Inc. This MOB, tenants of which include subsidiaries of UHS, was completed and opened during the third quarter of 2008 at which time the master lease commenced. As of September 30, 2012, the master lease threshold of 75% has not been met. The LLC has a third-party term loan of \$6.3 million, which is non-recourse to us, outstanding as of September 30, 2012. This LLC, which is deemed to be a variable interest entity, is consolidated in our financial statements since we are the primary beneficiary.

We are committed to invest up to \$6.4 million in equity and debt financing, of which \$5.7 million has been funded as of September 30, 2012, in exchange for a 95% non-controlling equity interest in an LLC (Sparks Medical Properties) that owns and operates the Vista Medical Terrace and The Sparks Medical Building, located in Sparks, Nevada, on the campus of a UHS hospital. This LLC has a third-party term loan of \$5.2 million, which is non-recourse to us, outstanding as of September 30, 2012. As this LLC is not considered to be a variable interest entity, it is accounted for pursuant to the equity method.

We are committed to invest up to a total of \$4.4 million in equity and debt financing, of which \$1.7 million has been funded as of September 30, 2012, in exchange for a 95% non-controlling equity interest in an LLC (Texoma Medical Properties) that developed, constructed, owns and operates the Texoma Medical Plaza located in Denison, Texas, which was completed and opened during the first quarter of 2010. This MOB is located on the campus of a newly constructed and recently opened replacement UHS acute care hospital owned and operated by Texoma Medical Center ( Texoma Hospital ), a wholly-owned subsidiary of UHS. Texoma Hospital has committed to lease 75% of this building, pursuant to which the master lease for each suite will be cancelled at such time that the suite is leased to another tenant acceptable to the LLC and Texoma Hospital. It is anticipated that the master lease threshold on this MOB will be met in the near future. This MOB will have tenants that include subsidiaries of UHS. This LLC has a third-party term loan of \$12.9 million, which is non-recourse to us, outstanding as of September 30, 2012. As this LLC is not considered to be a variable interest entity, it is accounted for pursuant to the equity method.

*Advisory Agreement:* UHS of Delaware, Inc. (the Advisor ), a wholly-owned subsidiary of UHS, serves as Advisor to us under an Advisory Agreement (the Advisory Agreement ) dated December 24, 1986. Pursuant to the Advisory Agreement, the Advisor is obligated to present an investment program to us, to use its best efforts to obtain investments suitable for such program (although it is not obligated to present any particular investment opportunity to us), to provide administrative services to us and to conduct our day-to-day affairs. All transactions between us and UHS must be approved by the Trustees who are unaffiliated with UHS (the Independent Trustees ). In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal, tax and other services, for which the Advisor is reimbursed directly by us. The Advisory Agreement may be terminated for any reason upon sixty days written notice by us or the Advisor. The Advisory Agreement expires on December 31 of each year; however, it is renewable by us, subject to a determination by the Independent Trustees, that the Advisor's performance has been satisfactory. The Advisory Agreement was renewed for 2012 at the same terms and conditions as 2011.

The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to 0.65% of our average invested real estate assets, as derived from our consolidated balance sheet. The average real estate assets for advisory fee calculation purposes exclude certain items from our consolidated balance sheet such as, among other things, accumulated depreciation, cash and cash equivalents, base and bonus rent receivables, deferred charges and other assets. The advisory fee is payable quarterly, subject to adjustment at year-end based upon our audited financial statements. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders for each year, as defined in the Advisory Agreement, exceeds 15% of our equity as shown on our consolidated balance sheet, determined in accordance with generally accepted accounting principles without reduction for return of capital dividends. The Advisory Agreement defines cash available for distribution to shareholders as net cash flow from operations less deductions for, among other things, amounts required to discharge our debt and liabilities and reserves for replacement and capital improvements to our properties and investments. No incentive fees were paid during the first nine months of 2012 or 2011 since the incentive fee requirements were not achieved. Advisory fees incurred

**Table of Contents**

and paid (or payable) to UHS amounted to \$540,000 and \$525,000 for the three months ended September 30, 2012 and 2011, respectively, and were based upon average invested real estate assets of \$332 million and \$323 million for the three-month periods ended September 30, 2012 and 2011, respectively. Advisory fees incurred and paid (or payable) to UHS amounted to \$1.6 million and \$1.5 million for the nine months ended September 30, 2012 and 2011, respectively, and were based upon average invested real estate assets of \$327 million and \$303 million for the nine-month periods ended September 30, 2012 and 2011, respectively.

*Officers and Employees:* Our officers are all employees of UHS and although as of September 30, 2012 we had no salaried employees, our officers do receive stock-based compensation from time-to-time. In recognition of the efforts and contributions of our executive officers in connection with the various previously disclosed acquisitions, divestitures and purchases of third-party minority ownership interests in certain majority-owned limited liability companies, as completed at various times during 2011 and the first quarter of 2012, the Compensation Committee of the Board of Trustees of the Trust recommended, and the Board of Trustees of the Trust approved, one-time, special compensation awards to our executive officers in the form of a cash bonus and/or shares of restricted stock. The cash bonuses were paid and the restricted shares were granted during the second quarter of 2012. The restricted shares are scheduled to vest on the second anniversary of the date of grant.

*Share Ownership:* As of September 30, 2012 and December 31, 2011, UHS owned 6.2% of our outstanding shares of beneficial interest.

*SEC reporting requirements of UHS:* UHS is subject to the reporting requirements of the SEC and is required to file annual reports containing audited financial information and quarterly reports containing unaudited financial information. Since the leases on the hospital facilities leased to wholly-owned subsidiaries of UHS comprised approximately 29% and 30% of our consolidated revenues during the three and nine months ended September 30, 2012, respectively, and 55% and 59% of our consolidated revenues during the three and nine months ended September 30, 2011, respectively, and since a subsidiary of UHS is our Advisor, you are encouraged to obtain the publicly available filings for Universal Health Services, Inc. from the SEC's website at [www.sec.gov](http://www.sec.gov). These filings are the sole responsibility of UHS and are not incorporated by reference herein.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following tables set forth our ratio of earnings to fixed charges for the periods indicated on: (i) a basis which includes only the fixed charges reflected on our financial statements, on a consolidated basis, and (ii) a basis which includes the impact of our pro-rata share of the fixed charges incurred by various limited liability companies in which we hold non-controlling equity interests ( Unconsolidated LLCs ). You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, incorporated by reference in this prospectus.

	Nine months ended September 30, 2012	Twelve months ended December 31,				
		2011	2010	2009	2008	2007
Ratio of Earnings to Fixed Charges, as reflected on our financial statements, on a consolidated basis (A.)(C.)	2.6	6.5	10.5	9.7	5.8	10.1
Ratio of Earnings to Fixed Charges, including the impact of our pro-rata share of the fixed charges incurred by the Unconsolidated LLCs (B.)(C.)	1.9	1.7	2.0	2.4	1.8	2.3

(A.) For purposes of computing these ratios, earnings is the sum of net income before equity in income of the Unconsolidated LLCs, gains on replacement property recovered from UHS, gain on divestiture of properties owned by unconsolidated LLCs, net, gain on fair value recognition resulting from the purchase of minority interests in majority-owned LLCs, net, plus distributed income from the Unconsolidated LLCs, fixed charges (other than interest that has been capitalized) and amortization of previously capitalized interest.

Fixed charges consists of interest expense recorded on our consolidated financial statements (including amortization of loan costs) and interest that has been capitalized.

(B.) For purposes of computing these ratios, earnings is the sum of net income before equity in income of the Unconsolidated LLCs gains on replacement property recovered from UHS, gain on divestiture of properties owned by unconsolidated LLCs, net, gain on fair value recognition resulting from the purchase of minority interests in majority-owned LLCs, net, plus distributed income from the Unconsolidated LLCs, fixed charges (other than interest that has been capitalized) and amortization of previously capitalized interest recorded on our consolidated financial statements and our pro-rata share of the amortization of previously capitalized interest by the Unconsolidated LLCs.

Fixed charges consists of interest expense recorded on our consolidated financial statements (including amortization of loan costs) plus our pro-rata share of the interest expense incurred by the Unconsolidated LLCs (including amortization of loan costs), interest that has been capitalized on the consolidated financial statements and the pro-rata share of the interest capitalized by the unconsolidated LLCs and the pro-rata share of an estimate of the interest element of lease rental expense (one-third of lease rental expense) incurred by the Unconsolidated LLCs.

**Table of Contents**

(C.) The following amounts were included in our consolidated results of operations for the periods/years indicated and also included in the earnings used in computing the ratios for both the consolidated basis and the unconsolidated basis, as reflected above:

	Nine months ended September 30, 2012	Twelve months ended December 31,				
		2011	2010	2009	2008	2007
(amounts in thousands)						
Depreciation and amortization expense resulting from gain recorded in 2011 from fair-value recognition of assets and liabilities in connection with purchase of minority interests in majority-owned LLCs, net	(\$ 5,351)	(\$ 368)				
Provision for asset impairment		(5,354)			(4,575)	