

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

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(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES AND EXCHANGE ACT OF 1934 (FEE REQUIRED)  
For the fiscal year ended December 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-9321

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

Maryland  
(State or other jurisdiction of  
incorporation or organization)

Universal Corporate Center 367 South Gulph Road P.O. Box 61558 King of Prussia, Pennsylvania (Address of principal executive offices)	23-6858580 (I.R.S. Employer Identification Number)  19406-0958 (Zip Code)
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Registrant's telephone number, including area code: (610) 265-0688

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

Title of each Class	Name of exchange on which registered
Shares of beneficial interest, \$.01 par value	New York Stock Exchange

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

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

Yes  No

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

Aggregate market value of voting shares held by non-affiliates as of February 1, 1996: \$159,820,481. Number of shares of beneficial interest outstanding of registrant as of February 1, 1996: 8,947,491.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 1996 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1995 (incorporated by reference under Part III).

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PART I

Item 1. BUSINESS

General

The Trust commenced operations on December 24, 1986. As of December 31, 1995, the Trust had investments in fourteen facilities located in nine states. These investments include: (i) ownership of four acute care, one comprehensive rehabilitation and two psychiatric hospitals leased to subsidiaries of Universal Health Services, Inc. ("UHS"); (ii) ownership of one comprehensive rehabilitation hospital leased to a subsidiary of HEALTHSOUTH Corporation; (iii) ownership of one sub-acute care facility leased to THC-Chicago, Inc. ("THC"), an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"); (iv) ownership of one medical office building leased to several tenants including an outpatient surgery center operated by Columbia/HCA Healthcare Corporation ("Columbia"); (v) ownership of a medical office building located on the campus of a hospital owned by Columbia; (vi) ownership of one single tenant and two multi-tenant medical office buildings located in Kingwood, Texas; (vii) a mortgage loan made to Crouse Irving Memorial Properties for the purchase of the real assets of the Madison Irving Medical Center, an ambulatory treatment center, and; (viii) ownership of the real estate assets of Lake Shore Hospital, to which the Trust received free and clear title during the second quarter of 1995. The Trust has been, and will continue to, actively market the property of Lake Shore Hospital in an effort to sell or lease the facility to a qualified operator. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another. The lease to the subsidiary of HEALTHSOUTH Corporation is guaranteed by HEALTHSOUTH Corporation, the lease on the sub-acute care facility to THC is guaranteed by CPC and the leases to the outpatient surgery center and the medical office building on the campus of a Columbia hospital, are guaranteed by Columbia. The lease on the single tenant medical office building located in Kingwood, Texas is guaranteed by Caremark International, Inc.

In January of 1996, the Trust invested \$5 million to acquire a 50% partnership interest in three medical office buildings located on the campus of Desert Samaritan Hospital in Phoenix, Arizona. The three buildings total approximately 219,000 gross square feet and are leased to several tenants including Samaritan Health System and FHP Inc., a health maintenance organization.

The facilities owned by the Trust had an original aggregate purchase price of approximately \$148 million and contain 1,253 licensed beds. The leases with respect to such facilities have fixed terms with an average of five years remaining and provide for renewal options for up to six five-year terms. The initial terms of these leases expire beginning in 1999. Minimum rents are payable based on the initial acquisition costs of the facilities and, with respect to all facilities other than the one leased to THC, additional rents are payable based upon a percentage of each facility's revenue in excess of base year amounts or CPI increases in excess of base year amounts. The lessees have rights of first refusal to purchase the facilities exercisable during and in most cases for 180 days after the expiration of the lease terms and also have

purchase options exercisable upon three to six months notice at the end of each lease term at the facility's fair market value. The combined ratio of earnings (exclusive of certain special Medicaid reimbursements at one of the Trust's facilities located in Texas) before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to minimum rent plus additional rent payable to the Trust of the various hospital facilities owned by the Trust was approximately 4.7, 3.6 and 3.8 for the years ended December 31, 1995, 1994 and 1993, respectively. The combined ratio of EBITDAR (including \$10.4 million in 1995, \$12.4 million in 1994 and \$13.5 million in 1993 of special Medicaid reimbursements received by one of the Trust's facilities located in Texas) to minimum rent plus additional rent payable to the Trust of the various hospital facilities owned by the Trust was approximately 5.3, 4.3 and 4.5 for the years ended December 31, 1995, 1994 and 1993, respectively. The coverage ratio for individual facilities varies (see "Relationship to Universal Health Services, Inc.").

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

Relationship to Universal Health Services, Inc.

Leases. As of December 31, 1995, subsidiaries of UHS leased seven of the nine hospital facilities owned by the Trust with initial terms expiring in 1999 through 2003. 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 5-year periods. These leases accounted for 85% of the total revenue of the Trust for the five years ended December 31, 1995. For the twelve months ended December 31, 1995, one of the UHS facilities did not generate sufficient earnings before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to cover the 1995 rent expense payable to the Trust. The lease on this facility, which matures in 2001, generated 12% of the Trust's 1995 rental income. Three additional UHS facilities had 1995 EBITDAR which was less than 1.5 times the 1995 rent expense payable to the Trust. The leases on these three facilities, which mature in 1999, 2000 and 2001, generated on a combined basis, 22% of the Trust's 1995 rental income. All of the Trust's remaining hospital facilities, including the facilities operated by non-related parties, had 1995 EBITDAR greater than 2.5 times the 1995 rent expense payable to the Trust. Management of the Trust cannot predict whether the leases with subsidiaries of UHS, which have initial renewal options at the existing lease rates, or any of the Trust's other leases, will be renewed at the end of their initial terms.

During the third quarter of 1995, UHS purchased the assets of Westlake Medical Center, ("Westlake") a 126-bed hospital of which the majority of real estate assets were owned by the Trust and leased to UHS. In exchange for the real estate assets of Westlake and the termination of the lease, the Trust received substitution properties valued at approximately \$19 million (the Trust's original purchase price of Westlake) consisting of additional real estate assets which were owned by UHS but related to three acute care facilities, of which the Trust owns the real estate and which are operated by UHS (McAllen Medical Center, Inland Valley Regional Medical Center and Wellington Regional Medical Center). These additional real estate assets represent major additions and expansions made to these facilities by UHS since the purchase of the facilities by the Trust from UHS in 1986. The Trust also purchased from UHS, additional real estate assets related to McAllen Medical Center for approximately \$1.9

million in cash. Total annual base rental payments from UHS to the Trust on the substituted properties will be \$2.4 million which equals the total base and bonus rental earned by the Trust on the Westlake facility during 1994 (\$2.1 million base and \$300,000 bonus). Total annual base rental payments on the additional real estate assets purchased related to McAllen Medical Center will be approximately \$200,000. Bonus rental on the substituted and purchased real estate assets will be equal to 1% of the growth in revenues, in excess of base year amounts, generated by these additional assets. The guarantee by UHS under the existing leases, as amended to include the additional property, will continue.

Pursuant to the terms of the leases with UHS, the lessees have 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. The leases also grant the lessees options, exercisable on at least six months notice, to purchase the respective leased facilities at the end of the lease term or any renewal term at the facility's then fair market value. The terms of the leases also provide that in the event UHS discontinues operations at the leased facility for more than one year, or elects to terminate its lease 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 Trustees who are unaffiliated with UHS (the "Independent Trustees"). However, the purchase options and rights of first refusal granted to the respective lessees to purchase or lease, after the expiration of the lease term, the respective leased facilities may, in addition to adversely affecting the Trust's ability to sell or lease a facility, present a potential conflict of interest between the Trust and UHS since the price and terms offered by a third party are likely to be dependent, in part, upon the financial performance of the facility during the final years of the lease term.

Advisory Agreement. UHS of Delaware, Inc. (the "Advisor"), a wholly-owned subsidiary of UHS, serves as Advisor to the Trust under an Advisory Agreement dated December 24, 1986 between the Advisor and the Trust (the "Advisory Agreement"). Under the Advisory Agreement, the Advisor is obligated to present an investment program to the Trust, to use its best efforts to obtain investments suitable for such program (although it is not obligated to present any particular investment opportunity to the Trust), to provide administrative services to the Trust and to conduct the Trust's day-to-day affairs. In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal and other services, for which the Advisor is reimbursed directly by the Trust. The Advisory Agreement expires on December 31 of each year, however, it is renewable by the Trust, subject to a determination by the Independent Trustees that the Advisor's performance has been satisfactory and to the termination rights of the parties. The Advisory Agreement may be terminated for any reason upon sixty days written notice by the Trust or the Advisor. The Advisory Agreement has been renewed for 1996. All transactions with UHS must be approved by the Independent Trustees.

The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to .60% of the average invested real estate assets of the Trust, as derived from its consolidated balance sheet from time to time. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the

amount by which cash available for distribution to shareholders for each year, 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 1995, 1994 and 1993. 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 December 31, 1995, UHS owned 8% of the outstanding shares of beneficial interest.

#### Competition

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

The Trust may also compete with banks and other companies, including UHS, in the acquisition, leasing and financing of healthcare related facilities. In most geographical areas in which the Trust's facilities operate, there are other facilities which provide services comparable to those offered by the Trust's facilities, some of which are owned by governmental agencies and supported by tax revenues, and others of which are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. Such support is not available to the Trust's facilities. In addition, certain hospitals which are located in the areas served by the Trust's facilities are special service hospitals providing medical, surgical and psychiatric services that are not available at the Trust's hospitals or other general hospitals. The competitive position of a hospital is to a large degree dependent upon the number and quality of staff physicians. Although a physician may at any time terminate his or her affiliation with a hospital, the Trust's hospitals seek to retain doctors of varied specializations on its hospital staffs and to attract other qualified doctors by improving facilities and maintaining high ethical and professional standards. The competitive position of a hospital is also affected by alternative health care delivery systems such as preferred provider organizations, health maintenance organizations and indemnity insurance programs. Such systems normally involve a discount from a hospital's established charges. Outpatient treatment and diagnostic facilities, outpatient surgical centers, and freestanding ambulatory surgical centers also impact the healthcare marketplace.

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

#### Regulation

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

Executive Officers of the Registrant

The executive officers of the Trust are as follows:

Name ----	Age ---	Position -----
Alan B. Miller	58	Chairman of the Board, Chief Executive Officer
Kirk E. Gorman	45	President, Chief Financial Officer, Secretary and Trustee
Charles F. Boyle	36	Vice President and Controller
Cheryl K. Ramagano	33	Vice President and Treasurer
Timothy J. Fowler	40	Vice President, Acquisition and Development

Mr. Alan B. Miller has been Chairman of the Board and Chief Executive Officer of the Trust since its inception in 1986. He served as President of the Trust until March, 1990. Mr. Miller has been Chairman of the Board, President and Chief Executive Officer of UHS since its inception in 1978. Prior thereto, he was President, Chairman of the Board and Chief Executive Officer of American Medicorp, Inc. Mr. Miller also serves as a director of CDI Corp, Genesis Health Ventures, Gmis Inc. and Penn Mutual Life Insurance Company.

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

Mr. Charles F. Boyle was elected Vice President and Controller of the Trust in June, 1991. Mr. Boyle was promoted to Assistant Vice President - Accounting of UHS in 1994 and served as its Director of Corporate Accounting since 1989.

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

Mr. Timothy J. Fowler was elected Vice President, Acquisitions and Development of the Trust upon the commencement of his employment with UHS in October, 1993. Prior thereto, he served as a Vice President of The Chase Manhattan Bank, N.A. since 1986.

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

Item 2. Properties

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

Facility Name and Location	Type of facility	Number of available beds @ 12/31/95	Average Occupancy (1)				
			1995	1994	1993	1992	1991
Chalmette Medical Centers Virtue Street Campus Patricia Street Campus Chalmette, Louisiana (2)	Rehabilitation Acute Care	45 118	57% 67%	92% 66%	81% 68%	81% 69%	81% 69%
Inland Valley Regional Medical Center Wildomar, California (3)	Acute Care	80	49%	45%	50%	53%	62%
McAllen Medical Center McAllen, Texas (3)	Acute Care	407	87%	89%	86%	91%	79%
Wellington Regional Medical Center West Palm Beach, Florida (3)	Acute Care	120	30%	32%	35%	33%	38%
The BridgeWay North Little Rock, Arkansas	Psychiatric	70	65%	61%	57%	54%	63%
Meridell Achievement Center Austin, Texas (4)	Psychiatric	114	65%	47%	44%	61%	81%
Tri-State Regional Rehabilitation Hospital Evansville, Indiana (5)	Rehabilitation	80	59%	61%	71%	78%	70%
THC - Chicago Chicago, Illinois (6)	Sub-Acute Care	67	38%	38%	-	-	-
Fresno - Herndon Medical Plaza Fresno, California (7)	Medical Office Building	-	100%	-	-	-	-
Family Doctor's Medical Office Building Shreveport, Louisiana (8)	Medical Office Building	-	100%	-	-	-	-
Kelsey-Seybold Clinic at King's Crossing Professional Center at King's Crossing Kingwood, Texas (9)	Medical Office Buildings	- -	100% 100%	- -	- -	- -	- -
Crouse Irving Memorial Properties Syracuse, New York (10)	Ambulatory Treatment Center	-	-	-	-	-	-
Lake Shore Hospital Manchester, New Hampshire (11)	Psychiatric	-	-	-	-	-	-

Facility Name and Location	Lease Term		
	Minimum rent	End of initial term	Renewal term (years)
Chalmette Medical Centers Virtue Street Campus	\$1,261,000	1999	25
Patricia Street Campus Chalmette, Louisiana (2)	879,000	2003	15
Inland Valley Regional Medical Center Wildomar, California (3)	1,857,000	2001	30
McAllen Medical Center McAllen, Texas (3)	5,485,000	2001	30
Wellington Regional Medical Center West Palm Beach, Florida (3)	2,495,000	2001	30
The BridgeWay North Little Rock, Arkansas	683,000	1999	25
Meridell Achievement Center Austin, Texas (4)	1,071,000	2000	20
Tri-State Regional Rehabilitation Hospital Evansville, Indiana (5)	1,113,000	1999	25
THC - Chicago Chicago, Illinois (6)	1,065,000	2001	25
Fresno - Herndon Medical Plaza Fresno, California (7)	676,000	1999 - 2003	various
Family Doctor's Medical Office Building Shreveport, Louisiana (8)	175,000	2001	10
Kelsey-Seybold Clinic at King's Crossing	242,000	2004	various
Professional Center at King's Crossing Kingwood, Texas (9)	270,000	2000-2005	various
Crouse Irving Memorial Properties Syracuse, New York (10)	-	-	-
Lake Shore Hospital Manchester, New Hampshire (11)	-	-	-

(1) Average occupancy rate is based on the average number of available beds occupied during the years ended December 31, 1995, 1994, 1993, 1992 and 1991. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for effects of various occupancy levels at the Trust's properties. Average available beds is the number of beds which are actually in service at any given time for immediate patient use with the necessary equipment and staff available for patient care. A hospital may have appropriate licenses for more beds than are in service for a number of reasons, including lack of demand, incomplete construction, and anticipation of future needs.

(2) Chalmette Medical Centers, which was formed at the end of 1989 by the consolidation of two acute care hospitals (Chalmette General Hospital and De La Ronde Hospital), consists of two facilities separated by approximately one mile. Each facility is leased pursuant to a separate lease. The Patricia Street Campus is a 118-bed medical/surgical facility. The Virtue Street Campus is a 48-bed facility made up of a physical rehabilitation unit, skilled nursing and inpatient psychiatric services. No assurance can be given as to the effect of the consolidation on the underlying value of the Virtue Street and Patricia Street Campuses. Rental commitments and the guarantee by UHS under the existing leases continue for the remainder of the respective terms of the leases.

(3) During the third quarter of 1995, UHS purchased the assets of Westlake Medical Center, ("Westlake") a 126-bed hospital of which the majority of real estate assets were owned by the Trust and leased to UHS. In exchange for the real estate assets of Westlake and the termination of the lease, the Trust received substitution properties valued at approximately \$19 million (the Trust's original purchase price of Westlake) consisting of additional real estate assets which were owned by UHS but related to three acute care facilities, of which the Trust owns the real estate and which are operated by UHS (McAllen Medical Center, Inland Valley Regional Medical Center and Wellington Regional Medical Center). These additional real estate assets represent major additions and expansions made to these facilities by UHS since the purchase of the facilities by the Trust from UHS in 1986. The Trust also purchased from UHS, additional real estate assets related to McAllen Medical Center for approximately \$1.9 million in cash. Total annual base rental payments from UHS to the Trust on the substituted properties will be \$2.4 million which equals the total base and bonus rental earned by the Trust on the Westlake facility during 1994 (\$2.1 million base and \$300,000 bonus). Total annual base rental payments on the additional real estate assets purchased related to McAllen Medical Center will be approximately \$200,000. Bonus rental on the substituted and purchased real estate assets will be equal to 1% of the growth in revenues, in excess of base year amounts, generated by these additional assets. The guarantee by UHS under the existing leases, as amended to include the additional property, will continue.

(4) During 1991, the Trust acquired from UHS for approximately \$4.1 million, newly constructed patient buildings on the campus of the facility already owned by the Trust. The buildings are leased back to UHS on substantially the same terms as the lease already governing the Hospital's existing assets.

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

(6) During December of 1993, UHS the former lessee and operator of Belmont Community Hospital, sold the operations of the facility to THC-Chicago, Inc. ("THC"), an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"). Concurrently, the Trust purchased certain related real property from UHS for \$1 million in cash and a note payable with a carrying value of \$1,021,000 at December 31, 1995. The note payable has a face value of \$1 million and is due on December 31, 2001. The amount of interest payable on this note is contingent upon the financial performance of this leased facility and its estimated fair value at the end of the initial lease term. The Trust has estimated the total amount payable under the terms of this note and has discounted the payments to their net present value using a 6% rate. Included in the Trust's 1995 financial results is approximately \$63,000 of interest expense related to this note. In connection with this transaction, UHS's lease with the Trust was terminated and the Trust entered into an eight year lease agreement with THC, which is guaranteed by CPC, for the real property of this facility, now operating as THC-Chicago.

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

(8) During the third quarter of 1995, the Trust purchased for \$1.6 million, a medical office building on the campus of a hospital owned by Columbia/HCA Healthcare Corporation located in Shreveport, Louisiana. The medical office building is currently being leased under the terms of a master lease agreement with Columbia/HCA Healthcare Corporation.

(9) In December of 1994, the Trust agreed to provide construction financing for the Professional Center at Kings Crossing, of which \$1.1 million was advanced during 1994 and \$3.2 million was advanced during 1995. Interest accrued monthly at a margin over the one month LIBOR. During the fourth quarter of 1995, upon completion and occupancy of the properties, the Trust purchased the single tenant and two multi-tenant medical office buildings for the total construction cost of \$4.3 million. The single tenant building consists of 20,000 net square feet and is leased to Kelsey-Seybold, a subsidiary of Caremark International, Inc., for an initial term of 10 years. The two multi-tenant buildings total 27,535 net square feet and are 100% occupied by tenants consisting primarily of medical professionals.

(10) In December of 1993, the Trust provided a \$6.5 million mortgage loan to Crouse Irving Memorial Hospital, a 612 bed general acute care hospital located in Syracuse, New York for the purchase of the real property of the Madison Irving Medical Center, an ambulatory treatment center. The loan has a fifteen year repayment term with principal payments beginning in 1997.

(11) During the second quarter of 1995, the Trust received free and clear title to Lake Shore Hospital, on which the Trust held a mortgage loan receivable. During 1994, the Trust reached a settlement agreement with Lake Shore Hospital, Inc. and Community Care Systems, Inc. concerning the default of their obligations under the Trust's mortgage loan with Lake Shore Hospital. Under the terms of the settlement agreement, the Trust received \$1.5 million in cash payments during 1994, of which \$1,050,000 was included in net income as recovery of investment losses and \$450,000 was reserved for future expenses related to the settlement of the facility. The Trust continues to market the property of Lake Shore Hospital in an effort to sell or lease the facility to a qualified operator.

Item 3. LEGAL PROCEEDINGS

Not Applicable.

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

Not applicable. No matter was submitted during the fourth quarter of the fiscal year ended December 31, 1995 to a vote of security holders.

## PART II

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

The Trust's shares of beneficial interest are listed on the New York Stock Exchange. The high and low closing sales prices for the Trust shares of beneficial interest for each quarter in the two years ended December 31, 1995 are summarized below:

	1995		1994	
	High Price	Low Price	High Price	Low Price
First Quarter	\$ 16 7/8	\$ 15 7/8	\$ 17 3/4	\$ 16 3/8
Second Quarter	\$ 16 7/8	\$ 15 7/8	\$ 17 3/4	\$ 16
Third Quarter	\$ 16 7/8	\$ 16	\$ 17 7/8	\$ 16 3/4
Fourth Quarter	\$ 17 7/8	\$ 16 1/2	\$ 17	\$ 15 7/8

As of February 1, 1996 there were approximately 1,165 shareholders of record of the Trust's shares of beneficial interest. It is the Trust's intention to declare quarterly dividends to the holders of its shares of beneficial interest so as to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Covenants relating to the revolving credit facility limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution unless additional distributions are required to be made as to comply with applicable sections of the Internal Revenue Code and related regulations governing real estate investment trusts. In each of the past five years, dividends per share were declared as follows:

	1995	1994	1993	1992	1991
First Quarter	\$ .42	\$ .415	\$ .415	\$ .40	\$ .375
Second Quarter	.42	.415	.415	.41	.380
Third Quarter	.42	.415	.415	.41	.390
Fourth Quarter	.42	.420	.415	.41	.395
	\$ 1.68	\$ 1.665	\$ 1.66	\$ 1.63	\$1.54
	=====	=====	=====	=====	=====

Item 6. SELECTED FINANCIAL DATA

Financial highlights for the Trust for the years ended December 31, 1995, 1994, 1993, 1992 and 1991 were as follows:

	1995 (1)	1994 (1)	1993 (1)	1992	1991
Revenues	\$20,417,000	\$18,826,000	\$18,263,000	\$19,047,000	\$19,865,000
Net income (loss)	\$13,584,000	\$14,312,000	\$12,259,000	(\$1,782,000)	\$10,795,000
Funds from Operations (2)	\$17,024,000	\$17,501,000	\$14,911,000	\$13,737,000	\$14,166,000
Per Share Data:					
Net income (loss)	\$1.52	\$1.60	\$1.45	(\$0.25)	\$1.53
Dividends	\$1.68	\$1.665	\$1.66	\$1.63	\$1.54

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

(2) Funds from operations, which does not represent cash provided by operating activities as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of the Trust's operating performance or to cash flows as a measure of liquidity, is calculated as follows:

	1995	1994	1993	1992	1991
Net income (loss)	\$ 13,584,000	\$14,312,000	\$12,259,000	(\$ 1,782,000)	\$10,795,000
Depreciation expense	3,315,000	3,127,000	3,023,000	3,052,000	3,078,000
Amortization of interest rate cap	125,000	62,000	--	--	--
Provision for investment losses	--	--	--	12,467,000	350,000
Gain on investment in marketable securities	--	--	--	--	(57,000)
Gain on disposal of assets	--	--	(371,000)	--	--
Total	\$17,024,000	\$17,501,000	\$14,911,000	\$13,737,000	\$14,166,000

At End of Period	1995	1994	1993	1992	1991
Total Assets	\$132,770,000	\$128,907,000	\$126,657,000	\$126,885,000	\$136,369,000
Debt	\$ 26,396,000	\$ 21,283,000	\$ 18,947,000	\$ 49,600,000	\$ 45,845,000

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

Liquidity and Capital Resources

The Trust commenced operations on December 24, 1986. As of December 31, 1995, the Trust had investments in fourteen facilities located in nine states. These investments include: (i) ownership of four acute care, one comprehensive rehabilitation and two psychiatric hospitals leased to subsidiaries of Universal Health Services, Inc. ("UHS"); (ii) ownership of one comprehensive rehabilitation hospital leased to a subsidiary of HEALTHSOUTH Corporation; (iii) ownership of one sub-acute care facility leased to THC-Chicago, Inc. ("THC"), an indirect wholly-owned subsidiary of Community Psychiatric Centers ("CPC"); (iv) ownership of one medical office building leased to several tenants including an outpatient surgery center operated by Columbia/HCA Healthcare Corporation ("Columbia"); (v) ownership of a medical office building located on the campus of a hospital owned by Columbia; (vi) ownership of one single tenant and two multi-tenant medical office buildings located in Kingwood, Texas; (vii) a mortgage loan made to Crouse Irving Memorial Properties for the purchase of the real assets of the Madison Irving Medical Center, an ambulatory treatment center, and; (viii) ownership of the real estate assets of Lake Shore Hospital, to which the Trust received free and clear title during the second quarter of 1995. The Trust has been, and will continue to, actively market the property of Lake Shore Hospital in an effort to sell or lease the facility to a qualified operator. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another. The lease to the subsidiary of HEALTHSOUTH Corporation is guaranteed by HEALTHSOUTH Corporation, the lease on the sub-acute care facility to THC is guaranteed by CPC and the leases to the outpatient surgery center and the medical office building on the campus of a Columbia hospital, are guaranteed by Columbia. The lease on the single tenant medical office building located in Kingwood, Texas is guaranteed by Caremark International, Inc.

In January of 1996, the Trust invested \$5 million to acquire a 50% partnership interest in three medical office buildings located on the campus of Desert Samaritan Hospital in Phoenix, Arizona. The three buildings total approximately 219,000 gross square feet and are leased to several tenants including Samaritan Health System and FHP Inc., a health maintenance organization.

It is the Trust's intention to declare quarterly dividends to the holders of its shares of beneficial interest so as to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Covenants relating to the revolving credit facility limit the Trust's ability to increase dividends in excess of 95% of cash available for distribution unless additional distributions are required to be made to comply with applicable sections of the Internal Revenue Code and related regulations governing real estate investment trusts. During 1995, dividends of \$1.68 per share, or \$15,032,000 in the aggregate, were declared and paid.

Net cash generated by operating activities was \$17.1 million in 1995, \$18.2 million in 1994 and \$14.7 million in 1993. The \$1.1 million net decrease in 1995 as compared to 1994 was attributable to: (i) the \$1.5 million of cash received during 1994 related to the settlement agreement on Lake Shore Hospital; (ii) a

\$300,000 increase in the payment of expenses related to Lake Shore Hospital during 1995 as compared to 1994, and; (iii) a \$700,000 favorable increase in 1995 over 1994 in operating cash flows generated from the remainder of the Trust's portfolio. The \$3.5 million increase in net cash provided by operating activities in 1994 as compared to 1993 was due primarily to the \$1.5 million of cash received during 1994 related to the Lake Shore Hospital settlement and a \$1.4 million decrease in interest paid due to the reduction in the Trust's average outstanding borrowings and lower effective interest rates together with the timing of 1992 accrued interest which was paid in early 1993.

During 1995, the \$17.1 million of cash flows generated from operations and the \$5.1 million of additional borrowings were used primarily to: (i) pay dividends (\$15.0 million); (ii) purchase additional real property including three medical office buildings (\$4.8 million, net), and; (iii) purchase additional assets at hospitals operated by UHS and owned by the Trust (\$1.9 million) (see Note 3). During 1994, the \$18.2 million of cash flows generated from operations were used primarily to pay dividends (\$14.9 million) and purchase the real property of a medical building held for lease (\$6.3 million). During 1993, the Trust generated \$14.7 million from operations, \$32.6 million from the issuance of an additional 1.9 million shares of beneficial interest at \$18.25 per share and \$3.2 million from the sale of the real estate assets of a psychiatric facility. These funds were used primarily to repay indebtedness under the Trust's revolving credit facility (\$31.6 million), pay dividends (\$14.1 million), invest in a mortgage loan receivable and acquire additional real estate assets.

In December of 1994, the Trust agreed to provide construction financing for the Professional Center at Kings Crossing, of which \$1.1 million was advanced during 1994 and \$3.2 million was advanced during 1995. Interest accrued monthly at a margin over the one month LIBOR. During the fourth quarter of 1995, upon completion and occupancy of the properties, the Trust purchased the single tenant and two multi-tenant medical office buildings for the total construction cost of \$4.3 million. The single tenant building consists of 20,000 net square feet and is leased to Kelsey-Seybold, a subsidiary of Caremark International, Inc., for an initial term of 10 years. The two multi-tenant buildings total 27,535 net square feet and are 100% occupied by tenants consisting primarily of medical professionals.

During the third quarter of 1995, the Trust purchased for \$1.6 million, a medical office building located on the campus of a hospital owned by Columbia/HCA Healthcare Corporation located in Shreveport, Louisiana. The medical office building is currently being leased under the terms of a master lease agreement with Columbia/HCA Healthcare Corporation.

The Trust has a \$45 million non-amortizing revolving credit agreement (the "Agreement") which provides for interest at the Trust's option, at the certificate of deposit rate plus 3/4%, Eurodollar rate plus 3/4% or the prime rate. A fee of 3/8% is required on the unused portion of this commitment. As of December 31, 1995, the Trust has approximately \$20 million of unused borrowing capacity under its revolving credit facility. The Agreement matures on February 28, 1997 at which time all amounts then outstanding are required to be repaid. The Agreement contains a provision whereby the commitments will be reduced by 50% of the proceeds of any new equity offering.

The Trust has entered into interest rate swap agreements and an interest rate cap agreement to reduce the impact of changes in the interest rates on its floating rate revolving credit notes. The Trust has three outstanding swap

agreements, two in the amount of \$5 million each which mature in April, 1997 and May, 1999, and another in the amount of \$1,580,000 which matures in May, 2001. These swap agreements effectively fix the interest rate on \$11,580,000 million of variable rate debt at 7.55%. The interest rate cap, for which the Trust paid \$622,750, matures in June, 1999 and fixes the maximum rate on \$15 million of variable rate revolving credit notes at 7.75%. The interest rate swap and cap agreements were entered into in anticipation of certain borrowing transactions made by the Trust during 1994, 1995 and 1996. The Trust is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap and cap agreements. These counterparties are major financial institutions and the Trust does not anticipate nonperformance by the counterparties, which are rated A or better by Moody's Investors Service. At December 31, 1995, termination of the interest rate swaps would have resulted in payments to the counterparties of approximately \$450,000 and termination of the interest rate cap would have resulted in a payment to the Trust of approximately \$100,000.

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

#### Results of Operations

Total revenues increased 9% (\$1.6 million) to \$20.4 million in 1995 over 1994 and 3% (\$563,000) to \$18.8 million in 1994 over 1993. The \$1.6 million increase during 1995 was attributable to: (i) a \$224,000 increase in base rental from UHS facilities resulting from the purchase by the Trust of additional real estate assets related to McAllen Medical Center and the additional base rental generated from the Westlake Medical Center swap transaction (see Note 3), (ii) a \$1.1 million increase in base rental from non-related parties resulting from the acquisitions of medical office buildings in November of 1994 and the third and fourth quarters of 1995 (see Note 3), (iii) a \$144,000 increase in bonus rentals, which are computed as a percentage of each facility's revenue in excess of base year amounts or CPI increases in excess of base year amounts, and; (iv) a \$125,000 increase in interest income.

The \$563,000 increase in net revenue during 1994 as compared to 1993 was attributable to: (i) a \$194,000 increase in total base rentals resulting from a \$1 million increase in base rentals from non-related parties partially offset by a \$812,000 decrease in base rentals from UHS facilities (see below); (ii) an increase of \$307,000 in interest income consisting of \$663,000 of interest earned on the \$6.5 million mortgage loan advanced in December of 1993, partially offset by a \$320,000 decrease in the interest earned under the terms of the construction loan which was fully repaid during the third quarter of 1994, and; (iii) a \$62,000 increase in bonus rentals. The decrease in the base rentals from UHS facilities and corresponding increase in base rentals from non-related parties is due to the increase in the invested real estate assets and the lease rate of an acute care facility which was sold by UHS, the former owner and operator, to THC in December, 1993.

Approximately \$104,000, \$124,000 and \$130,000 of the Trust's 1995, 1994 and 1993 bonus rentals, respectively, were attributable to special Medicaid reimbursement programs which relate to an acute care hospital owned by the Trust. The facility, which participates in the Texas Medical Assistance Program, became eligible and received additional reimbursements from the state's disproportionate share hospital fund since the facility met certain conditions of participation and served a disproportionately high share of the state's low income patients. Pursuant to the terms of this program, as renewed for the period of September, 1995 through August, 1996, the annual bonus rental payments to the Trust related to revenues generated under this program will be reduced to approximately \$40,000 per year. This program is scheduled to terminate in August, 1996 and the Trust cannot predict whether this program will continue beyond the scheduled termination date.

For the twelve months ended December 31, 1995, one of the UHS facilities did not generate sufficient earnings before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to cover the 1995 rent expense payable to the Trust. The lease on this facility, which matures in 2001, generated 12% of the Trust's 1995 rental income. Three additional UHS facilities had 1995 EBITDAR which was less than 1.5 times the 1995 rent expense payable to the Trust. The leases on these three facilities, which mature in 1999, 2000 and 2001, generated on a combined basis, 22% of the Trust's 1995 rental income. All of the Trust's remaining hospital facilities, including the facilities operated by non-related parties, had 1995 EBITDAR greater than 2.5 times the 1995 rent expense payable to the Trust. Management of the Trust cannot predict whether the leases with subsidiaries of UHS, which have initial renewal options at the existing lease rates, or any of the Trust's other leases, will be renewed at the end of their initial terms. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another.

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

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

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

In addition to the trends described above that continue to have an impact on the revenues of the Trust's facilities, there are a number of other, more general factors affecting the Trust's facilities. Both the House of Representatives and the Senate have passed legislation providing for substantial Medicare savings over a seven year period, including reductions in payments to hospitals, which would limit the rate of growth of the program. The House of Representatives and the Senate bills have not yet been reconciled and the ultimate legislation will be subject to Presidential approval. Management of the Trust cannot predict what new legislation may ultimately be enacted, and if enacted, no assurance can be given that the implementation of such reforms will not have a material adverse effect on the operating results of the Trust's facilities. In Texas, a law has been passed which mandates that the state senate apply for a waiver from current Medicaid regulations to allow the state to require that certain Medicaid participants be serviced through managed care providers. Management of the Trust is unable to predict whether Texas will be granted such a waiver or the effect on the operating results of the Trust's Texas facilities of such a waiver.

Interest expense increased \$679,000 or 59% in 1995 over 1994 due primarily to the increased borrowings used to finance the purchase of the medical office buildings in Kingwood, Texas and Shreveport, Louisiana and the purchase of an additional \$1.9 million of real assets related to McAllen Medical Center. Also contributing to the increased interest expense in 1995 as compared to 1994 was the \$6.3 million of additional borrowings used to finance the purchase of the Fresno-Herndon Medical Plaza in November of 1994. Interest expense decreased \$759,000 in 1994 as compared to 1993, due to lower average outstanding borrowings and lower effective interest rates.

Depreciation and amortization expense increased \$100,000 or 3% in 1995 as compared to 1994 due to: (i) a \$188,000 increase in depreciation expense related primarily to the purchase of the medical office buildings and additional real assets purchased in 1995, as mentioned above, and a full year of depreciation expense recorded on the Fresno-Herndon MOB which was purchased by the Trust in December of 1994, and; (ii) an \$88,000 decrease in amortization of financing costs due to 1994 including \$79,000 of accelerated amortization of financing costs related to the old revolving credit agreement. Depreciation and amortization expense increased \$142,000 or 5% in 1994 as compared to 1993 due primarily to the \$79,000 of amortization expense recorded in 1994 related to the amortization of the old revolving credit agreement financing costs and increased

depreciation expense on the \$1.9 million of additional real estate assets purchased by the Trust in December of 1993 related to its sub-acute care facility in Chicago, Illinois leased to THC.

Other operating expenses increased \$262,000 or 64% in 1995 as compared to 1994 due primarily to the expenses related to the Fresno-Herndon Medical Plaza which was acquired by the Trust in November of 1994. These expenses, which are passed on directly to the tenants of the Medical Plaza, are included as revenue in the Trust's statements of income.

Included in the financial results for 1994, as recorded as recovery of investment losses, was \$1,234,000 consisting of: (i) \$1.5 million of cash payments received related to the Lake Shore Hospital settlement agreement partially offset by a \$450,000 increase in the reserve established for future expenses related to the settlement of Lake Shore Hospital, and; (iii) \$184,000 of proceeds received during 1994 related to an investment in marketable equity securities which was written down to zero in a prior year. As of December 31, 1995, the balance in the Lake Shore Hospital reserve account was \$158,000. Included in the financial results for 1993 was a \$371,000 gain on the disposition of a psychiatric facility sold by the Trust during the first quarter of 1993.

Net income for 1995 was \$13.6 million or \$1.52 per share, compared to \$14.3 million or \$1.60 per share in 1994 and \$12.3 million or \$1.45 per share in 1993.

Funds from operations ("FFO"), which is the sum of net income plus depreciation expense, amortization of interest rate cap expense, provision for investment losses, less gain on disposal of assets and marketable securities, totaled \$17.0 million in 1995, \$17.5 million in 1994 and \$14.9 million in 1993. 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.

#### Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Not applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information to appear under the caption "Election of Trustees" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1995. See also "Executive Officers of the Registrant" appearing in Part I hereof.

Item 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information under the caption "Executive Compensation" and "Compensation Pursuant to Plans" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1995.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT

There is hereby incorporated by reference the information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1995.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information under the caption "Transactions With Management and Others" in the Trust's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 1995.

PART IV

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

(a) Financial Statements and Financial Statement Schedules:

- 1) Report of Independent Public Accountants
- 2) Financial Statements  
Balance Sheets - December 31, 1995 and December 31, 1994.  
Statements of Income - Years Ended December 31, 1995, 1994 and 1993.  
Statements of Changes in Shareholders' Equity - Years Ended December 31, 1995, 1994 and 1993.  
Statements of Cash Flows - Years Ended December 31, 1995, 1994 and 1993.  
Notes to Financial Statements - December 31, 1995

- (3) Schedules  
Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 1995, 1994 and 1993.  
Schedule III - Real Estate and Accumulated Depreciation - December 31, 1995. Notes to Schedule III - December 31, 1995.

- (b) Reports on Form 8-K:  
No reports on Form 8-K were filed during the last quarter of the year ended December 31, 1995.

(c) Exhibits:

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

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

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

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

10.2 Agreement effective January 1, 1996, to renew Advisory Agreement dated as of December 24, 1986 between Universal Health Realty Income Trust and UHS of Delaware, Inc.

10.3 Contract of Acquisition, dated as of August 1986, between the Trust and certain subsidiaries of Universal Health Services, Inc., previously filed as Exhibit 10.2 to Amendment No. 3 of the Registration Statement on Form S-11 and S-2 of Universal Health Services, Inc. and the Trust (Registration No. 33-7872), is incorporated herein by reference.

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

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

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

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

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

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

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

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

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

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

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

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

10.16 Agreement for Purchase and Sale and Repurchase Agreement dated as of November 4, 1994 between Fresno-Herndon Partners, Limited and Universal Health Realty Income Trust, previously filed as Exhibit 10.16 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.

10.17 Agreement of Purchase and Sale, and Construction Loan Agreement dated as of December 20, 1994 between Turner Adreac, L.C. and Universal Health Realty Income Trust, previously filed as Exhibit 10.17 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference.

10.18 Sale Agreement, dated as of September 1, 1995, by and among Universal Health Realty Income Trust and Desert Commercial Properties Limited Partnership.

10.19 Operating Agreement of DSMB Properties, L.L.C., dated as of September 1, 1995, by and among Universal Health Realty Income Trust and Desert Commercial Properties Limited Partnership.

10.20 Agreement and Escrow Instructions, dated as of August 15, 1995, by and between Phase III Desert Samaritan Medical Building Partners and Desert Commercial Properties Limited Partnership.

## 27 Financial Data Schedule

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

SIGNATURES

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

Date: March 14, 1996

UNIVERSAL HEALTH REALTY INCOME TRUST

(Registrant)

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

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

Date	Signature and Title
----	-----
March 14, 1996	/s/ Alan B. Miller ----- Alan B. Miller, Chairman of the Board and Chief Executive Officer
March 14, 1996	/s/ Kirk E. Gorman ----- Kirk E. Gorman, President, Chief Financial Officer, Secretary and Trustee
March 15, 1996	/s/ Peter Linneman ----- Peter Linneman, Trustee
March 18, 1996	/s/ Myles H. Tanenbaum ----- Myles H. Tanenbaum, Trustee
March 15, 1996	/s/ Michael R. Walker ----- Michael R. Walker, Trustee
March 15, 1996	/s/ Daniel M. Cain ----- Daniel M. Cain, Trustee
March 14, 1996	/s/ Charles F. Boyle ----- Charles F. Boyle, Vice President and Controller
March 14, 1996	/s/ Cheryl K. Ramagano ----- Cheryl K. Ramagano, Vice President and Treasurer
March 15, 1996	/s/ Timothy J. Fowler ----- Timothy J. Fowler, Vice President, Acquisitions and Development

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Report of Independent Public Accountants

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

We have audited the accompanying balance sheets of Universal Health Realty Income Trust (a Maryland real estate investment trust) as of December 31, 1995 and 1994 and the related statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements and the schedules referred to below are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Universal Health Realty Income Trust, as of December 31, 1995 and 1994 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

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

Arthur Andersen LLP

Philadelphia, Pennsylvania  
January 17, 1996

Universal Health Realty Income Trust  
Balance Sheets

	December 31,	
	1995	1994
Assets:		
-----		
Real Estate Investments:		
Buildings & improvements	\$129,961,000	\$119,587,000
Accumulated depreciation	(22,986,000)	(22,646,000)
	-----	-----
	106,975,000	96,941,000
Land	17,927,000	23,482,000
Mortgage loans receivable, net	6,444,000	6,440,000
Construction loan note receivable, net	--	1,143,000
Reserve for investment losses	(158,000)	(490,000)
	-----	-----
Net Real Estate Investments	131,188,000	127,516,000
Other Assets:		
Cash	139,000	2,000
Bonus rent receivable from UHS	606,000	621,000
Rent receivable from non-related parties	13,000	68,000
Construction and mortgage loan interest receivable	--	3,000
Deferred charges, net	516,000	697,000
Deposits	308,000	--
	-----	-----
	\$132,770,000	\$128,907,000
	=====	=====
Liabilities and Shareholders' Equity:		
-----		
Liabilities:		
Bank borrowings	\$25,375,000	\$20,320,000
Note payable to UHS	1,021,000	963,000
Accrued interest	157,000	117,000
Accrued expenses & other liabilities	676,000	698,000
Tenant reserves, escrows, deposits and prepaid re	544,000	364,000
Commitments and Contingencies		
Shareholders' Equity:		
Preferred shares of beneficial interest, \$.01 par value; 5,000,000 shares authorized; none outstanding	--	--
Common shares, \$.01 par value; 95,000,000 shares authorized; issued and outstanding: 8,947,192 shares in 1995 and 1994	89,000	89,000
Capital in excess of par value	128,643,000	128,643,000
Cumulative net income	83,996,000	70,412,000
Cumulative dividends	(107,731,000)	(92,699,000)
	-----	-----
Total Shareholders' Equity	104,997,000	106,445,000
	-----	-----
	\$132,770,000	\$128,907,000
	=====	=====

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

Universal Health Realty Income Trust  
Statements of Income

	Year ended December 31,		
	1995	1994	1993
Revenues (Note 2):			
-----			
Base rental - UHS facilities	\$13,491,000	\$13,267,000	\$14,079,000
Base rental - Non-related parties	3,195,000	2,097,000	1,091,000
Bonus rental	2,773,000	2,629,000	2,567,000
Interest	958,000	833,000	526,000
	-----	-----	-----
	20,417,000	18,826,000	18,263,000
	-----	-----	-----
Expenses:			
-----			
Depreciation & amortization	3,382,000	3,282,000	3,140,000
Interest expense	1,825,000	1,146,000	1,905,000
Advisory fees to UHS (Note 2)	953,000	909,000	880,000
Other operating expenses	673,000	411,000	450,000
Recovery of investment losses	--	(1,234,000)	--
	-----	-----	-----
	6,833,000	4,514,000	6,375,000
	-----	-----	-----
Income before gain on disposal of assets	13,584,000	14,312,000	11,888,000
Gain on disposal of assets	--	--	371,000
	-----	-----	-----
Net Income	\$13,584,000	\$14,312,000	\$12,259,000
	=====	=====	=====
Net Income Per Share	\$1.52	\$1.60	\$1.45
	=====	=====	=====
Weighted average number of shares and equivalents	8,947,000	8,947,000	8,457,000
	=====	=====	=====

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

Universal Health Realty Income Trust  
 Statements of Changes in Shareholders' Equity  
 For the Years Ended December 31, 1995, 1994 and 1993

	Common Shares		Capital in excess of par value	Cumulative net income	Cumulative dividends
	Number of Shares	Amount			
January 1, 1993	7,047,192	\$70,000	\$96,092,000	\$43,841,000	(\$63,738,000)
Net Income	--	--	--	12,259,000	--
Dividends (\$1.66/share)	--	--	--	--	(14,064,000)
Net proceeds from issuance of shares of beneficial interest	1,900,000	19,000	32,551,000	--	--
January 1, 1994	8,947,192	89,000	128,643,000	56,100,000	(77,802,000)
Net Income	--	--	--	14,312,000	--
Dividends (\$1.665/share)	--	--	--	--	(14,897,000)
January 1, 1995	8,947,192	89,000	128,643,000	70,412,000	(92,699,000)
Net Income	--	--	--	13,584,000	--
Dividends (\$1.68/share)	--	--	--	--	(15,032,000)
December 31, 1995	8,947,192	\$89,000	\$128,643,000	\$83,996,000	(\$107,731,000)

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

Universal Health Realty Income Trust  
Statements of Cash Flows

	Year ended December 31,		
	1995	1994	1993
Cash flows from operating activities:			
Net income	\$13,584,000	\$14,312,000	\$12,259,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation & amortization	3,382,000	3,282,000	3,140,000
Provision for investment losses	--	450,000	--
Amortization of interest rate cap	125,000	62,000	--
Loss (gain) on disposal of assets	--	15,000	(371,000)
Gain on investment in marketable securities	--	(184,000)	--
Changes in assets and liabilities:			
Rent receivable	70,000	80,000	(161,000)
Accrued expenses & other liabilities	(22,000)	57,000	137,000
Tenant escrows, deposits & prepaid rents	180,000	92,000	--
Construction & mortgage loan interest receivable	3,000	11,000	488,000
Accrued interest	40,000	78,000	(477,000)
Reserve for investment losses	(332,000)	(37,000)	(173,000)
Deferred charges & other	43,000	(19,000)	(114,000)
Net cash provided by operating activities	17,073,000	18,199,000	14,728,000
Cash flows from investing activities:			
Sale of real property	--	40,000	3,218,000
Acquisition of real property	(7,794,000)	(6,340,000)	(2,062,000)
Advances under construction note receivable	(3,190,000)	(1,727,000)	(6,103,000)
Repayments under construction note receivable	4,333,000	2,759,000	8,612,000
Proceeds from investments in marketable securities	--	184,000	--
Other	(308,000)	272,000	--
Advances under mortgage loan receivable	--	--	(6,500,000)
Net cash used in investing activities	(6,959,000)	(4,812,000)	(2,835,000)
Cash flows from financing activities:			
Additional borrowings, net of financing costs	5,055,000	2,091,000	--
Repayment of debt	--	--	(31,560,000)
Purchase of interest rate cap	--	(623,000)	--
Dividends paid	(15,032,000)	(14,897,000)	(14,064,000)
Proceeds from issuance of shares of beneficial interest, net	--	--	32,570,000
Net cash used in financing activities	(9,977,000)	(13,429,000)	(13,054,000)
Increase (decrease) in cash	137,000	(42,000)	(1,161,000)
Cash, beginning of period	2,000	44,000	1,205,000
Cash, end of period	\$139,000	\$2,000	\$44,000
Supplemental disclosures of cash flow information:			
Interest paid	\$1,602,000	\$1,012,000	\$2,382,000

Supplemental disclosures of non-cash investing and financing activities:  
See Notes 3 and 5

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

Universal Health Realty Income Trust  
Notes to Financial Statements  
December 31, 1995

(1) Summary of Significant Accounting Policies

Nature of Operations

Universal Health Realty Income Trust (the "Trust") is organized as a Maryland real estate investment trust. As of December 31, 1995 the Trust had investments in fourteen facilities located in nine states consisting of investments in healthcare and human service related facilities including acute care hospitals, psychiatric hospitals, rehabilitation hospitals, sub-acute care facilities, surgery centers and medical office buildings, some of which are leased to subsidiaries of Universal Health Services, Inc., ("UHS").

Federal Income Taxes

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

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

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

Real Estate Properties

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

It is the Trust's 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. In 1995, the Financial Accounting Standards Board released Statement of Financial Accounting Standards (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." The Statement requires the recognition of an impairment loss for an asset held for use when the estimate of undiscounted future cash flows expected to be generated by the asset is less than its carrying amount. Measurement of the impairment loss is based on fair value of the asset. Generally, fair value will be determined using valuation techniques

such as the present value of expected future cash flows. The Trust will adopt the provisions of SFAS No. 121 in 1996, however, the Trust does not expect the adoption of the SFAS No. 121 to have a material impact on its financial statements.

#### Per Share Data

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

#### Statements of Cash Flows

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

#### Interest Rate Protection Agreements

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

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (2) Related Party Transactions

UHS of Delaware, Inc. (the "Advisor"), a wholly-owned subsidiary of UHS, serves as Advisor to the Trust under an Advisory Agreement dated December 24, 1986 between the Advisor and the Trust (the "Advisory Agreement"). Under the Advisory Agreement, the Advisor is obligated to present an investment program to the Trust, to use its best efforts to obtain investments suitable for such program (although it is not obligated to present any particular investment opportunity to the Trust), to provide administrative services to the Trust and to conduct the Trust's day-to-day affairs. In performing its services under the Advisory Agreement, the Advisor may utilize independent professional services, including accounting, legal and other services, for which the Advisor is reimbursed directly by the Trust. The Advisory Agreement expires on December 31 of each year; however, it is renewable by the Trust, subject to a determination by the Independent Trustees that the Advisor's performance has been satisfactory and to the termination rights of the parties. The Advisory Agreement may be terminated

for any reason upon sixty days written notice by the Trust or the Advisor. The Advisory Agreement has been renewed for 1996. All transactions with UHS must be approved by the Independent Trustees.

The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to .60% of the average invested real estate assets of the Trust, as derived from its consolidated balance sheet from time to time. In addition, the Advisor is entitled to an annual incentive fee equal to 20% of the amount by which cash available for distribution to shareholders, as defined in the Advisory Agreement, for each year exceeds 15% of the Trust's equity as shown on its balance sheet, determined in accordance with generally accepted accounting principles without reduction for return of capital dividends. No incentive fees were paid during 1995, 1994 and 1993. The advisory fee is payable quarterly, subject to adjustment at year end based upon audited financial statements of the Trust.

For the years ended December 31, 1995, 1994 and 1993, 79%, 83% and 91%, respectively, of the Trust's gross revenues were earned under the terms of the leases with wholly-owned subsidiaries of UHS. UHS has unconditionally guaranteed the obligations of its subsidiaries under these leases. For the twelve months ended December 31, 1995, one of the UHS facilities did not generate sufficient earnings before interest, taxes, depreciation, amortization and lease and rental expense (EBITDAR) to cover the 1995 rent expense payable to the Trust. The lease on this facility, which matures in 2001, generated 12% of the Trust's 1995 rental income. Three additional UHS facilities had 1995 EBITDAR which was less than 1.5 times the 1995 rent expense payable to the Trust. The leases on these three facilities, which mature in 1999, 2000 and 2001, generated on a combined basis, 22% of the Trust's 1995 rental income. All of the Trust's remaining hospital facilities, including the facilities operated by non-related parties, had 1995 EBITDAR greater than 2.5 times the 1995 rent expense payable to the Trust. Management of the Trust cannot predict whether the leases with subsidiaries of UHS, which have initial renewal options of the existing lease rates, or any of the Trust's other leases, will be renewed at the end of their initial terms. The leases to the subsidiaries of UHS are guaranteed by UHS and are cross-defaulted with one another.

Revenues received from UHS and from other non-related parties were as follows:

	Year Ended December 31,		
	1995	1994	1993
Base rental - UHS facilities	\$13,491,000	\$13,267,000	\$14,079,000
Base rental - Non-related parties	3,195,000	2,097,000	1,091,000
Total base rental	16,686,000	15,364,000	15,170,000
Bonus rental - UHS facilities	2,552,000	2,414,000	2,474,000
Bonus rental - Non-related parties	221,000	215,000	93,000
Total bonus rental	2,773,000	2,629,000	2,567,000
Interest - Non-related parties	958,000	833,000	526,000
Total revenues	\$20,417,000	\$18,826,000	\$18,263,000

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

### (3) Acquisitions and Dispositions

1996 - In January of 1996, the Trust invested \$5 million to acquire a 50% partnership interest in three medical office buildings located in the Campus of Desert Samaritan Hospital in Phoenix, Arizona. The three buildings total approximately 219,000 gross square feet and are leased to several tenants including the Samaritan Health System and FHP Inc., a health maintenance organization.

1995 - During the third quarter of 1995, the Trust sold the real estate assets of Westlake Medical Center ("Westlake") a 126-bed hospital, of which the majority of real estate assets were owned by the Trust and leased to UHS. In exchange for the real estate assets of Westlake and the termination of the lease, the Trust received substitution properties valued at approximately \$19 million (the Trust's original purchase price of Westlake) consisting of additional real estate assets which were owned by UHS but related to three acute care facilities, of which the Trust owns the real estate and which are operated by UHS (McAllen Medical Center, Inland Valley Regional Medical Center and Wellington Regional Medical Center). These additional real estate assets represent major additions and expansions made to these facilities by UHS since the purchase of the facilities by the Trust from UHS in 1986. The Trust also purchased from UHS, additional real estate assets related to McAllen Medical Center for approximately \$1.9 million in cash. Total annual base rental payments from UHS to the Trust on substituted properties will be \$2.4 million which equals the total base and bonus rental earned by the Trust on the Westlake facility during 1994 (\$2.1 million base and \$300,000 bonus). Total annual base rental payments on the additional real estate assets purchased related to McAllen Medical Center will be approximately \$200,000. Bonus rental on the substituted and purchased real estate assets will be equal to 1% of the growth in revenues, in excess of base year amounts, generated by these additional assets. The guarantee by UHS under the existing leases, as amended to include the additional property, will continue.

During the third quarter of 1995, the Trust purchased for \$1.6 million, a medical office building located on the campus of a hospital owned by Columbia/HCA Healthcare Corporation located in Shreveport, Louisiana. The medical office building is currently being leased under the terms of a master lease agreement with Columbia/HCA Healthcare Corporation.

In December of 1994, the Trust agreed to provide construction financing for the Professional Center at Kings Crossing, of which \$1.1 million was advanced during 1994 and \$3.2 million was advanced during 1995. Interest accrued monthly at a margin over the one month LIBOR. During the fourth quarter of 1995, upon completion and occupancy of the properties, the Trust purchased the single tenant and two multi-tenant medical office buildings for the total construction cost of \$4.3 million. The single tenant building consists of 20,000 net square feet and is leased to Kelsey-Seybold, a subsidiary of Caremark International, Inc., for an initial term of 10 years. The two multi-tenant buildings total 27,535 net square feet and are 100% occupied by tenants consisting primarily of medical professionals.

1994 - In November of 1994, the Trust purchased the Fresno-Herndon Medical Plaza located in Fresno, California, for \$6.3 million. The 37,800 square foot medical office building is leased to seven tenants, including an outpatient surgery

center operated by Columbia/HCA Healthcare Corporation, under the terms of leases with expiration dates ranging from November, 1999 to March, 2003. The Trust has granted the seller the option to repurchase the property in November, 2001 for \$7,250,000.

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

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

Also during 1993, the Trust purchased for approximately \$1.1 million, a 20-bed addition added to the Tri-State Regional Rehabilitation Hospital located in Evansville, Indiana.

(4) Leases

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

Minimum future base rents on noncancelable leases are as follows:

1996	\$ 17,271,000
1997	17,305,000
1998	17,338,000
1999	17,391,000
2000	14,256,000
Later Years	16,959,000
	-----
Total Minimum Base Rents	\$100,520,000
	=====

Under the terms of the hospital leases, the lessees are required to pay all operating costs of the properties including property insurance and real estate

taxes. Tenants of the Fresno-Herndon Medical Plaza and the Professional Buildings at Kingwood are required to pay their pro-rata share of the property's operating costs above a stipulated amount.

(5) Debt

The Trust has a \$45 million non-amortizing revolving credit agreement (the "Agreement") which provides for interest at the Trust's option, at the certificate of deposit rate plus 3/4%, Eurodollar rate plus 3/4% or the prime rate. A fee of 3/8% is required on the unused portion of this commitment. There are no compensating balance requirements. The Agreement matures on February 28, 1997 at which time all amounts then outstanding are required to be repaid. The Agreement contains a provision whereby the commitments will be reduced by 50% of the proceeds generated from any new equity offering. At December 31, 1995, the Trust had approximately \$20 million of unused borrowing capacity.

The average amounts outstanding under the revolving credit agreement during 1995, 1994 and 1993 were \$21,589,000, \$15,218,000, \$21,400,000, respectively, with corresponding effective interest rates, including commitment fees but not including the effect of interest rate swaps of 7.2%, 5.3%, and 4.5%. The maximum amounts outstanding at any month end were \$25,375,000, \$20,320,000, and \$47,565,000 during 1995, 1994 and 1993, respectively.

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

The Trust has entered into interest rate swap agreements and a interest rate cap agreement which are designed to reduce the impact of changes in interest rates on its floating rate revolving credit notes. The Trust has three outstanding swap agreements, two in the amount of \$5 million each which mature in April, 1997, and May, 1999, and another in the amount of \$1,580,000 which matures May, 2001. These swap agreements effectively fix the interest rate on \$11,580,000 of variable rate debt at 7.55%. The interest rate cap, for which the Trust paid \$622,750, (unamortized premium of \$436,000 at December 31, 1995) matures in June, 1999 and fixes the maximum rate on \$15 million of variable rate revolving credit notes at 7.75%. The interest rate swap and cap agreements were entered into in anticipation of certain borrowing transactions made by the Trust during 1994, 1995 and 1996. The effective rate on the Trust's revolving credit notes including commitment fees and interest rate swap expense was 7.5%, 6.7%, and 8.3% during 1995, 1994 and 1993, respectively. Additional interest expense recorded as a result of the Trust's hedging activity was \$69,000, \$109,000, and \$411,000 in 1995, 1994 and 1993, respectively. The Trust is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap and cap agreements. These counterparties are major financial institutions and the Trust does not anticipate nonperformance by the counterparties which are rated A or better by Moody's Investors Service. Termination of the interest rate swaps at December 31, 1995 would have resulted in payments to the counterparties of approximately \$450,000 and termination of the interest rate cap would have resulted in a payment to the Trust of approximately \$100,000. The fair value of

the interest rate swap and cap agreements at December 31, 1995 reflects the estimated amounts that the Trust would pay or receive to terminate the contracts and one based on quotes from the counterparties.

#### (6) Dividends

Dividends of \$1.68 per share were declared and paid in 1995, of which \$1.575 per share was ordinary income and \$.105 was a return of capital distribution. Dividends of \$1.665 per share were declared and paid in 1994, of which \$1.528 was ordinary income and \$0.137 was a return of capital distribution. Dividends of \$1.66 per share were declared and paid in 1993, of which \$0.75 was ordinary income, \$0.81 was a return of capital distribution and \$0.10 was capital gain to the shareholders for income tax purposes.

#### (7) Financing

During the fourth quarter of 1993, the Trust funded \$6.5 million for the purchase of the real assets of the Madison Irving Medical Center, by Crouse Irving Memorial Properties, located in Syracuse, New York. The loan, which can be prepaid without penalty at any time, has a fifteen-year repayment term. The Trust has received prepaid commitment fees related to this mortgage note receivable totaling \$65,000. The unearned portion (\$56,000 as of December 31, 1995) is being recognized as income over the fifteen-year repayment term. The loan accrues interest monthly at a margin over the one month LIBOR or at a margin over the five-year Treasury rate. The interest rate is selected at the borrower's option. Interest on the mortgage loan, including amortization of prepaid commitment fees, accrued at an average rate of 11.5% during 1995 and 9.8% during 1994.

During the second quarter of 1995, the Trust received free and clear title to Lake Shore Hospital, on which the Trust held a mortgage loan receivable. During 1994, the Trust reached a settlement agreement with Lake Shore Hospital, Inc. and Community Care Systems, Inc. concerning the default of their obligations under the Trust's mortgage loan with Lake Shore Hospital. Under the terms of the settlement agreement, the Trust received \$1.5 million in cash payments during 1994, of which \$1,050,000 was included in net income as recovery of investment losses and \$450,000 was reserved for future expenses related to the settlement of the facility. The Trust continues to market the property of Lake Shore Hospital in an effort to sell or lease the facility to a qualified operator.

#### (8) Incentive Plans

During 1988, the Trustees approved a Key Employees' Restricted Share Purchase Plan. Under the terms of this plan, which expires in 1998, up to 50,000 shares have been reserved for issuance to key employees (47,500 shares available for grant as of December 31, 1995). Eligible employees may purchase shares of the Trust at par value subject to certain restrictions. The restrictions lapse over four years if the employee remains employed by the Trust.

In 1991, the Trustees adopted a share compensation plan for Trustees who are neither employees nor officers of the Trust ("Outside Trustees"). Pursuant to the plan, each Outside Trustee may elect to receive, in lieu of all or a portion of the quarterly cash compensation for services as a Trustee, shares of the Trust based on the closing price of the shares on the date of issuance. As of December 31, 1995, no shares have been issued under the terms of this plan.

During 1992, the Trust amended the 1988 Non-Statutory Stock Option Plan to increase the number of shares reserved under the plan from 50,000 to 200,000. As of December 31, 1995, options to purchase 95,000 shares of beneficial interest were outstanding, of which 85,000 were granted to officers of the Trust during 1992 at an exercise price of \$16.875 per share and 10,000 were granted to an officer of the Trust during 1993 at an exercise price of \$16.125. As of December 31, 1995, none of the options had been exercised. As of December 31, 1995, all of the options were exercisable at an aggregate purchase price of \$1,595,625.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation." The Statement encourages a fair value based method of accounting for employee stock options and similar equity instruments, which generally would result in the recording of additional compensation expense in an entity's financial statements. The Statement also allows an entity to continue to account for stock-based employee compensation using the intrinsic value based method in APB Opinion No. 25. The Trust intends to continue its accounting for equity instruments using APB No. 25. As a result, beginning in 1996, the Trust will be required to make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied.

(9) Sale of Marketable Securities

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

(10) Quarterly Results (Unaudited)

1995					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$4,914,000	\$5,129,000	\$5,215,000	\$5,159,000	\$20,417,000
Net Income	\$3,303,000	\$3,452,000	\$3,451,000	\$3,378,000	\$13,584,000
Earnings Per Share	\$0.37	\$0.39	\$0.38	\$0.38	\$1.52

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

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

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

Description -----	Balance at beginning of period -----	Charged to costs and expenses -----	Other -----	Balance at end of period -----
Reserve for Investment Losses:				
Year ended December 31, 1995	\$490,000 =====	-- =====	(\$332,000)(a) =====	\$158,000 =====
Year ended December 31, 1994	\$77,000 =====	\$450,000 =====	(\$37,000)(a) =====	\$490,000 =====
Year ended December 31, 1993	\$250,000 =====	-- =====	(\$173,000)(a) =====	\$77,000 =====

(a) Amounts charged against the reserve.

Schedule III  
 Universal Health Realty Income Trust  
 Real Estate and Accumulated Depreciation - December 31, 1995  
 (amounts in thousands)

Description	Initial Cost to Universal Health Realty Income Trust		Cost capitalized subsequent to acquisition		Gross amount at which carried at close of period		
	Land	Building & Improv.	Land & Improv.	Carrying Costs	Land	Building & Improvements	Total
Chalmette Medical Centers Virtue Street Campus	\$1,825	\$9,445	--	--	\$1,770	\$9,445	\$11,215
Patricia Street Campus Chalmette, Louisiana	2,000	7,473	--	--	2,000	7,473	9,473
Inland Valley Regional Medical Center Wildomar, California	2,050	10,701	2,868	--	2,050	13,569	15,619
McAllen Medical Center McAllen, Texas	4,720	31,442	10,188	--	6,281	40,069	46,350
Wellington Regional Medical Center West Palm Beach, Florida	1,190	14,652	4,822	--	1,663	19,001	20,664
The Bridgeway North Little Rock, Arkansas	150	5,395	499	--	150	5,894	6,044
Meridell Achievement Center Austin, Texas	1,350	3,782	4,139	--	1,350	7,921	9,271
Tri-State Rehabilitation Hospital Evansville, Indiana	500	6,945	1,062	--	500	8,007	8,507
THC - Chicago Chicago, Illinois	158	6,404	1,907	--	158	8,311	8,469
Fresno-Herndon Medical Plaza Fresno, California	1,073	5,266	24	--	1,073	5,290	6,363
Family Doctor's Medical Office Building Shreveport, Louisiana	54	1,526	--	--	54	1,526	1,580
Kelsey-Seybold Clinic at King's Crossing	439	1,618	--	--	439	1,618	2,057
Professional Center at King's Crossing Kingwood, Texas	439	1,837	--	--	439	1,837	2,276
<b>TOTALS</b>	<b>\$15,948</b>	<b>\$106,486</b>	<b>\$25,509</b>	<b>\$ --</b>	<b>\$17,927</b>	<b>\$129,961</b>	<b>\$147,888</b>

Description	Accumulated Depreciation as of Dec. 31, 1995	Date of construction or most recent significant expansion or renovation	Date Acquired	Average Depreciable Life
Chalmette Medical Centers Virtue Street Campus	\$2,434	1975	1986	35 Years
Patricia Street Campus Chalmette, Louisiana	1,705	1981	1988	34 Years
Inland Valley Regional Medical Center Wildomar, California	2,186	1986	1986	43 Years
McAllen Medical Center McAllen, Texas	6,426	1994	1986	42 Years
Wellington Regional Medical Center West Palm Beach, Florida	2,999	1986	1986	42 Years
The Bridgeway North Little Rock, Arkansas	1,496	1983	1986	35 Years
Meridell Achievement Center Austin, Texas	1,868	1991	1986	28 Years
Tri-State Rehabilitation Hospital Evansville, Indiana	1,210	1993	1989	40 Years
THC - Chicago Chicago, Illinois	2,504	1993	1986	25 Years
Fresno-Herndon Medical Plaza Fresno, California	128	1992	1994	45 Years
Family Doctor's Medical Office Building Shreveport, Louisiana	17	1991	1995	45 Years
Kelsey-Seybold Clinic at King's Crossing	9	1995	1995	45 Years
Professional Center at King's Crossing Kingwood, Texas	4	1995	1995	45 Years
	----- \$22,986 =====			
TOTALS				

Universal Health Realty Income Trust  
Notes to Schedule III  
December 31, 1995

(1) Reconciliation of Real Estate Properties

The following table reconciles the Real Estate Properties from January 1, 1993 to December 31, 1995:

	1995 -----	1994 -----	1993 -----
Balance at January 1	\$143,069,000	\$136,784,000	\$137,033,000
Acquisitions	7,794,000	6,340,000	2,969,000
Dispositions	(2,975,000)(a)	(55,000)	(3,218,000)
	-----	-----	-----
Balance at December 31	\$147,888,000 =====	\$143,069,000 =====	\$136,784,000 =====

(2) Reconciliation of Accumulated Depreciation

The following table reconciles the Accumulated Depreciation from January 1, 1993 to December 31, 1995:

	1995 -----	1994 -----	1993 -----
Balance at January 1	\$22,646,000	\$19,519,000	\$16,867,000
Current year depreciation expense	3,315,000	3,127,000	3,023,000
Dispositions	(2,975,000)(a)	--	(371,000)
	-----	-----	-----
Balance at December 31	\$22,986,000 =====	\$22,646,000 =====	\$19,519,000 =====

(a) The real property of Westlake Medical Center (original cost of approximately \$20 million and accumulated depreciation of approximately \$3 million) was exchanged during 1995 for additional real estate assets (valued at approximately \$20 million) of three acute care facilities owned by the Trust and operated by UHS. The swapping of these assets was accounted for as an exchange, and therefore no gain was recognized.

The aggregate cost basis and net book value of the properties for Federal income tax purposes at December 31, 1995 are approximately \$137,000,000 and \$113,000,000, respectively.

INDEX TO EXHIBITS

- 10.2 Agreement, effective January 1, 1996, to renew Advisory Agreement dated as of December 24, 1986 between Universal Health Realty Income Trust and UHS of Delaware, Inc.
- 10.18 Sale Agreement, dated as of September 1, 1995, by and among Universal Health Realty Income Trust and Desert Commercial Properties Limited Partnership.
- 10.19 Operating Agreement of DSMB Properties, L.L.C., dated as of September 1, 1995, by and among Universal Health Realty Income Trust and Desert Commercial Properties Limited Partnership.
- 10.20 Agreement and Escrow Instructions, dated as of August 15, 1995, by and between Phase III Desert Samaritan Medical Building Partners and Desert Commercial Properties Limited Partnership.
- 27. Financial Data Schedule.

January 10, 1996

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

Dear Alan:

The Board of Trustees of Universal Health Realty Income Trust at their December 1, 1995, meeting authorized the renewal of the current Advisory Agreement between the Trust and UHS of Delaware, Inc. ("Agreement") upon the same terms and conditions.

This letter constitutes the Trust's offer to renew the Agreement until December 31, 1996, upon the same terms and conditions. Please acknowledge UHS of Delaware, Inc.'s acceptance of this offer by signing in the space provided below and returning one copy of this letter to me.

Sincerely yours,

/s/ Kirk E. Gorman

-----  
Kirk E. Gorman  
President and Secretary

KEG/jds

cc: Warren J. Nimetz, Esquire  
Charles Boyle

Agreed to and Accepted:

UHS of Delaware, Inc.

By: /s/ Alan B. Miller

-----  
Alan B. Miller, President

SALE AGREEMENT

(Desert Samaritan Medical Buildings I and II)

This AGREEMENT is entered into effective the 1st day of September, 1995, by and between DESERT COMMERCIAL PROPERTIES LIMITED PARTNERSHIP, an Arizona limited partnership ("Seller") and UNIVERSAL HEALTH REALTY INCOME TRUST, a Maryland real estate investment trust ("Buyer"):

RECITALS

A. Seller: (1) holds the tenant's/lessee's interest (the "Ground Lease Interest") under those ground leases described on Exhibit "B" attached hereto (the "Ground Leases"), applicable to that real property described on Exhibit "A" attached hereto (the "Real Property"); (2) owns, subject to the terms of the Ground Leases, certain of the fixtures and improvements located on the Real Property (the "Improvements"); (3) holds the landlord's/lessor's interest (the "Tenant Lease Interests") under all tenant leases ("Tenants") for sublease of the Real Property and Improvements ("Tenant Leases"), together with the security deposits paid by such Tenants pursuant to those Tenant Leases (the "Security Deposits"); (4) holds an interest under certain service and other contracts applicable to the Real Property and Improvements (the "Contract Interests"); and (5) owns or holds an interest in certain personal property ("Personal Property") and intangible property and other rights appurtenant to the Real Property and Improvements (the "Intangible Property"), with the Ground Lease Interest, Improvements, Tenant Lease Interests, Deposits, Contract Interests, Personal Property and Intangible Property sometimes referred to herein as the "Property".

B. That portion of the Property commonly known as Desert Samaritan Medical Building I, located at 1450 South Dobson Road, Mesa, Arizona, is sometimes referred to herein as "Building I", and that portion of the Property commonly known as Desert Samaritan Medical Building II, located at 1500 South Dobson Road, Mesa, Arizona, is sometimes referred to herein as "Building II".

C. Certain of the Property is encumbered by that \$11,500,000.00 original principal amount loan (the "Loan") made by United States Leasing International, Inc. ("Lender") to Seller, evidenced by Promissory Note dated September 15, 1993, secured by, among other things, Deed of Trust, Security Agreement, Assignment of Leases and Rents, Fixture Filing and Financing Statement dated September 15, 1993, and recorded September 16, 1993 as Instrument No. 93-0626122, Office of the Maricopa County Recorder, Arizona and related documents (the "Loan Documents").

D. Seller desires to sell and transfer to Buyer, and Buyer desires to purchase and accept transfer from Seller, of an undivided 10.720% ownership in the Property, exclusive of the encumbrance of or any liability for the Loan (the "Subject Interest"), on the terms and conditions set forth herein

TERMS AND CONDITIONS

NOW, THEREFORE, for and in consideration of the mutual covenants and provisions set forth herein, and other good and valuable consideration, the receipt of which by all parties is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Sale. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Subject Interest on the terms and conditions set forth in this Agreement.

2. Purchase price. The purchase price payable by Buyer to Seller for the Subject Interest is One Million, Seven Hundred Forty-One Thousand, Four Hundred Thirty-One and No/100 Dollars (\$1,741,431.00) (the "Purchase Price"), payable in cash at Closing (as herein defined). The Purchase Price shall be allocated to the Property as set forth on Exhibit "C" attached hereto.

3. Closing. Closing pursuant to this Agreement, shall take place effective as of \_\_\_\_\_, 1995 (the "Closing"). At Closing, Seller and Buyer shall:

A. Take all acts, and execute all documents, necessary to transfer the Subject Interest from Seller to Buyer, including:

- (1) Assignment of Leasehold Interest, in the form of Exhibit "D" attached hereto, conveying the Ground Lease Interest portion of the Subject Interest;
- (2) Special Warranty Deed in the form of Exhibit "E" attached hereto, conveying the Subject Interest portion of the Improvements.
- (3) Affidavit of Property Value, as required by Arizona law.
- (4) Non-Foreign Affidavit (in compliance with Section 1445 of the Internal Revenue Code) in the form of Exhibit "F" attached hereto.
- (5) Rent Roll, in the form of Exhibit "G" attached hereto, completed to reflect current status of all Tenant Leases and Deposits.

- (6) Assignment and Assumption of Leases and Contracts, in the form of Exhibit "H" attached hereto, as to the Subject Interest portion of all Tenant Lease Interests, Deposits and Contract Interests.
- (7) Bill of Sale in the form of Exhibit "I" attached hereto, as to the Subject Interest portion of all Personal Property.
- (8) Assignment of Rights in the form of Exhibit "J" attached hereto as to the Subject Interest portion of all Intangible Property.

B. Prorations. All income and expense items (excluding the Loan and principal and interest payments thereon, but including any real estate tax, insurance and similar impound payments or accounts) applicable to the Subject Interest shall be prorated between Seller and Buyer as of the Closing (based on the latest available information, to be updated and reprorated when actual information becomes known), such that Seller is entitled to all income and bears all expenses for the period up to Closing, and Buyer is entitled to all income and bears all expenses for the period from and after Closing; provided that no prorations shall be made for the Loan. Specific proration items include:

- (1) Real estate taxes, prorated based on 1994 figures if 1995 figures are not known as of Closing, to be reprorated when 1995 figures become known.
- (2) The Subject Interest portion of all Deposits, to be transferred to or for the account of Buyer.
- (3) All rents and other Tenant payments (including expense overage and impounds) prorated based on scheduled payments required under Tenant Leases.

C. Loan Liability. The Subject Interest shall not include, and neither the provisions of this Agreement nor any document executed in connection therewith shall in any way obligate or be interpreted so as to have Buyer assume or in any way be responsible for, any liability under the Loan. As a material consideration for Buyer's purchase of the Subject Interest, Seller agrees, from and after Closing, to in all respects be liable for and timely pay each and all of the payments required under the Loan and Loan Documents (the "Loan Payment Obligation"), excepting only impound or similar payments for real estate taxes, insurance and other payments or performances related to ownership and operation of the Property and not to the Loan or any payments required in connection therewith (including but not limited to principal, interest, late charges, default interest, prepayment penalties, costs, attorneys' fees, advancement cost and similar matters).

D. Non-Consent. Buyer acknowledges review of provisions of the Loan Documents, including but not limited to the restrictions on transfer and further encumbrance without the Lender's approval (the "Transfer Restrictions"). Seller and Buyer acknowledge and agree the Subject Interest shall be transferred from Seller to Buyer at Closing without compliance with the Transfer Restrictions, with each of Seller and Buyer hereby releasing the other from any and all claims or liability deriving from any non-compliance by Seller or Buyer with the Transfer Restrictions to the extent applicable to transfer of the Subject Interest pursuant to this Agreement, but without releasing Seller from the Loan Payment Obligation.

E. Authorization. Seller and Buyer shall each provide to the other appropriate evidence of their authority to execute this Agreement and all documents referenced herein ("Related Documents"), and to perform each and all of their obligations thereunder.

F. Survival. The provisions of this paragraph 3 shall survive the Closing.

G. Feasibility. Prior to or concurrently with the full execution of this Agreement, Seller has delivered or caused to be delivered to Buyer the following:

- (1) A title commitment in favor of Buyer in the amount of the Purchase Price issued by a title insurance company mutually acceptable to Buyer and Seller that commits to issue Buyer a standard owners' policy of title insurance at the Closing insuring that Buyer is the owner of the Subject Interest and that lists all exceptions to title to the Subject Interest;
- (2) Legible copies of all documents evidencing the exceptions to title to the Subject Interest which are set forth in the aforementioned title commitment;
- (3) Any environmental reports or assessments affecting the Property;
- (4) The rent roll, as of the date of this Agreement and any other information pertaining to the tenancies and operations of the Property that is in Seller's possession and which Buyer requests in writing.

Buyer shall have the right to terminate this Agreement if, in its sole discretion, it does not approve of the matters set forth above by sending written notice of such termination prior to the expiration of the fifth day after its receipt of all such matters. In the event of such a termination, Buyer and Seller shall have no further obligations to each other under this Agreement.

H. Title Policy. At the Closing, Seller shall cause to be issued to Buyer a standard owners' title insurance policy in the amount of the Purchase Price insuring that Buyer is the owner of the Subject Interest subject only to those matters set forth in the commitment for title insurance referenced in Section 3.G above. This title insurance policy shall include an endorsement allowing the benefits of the coverage to be transferred at no additional cost to any limited liability company formed by Buyer and Seller and to which the Property is conveyed.

4. Representations. Seller and Buyer each represent and warrant to the other that:

A. They are duly organized pursuant to their organizational documents, with full power and authority to enter into and perform each and all of their obligations under this Agreement and Documents.

B. Execution of this Agreement, and Related Documents, and performance of each and all of their obligations thereunder, does not breach or contravene any agreement, law or other arrangement by which they are bound.

C. Seller has disclosed to Buyer, and Buyer has reviewed or had the opportunity to review, all pertinent materials and information pertaining to the Property, including but not limited to physical condition, zoning, title, tenancies, environmental compliances, and related matters.

5. Commissions. Seller and Buyer each represent to the other that no broker has been involved with the transaction evidenced by this Agreement, other than CB Commercial Real Estate, and each agrees to indemnify and hold the other harmless from for and against any commission or other fee claimed by a third party as a result of its acts or failure to act. Seller shall be solely responsible for any commission due CB Commercial.

6. Attorneys' Fees. In the event of any litigation between the parties hereto arising out of this Agreement, all reasonable attorneys' fees, costs and related expenses shall be awarded to the prevailing party therein, and such attorneys' fees, costs and expenses shall be included in any judgment obtained by the prevailing party.

7. Invalidity. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited hereunder, such provision shall be ineffective to the extent of such prohibition or invalidation but shall not invalidate the remainder of such provision or the remaining provisions of this Agreement.

8. Successors. This Agreement shall be binding upon and inure to the benefit of the successors in interest and assigns of the parties hereto, provided, however, that: (a) Buyer shall not in any way transfer any of its interest under this Agreement without the prior written consent of Seller; and (b) Seller shall not in any way transfer any of its interest under this Agreement without the prior written consent of Buyer.

9. Entire Agreement. This Agreement contains the entire agreement of the parties hereto with respect to the matters set forth herein, and supersedes all prior arrangements and understandings between the parties, and no other agreement, statement or promise made by either party hereto which is not contained herein shall be binding or valid.

10. Controlling Law. This Agreement shall be construed and interpreted under, and governed and enforced according to the laws of the State of Arizona.

11. Notices. Any and all notices or demands by or from the parties hereto shall be in writing and deemed given upon personal receipt, or if served by certified mail, seventy-two (72) hours after deposit in the United States mail, postage prepaid, to the address set forth below, or any other addresses duly noticed in accordance with this paragraph.

12. Tax Deferred Exchange. Buyer ("Accommodator") shall cooperate with Seller ("Requesting Party") in effectuating disposition of the Property pursuant to a tax deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as and if amended (an "Exchange"), subject to the following limitations:

A. The Requesting Party shall have the right to proceed with an Exchange at any time prior to the Closing Date, provided it gives reasonable advance notice of its desire to have Accommodator participate in the Exchange, together with each and all of the documents to be executed by Accommodator with respect to the Exchange.

B. Neither the Closing, nor consummation of any other aspect of this Agreement, shall in any way be predicated or conditioned on the Exchange or completion thereof.

C. Any documents to be executed by Accommodator in connection with an Exchange shall not cause Accommodator to incur any additional cost, expense or liability.

D. Accommodator shall have the right, as a condition to participation in the Exchange, to require Requesting Party to provide advance payment to Accommodator of the reasonably anticipated extra costs, including attorneys' fees, to be incurred by Accommodator solely by reason of participation in the Exchange.

E. Accommodator does not make any representation or warranty to Requesting Party or any other third party, including state or federal tax authorities, that the Exchange will qualify for any particular or deferred tax treatment.

F. Requesting Party shall indemnify and hold Accommodator harmless for, from and against any and all liability, damages, or costs, including actual attorneys' fees, incurred or that may be incurred by Accommodator by virtue of Accommodator's participation in the Exchange.

G. The Exchange shall not in any way limit, terminate or otherwise affect all or any of any party's rights or obligations, under this Agreement.

13. Exhibits. Exhibits "A" through "J" attached are by this reference incorporated herein.

IN WITNESS WHEREOF, this Agreement has been executed on the day and year first set forth above.

SELLER

DESERT COMMERCIAL PROPERTIES LIMITED  
PARTNERSHIP, an Arizona limited partnership

By: ROKMAR CAPITAL, L.L.C., an Arizona limited  
liability company, its Managing General Partner

By: /s/ XXXXXXXXXXXX

Its: Manager

Tax I.D. No. 95-4266623

Address: 2525 East Camelback Road,  
Suite 950  
Phoenix, Arizona 85016  
Telephone: (602) 275-7500  
Facsimile: (602) 912-8945

BUYER

UNIVERSAL HEALTH REALTY INCOME TRUST, a  
Maryland real estate investment trust

By: /s/ XXXXXXXX

-----  
Its: Vice President

-----  
Tax I.D. No. 23-6858580

Address:           367 South Gulph Road  
                    King of Prussia, Pennsylvania 19406  
                    Telephone: (610) 265-0688  
                    Facsimile: (610) 768-3318

LIST OF EXHIBITS

Exhibits	Description
"A"	Legal Description of Real Property
"B"	Ground Leases
"C"	Purchase Price Allocation
"D"	Assignment of Leasehold Interest
"E"	Special Warranty Deed
"F"	Rent Roll
"G"	Non-Foreign Affidavit
"H"	Assignment and Assumption of Leases and Contracts
"I"	Bill of Sale
"J"	Assignment of Rights

OPERATING AGREEMENT

OF

DSMB PROPERTIES, L.L.C.

This OPERATING AGREEMENT OF DSMB PROPERTIES, L.L.C. (the "Agreement") is entered into effective as of the 1st day of September, 1995 (the "Effective Date"), by and among UNIVERSAL HEALTH REALTY INCOME TRUST, a Maryland real estate investment trust ("UHT"), and DESERT COMMERCIAL PROPERTIES LIMITED PARTNERSHIP, an Arizona limited partnership ("DCP").

SECTION 1.

DEFINITIONS

1.1. DEFINED TERMS. Unless otherwise stated, the terms used in this Agreement shall have the usual and customary meanings associated with their use, and shall be interpreted in the context of this Agreement. The following terms when used in this Agreement and capitalized shall have the meanings stated below:

"ACT" means the Arizona Limited Liability Company Act, as set forth in Arizona Revised Statutes ss.ss.29-601, et seq., as amended from time to time (or any corresponding provisions of succeeding law).

"AFFILIATE" means, with respect to any Person: (i) any Person directly or indirectly controlling, controlled by or under common control with such Person; (ii) any Person owning or controlling ten percent or more of the outstanding voting securities of such Person; (iii) any officer, director or general partner of such Person; (iv) any person referred to in Sections 267(B) and (C), 414, 707 (B) (substituting 10% for 50% whenever such appears therein), 1563, and 4975 (E)(2), (3), (4), (5) and (6), of the Code; or (v) any Person who is an officer, director, general partner, trustee or holder of ten percent or more of the voting securities of any Person described in clauses (i) through (iv) of this sentence.

"ANNUAL BUDGET" means a budget for each fiscal year of the Company (or portion thereof) approved by all Members and including, among other items, the following: (i) an operating budget; (ii) a capital improvement budget; (iii) a reserve utilization schedule for capital improvements; (iv) parameters for Leasing (including lease rates, tenant improvement allowances and similar matters); and (v) a schedule for distributions. The initial Annual Budget, for the period through December 31, 1995 will be approved by all Members prior to any acquisition of any Property by the Company.

"ARTICLES" means the Articles of Organization of the Company as adopted and amended from time to time by the Members and filed (initial filing on September 9, 1995) with the Arizona Corporation Commission.

"BUILDING I" means that real property (interest of "Tenant" under Building I Ground Lease), improvements located thereon, and rights and other personal property appurtenant thereto, described on Exhibit "A-1" attached hereto.

"BUILDING II" means that real property (interest of "Tenant" under Building II Ground Lease), improvements located thereon, and rights and other personal property appurtenant thereto, described on Exhibit "A-2" attached hereto.

"BUILDING III" means that real property (interest of "Tenant" under Building III Ground Lease), improvements located thereon, and rights and other personal property appurtenant thereto, described on Exhibit "A-3" attached hereto.

"BUILDING I GROUND LEASE" means that Ground Lease, as amended, for Building I as described on Exhibit "B-1" attached hereto.

"BUILDING II GROUND LEASE" means that Ground Lease, as amended, for Building II as described on Exhibit "B-2" attached hereto.

"BUILDING III GROUND LEASE" means that Ground Lease, as amended, for Building III as described on Exhibit "B-3" attached hereto.

"BUILDING(S)" means Building I, Building II and/or Building III, as appropriate.

"BUILDING III PURCHASE AGREEMENT" means that Agreement and Escrow Instructions for the Purchase and Sale of Certain Assets dated September 1, 1995, as amended, by and between Phase III Desert Samaritan Medical Building Partners as "Seller" and DCP as "Buyer", for the purchase and sale of Building III, including assignment of the interest of "Tenant" under the Building III Ground Lease.

"CAPITAL ACCOUNT" means, with respect to any Member, the Capital Account maintained for such Member in accordance with Regulations Section 1.704-1(b). In the event the Company shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with such Regulations, the Company may, upon mutual approval of the Members, make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member upon the dissolution of the Company. The Company also shall: (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes in accordance with Regulations Section 1.704-1(b) (2)(iv)(q); and (ii) make any appropriate modification in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

"CAPITAL CONTRIBUTION" means, with respect to any Member, the total amount of cash or net fair market value (as mutually agreed upon by the Members) of any property (other than cash) contributed to the Company with respect to the Interest in the Company held by such Member.

"CASH AVAILABLE FROM OPERATIONS" means any cash held by the Company, whether generated from operating, financing, or investment activity, which exceeds the amount needed for: (i) prudent operation of the Company; and (ii) investments and prudent reserves, all consistent with the then applicable Annual Budget (including required installment payments on Financing and Member Loans), but in any event excluding Net Financing Proceeds and Net Sales Proceeds.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

"COMPANY" means the limited liability company formed pursuant to this Agreement and the limited liability company continuing the business of this Company in the event of dissolution as herein provided.

"COMPANY DEBT" means any debt of the Company (including Financing and Member Loans) whether or not secured by Company Property.

"COMPANY MINIMUM GAIN" has the meaning set forth in Regulations Section 1.704-2(b)(2).

"CONTRIBUTION BALANCE" means, with respect to each Member, the aggregate of all Capital Contributions made by such Member, less the aggregate of all Distributions to such Member constituting or characterized as a return of Capital Contributions pursuant to Sections 4.1.2(b) and 4.1.3(c).

"DISTRIBUTIONS" means the distributions by the Company to the Members pursuant to Section 4.

"EXISTING FINANCING" means the current financing in favor of United States Leasing, International, Inc. encumbering Building I and Building II, as evidenced by the Promissory Note dated September 15, 1993, in the original principal amount of \$11,500,000.00, and also secured or evidenced by Deed of Trust, Security Agreement, Assignment of Leases and Rents, Fixture Filing and Financing Statement dated September 15, 1993, and recorded September 16, 1993, at Instrument No. 93-0626122, Office of the Maricopa County Recorder, Arizona, and related documents.

"FINANCING" means any finance or refinance of all or any portion of the Project.

"FINANCING PROCEEDS" means the proceeds payable to or for the benefit of the Company from a Financing.

"GROSS PROCEEDS" means the gross price payable by a buyer participating in a Sale, before any deductions for closing costs, commissions or other items.

"GROUND LEASE(S)" means the Building I Ground Lease, Building II Ground Lease and/or Building III Ground Lease, as appropriate.

"INITIAL CAPITAL CONTRIBUTION" means the Capital Contribution in property and/or cash made or to be made by the Members in the amounts and at the times required in accordance with Section 3.1.2.

"INITIAL FINANCING" means that Financing, to be obtained by the Company to finance the acquisition and ownership of the Buildings (including the acquisition of Building III and the payoff of the Existing Financing, except for the prepayment penalty associated therewith to be paid by DCP), on the following basic terms: (i) principal amount not to be more than \$17,900,000.00 nor less than \$17,775,000.00; (ii) final maturity date of not less than ten (10) years following Closing and funding thereof; (iii) amortization term of not less than twenty-five (25) years; and (iv) interest rate no greater than eight and one-half percent (8-1/2%).

"INTEREST" means the entire ownership interest of a Member in the Company at any particular time, including the right of such Member to any and all benefits to which a Member may be entitled as provided in this Agreement, together with the obligations of such Member to comply with all of the terms and provisions of this Agreement.

"INTEREST RATE" means a per annum rate of interest equal to: (i) one percent (1%) in excess of the Prime Rate for a Member Loan having a principal balance of \$250,000.00 or less; and (ii) two percent (2%) in excess of the Prime Rate for a Member Loan having a principal balance in excess of \$250,000.00.

"KEYSTONE" means Keyman Realty Group, L.L.C., an Arizona limited liability company, doing business as Keystone Management Services, an Affiliate of DCP.

"KEYSTONE CAPITAL" means Keystone Capital Group, Inc., an Arizona corporation, and affiliate of DCP.

"KEYSTONE FINANCING ARRANGEMENT" means engagement by the Company of Keystone Capital or a duly licensed affiliate of Keystone Capital or DCP, to obtain the Initial Financing for the Project on an exclusive basis, pursuant to a separate agreement.

"KEYSTONE MANAGEMENT ARRANGEMENT" means engagement by the Company of Keystone, or a duly licensed Affiliate of Keystone or DCP, under a fifteen (15) year management contract for the Project providing, among other

things, for the following: (i) management fee payable monthly equal to three and one-half percent (3-1/2%) of gross cash receipts, excluding Tenant security deposits and lump sum Tenant Improvement reimbursements; (ii) Leasing commissions of one and one-quarter percent (1-1/4%) on Lease renewals and two and one-half percent (2-1/2%) on new Leases (five percent [5%] if an outside broker is involved with a co-brokerage arrangement); and (iii) a cancellation clause, pursuant to which UHT, on behalf of the Company, has the right to unilaterally cancel the Keystone Management Arrangement if a Keystone Removal Event occurs.

"KEystone REMOVAL EVENT" means that time at which the Company's actual receipt of net operating income (as defined in the applicable Annual Budgets) in each of two consecutive calendar years is an amount less than seventy-five percent (75%) of the amount estimated in the applicable Annual Budget.

"LEASES" or "LEASING" (or equivalent terms) means lease arrangements by which Tenants lease portions of the Project from the Company.

"MEMBER" means any Person: (i) who executes this Agreement as a Member or who has been admitted as an additional or Substitute Member pursuant to the terms of this Agreement; and (ii) who is the owner of an Interest in the Company. "Members" means all such Persons, with the initial members to be UHT and DCP. All references in this Agreement to a "majority in interest" means all Members.

"MEMBER LOANS" means the loans from time to time made to the Company by a Member (the "MEMBER LENDERS") pursuant to Section 3.2, which shall be accounted for by the Company, be an obligation of the Company payable to the Member Lenders, bear interest at the applicable Interest Rate, and require scheduled (but not necessarily full) payments (applied first to accrued interest and then to reduction of principal) from time to time (pro rata to each Member Lender based on Member Loans then outstanding) as appropriate prior to determination and distribution of Cash Available from Operations, Net Financing Proceeds or Net Sales Proceeds. Member Loans shall not be treated as Capital Contributions to the Company.

"NET FINANCING PROCEEDS" AND "NET SALES PROCEEDS" means that portion of Financing Proceeds or Sales Proceeds, respectively, from time to time actually received by the Company, after deduction for any and all closing costs (including but not limited to legal, title, escrow and similar fees and charges), payment of Financing (including Member Loans) refinanced thereby, commissions, loan costs or fees, and similar matters, and retention or payment by the Company of all or any portion thereof to pay expenses of the Company or to fund reasonable Company reserves.

"NONRECOURSE DEDUCTIONS" has the meaning set forth in, and shall be determined in accordance with, Regulations Section 1.704-2(b)(1) and shall be computed in accordance with Regulations Section 1.704-2(c).

"NONRECOURSE DEBT" has the meaning set forth in Regulations Section 1.704-2(b)(3).

"PERCENTAGE INTEREST" means, with respect to each Member, the following (subject to adjustment as from time to time provided in this Agreement):

UHT	-	50%
DCP	-	50%

"PERSON" means any individual, partnership, corporation, trust, or other entity.

"PREAPPROVED LEASES" means Leases which comply with the Leasing requirements and parameters set forth in a then applicable Annual Budget.

"PREFERRED RETURN" means an amount equal to ten and one-half percent (10-1/2%) per annum simple, non-compounded interest, computed on the from time to time outstanding Contribution Balance for each Member based on a 365-day year (or 366-day year if applicable) applied to the actual number of days until such referenced return is paid.

"PREFERRED RETURN ARREARAGE" means any Preferred Return from time to time payable but not paid for a fiscal year of the Company, which shall be separately accounted by the Company and not bear interest.

"PRIME RATE" means the "prime rate" as from time to time published in the Wall Street Journal as the "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks".

"PROFITS" and "LOSSES" means, for each fiscal year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code ss.703(a)(1) shall be included in taxable income or loss) with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code ss.705(a)(2)(B) or treated as Code ss.705(a)(2)(B) expenditures pursuant to Regulations ss.1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be subtracted from such taxable income or loss; and

(c) Notwithstanding any other provisions of this definition of Profits and Losses, any items which are specially allocated pursuant to Section 4.2 hereof shall not be taken into account in computing Profits or Losses.

"PROJECT" means the ownership and operation, including Leasing, of the Buildings as a medical office complex, and related amenities (both onsite and offsite).

"PROJECT AGREEMENTS" means the Financing, Building III Purchase Agreement, Leases, Keystone Financing Arrangement, Property Management Arrangement, and any other contractual arrangements from time to time entered into by the Company in connection with the Project.

"PROPERTY" or "COMPANY PROPERTY" means all real and personal property, tangible and intangible, acquired by the Company (whether leased through the Ground Lease(s) or otherwise) and any improvements thereon, including without limitation the real and other property described on Exhibit "A".

"PROPERTY MANAGEMENT ARRANGEMENT" means whichever of the following is from time to time applicable: (i) the Keystone Management Arrangement; or (ii) a Replacement Management Arrangement.

"PRO RATA" means (as of the applicable time) the proportion that a referenced participation of a Member (whether Percentage Interest, Contribution Balance or otherwise) bears to the aggregate referenced participations of all Members, and shall not, unless expressly so stated, be based on the number of Members in the Company.

"REGULATIONS" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"REPLACEMENT MANAGEMENT ARRANGEMENT" means replacement of Keystone pursuant to the Keystone Management Arrangement and as a result of a Keystone Termination Event, with a duly licensed management company, and on terms, designated by UHT and approved by DCP (with such approval not to be unreasonably withheld).

"SALE" means a sale or other disposition of all or any portion of the Project, including by condemnation or other governmental taking, but excluding any Financing, Refinancing or Leasing of all or any portion of the Project in the ordinary course of operation thereof.

"SALE PROCEEDS" means any and all sums (or cash equivalent of all property) payable to the Company as a result of a Sale (including condemnation or insurance proceeds not applied to reconstruction).

"SUBSTITUTE MEMBER" means any Person admitted to the Company as a Substitute Member pursuant to Section 8 hereof.

"TAX MATTERS MEMBER" means the "tax matters partner" as defined in Section 6231(a)(7) of the Code, who shall be UHT (or its individual designee).

"TENANT(S)" means lessees (sublessees pursuant to the Ground Leases) of portions of the Project from the Company.

"TENANT IMPROVEMENTS" means leasehold, tenant or similar improvements to be made to the Project by the Company for Tenants pursuant to Leases.

"TERM" shall mean the term of the Company, as set forth in Section 2.2.

## SECTION 2.

### FORMATION; PURPOSE

2.1. ORGANIZATION. The Company is a limited liability company. The Company has been or will be formed, pursuant to the provisions of the Act, by the filing of the Articles with the Arizona Corporation Commission, and upon the terms and conditions set forth in the Articles and in this Agreement.

2.2. TERM. The term of the Company shall commence on the date the Articles are or were filed as described in Section 2.1 and shall continue until the first to occur of: (a) the winding up and liquidation of the Company; (b) the occurrence of a Liquidating Event as provided in Section 10 of this Agreement; or (c) December 31, 2045.

2.3. NAME. The business of the Company shall be carried on under the name "DSMB Properties, L.L.C", "Desert Samaritan Medical Buildings", or any other fictitious name or tradename from time to time utilized or adopted by the Company.

2.4. PURPOSE. Purpose and character of the business of the Company shall be to acquire, operate, market, and dispose of, the Project as follows:

2.4.1. BUILDING I AND BUILDING II. As a part of their Initial Capital Contributions: (a) DCP will contribute an undivided 89.280% ownership interest in Building I and Building II; and (b) UHT will acquire from DCP, pursuant to a separate Purchase Agreement between DCP and UHT, an undivided 10.720% ownership interest, in Building I and Building II, and contribute such interest to the Company.

2.4.2. BUILDING III. The Company will acquire Building III pursuant to an assignment of the interest and obligations of DCP under the Building III Purchase Agreement.

2.4.3. FINANCING. The Company will from time to time finance its acquisition, Leasing and ownership of the Project, with the Initial Financing to refinance repayment of the Existing Financing on Building I and Building II, and to finance acquisition of Building III; provided, that DCP (and not the Company or UHT) shall be fully responsible for and shall pay, at or prior to the closing of the Initial Financing, any prepayment penalty applicable to the payoff of the Existing Financing.

2.4.4. POST-ACQUISITION. Upon completion of the acquisition of the Buildings and the Initial Financing, the Company will proceed with Leasing and management of the Project.

2.4.5. DISPOSITION ACTIVITIES. At such time as shall be mutually acceptable to all Members, the Company shall commence marketing and sale or other disposition of each or all of the Buildings.

2.4.6. NATURE OF INCOME. The Company will receive only income which is enumerated in Code ss.856(c)(2) and 856(c)(3), and will receive no income enumerated in Code ss.856(c)(4). The Company will not, directly or indirectly, acquire any assets other than those enumerated in Code ss.856(c)(5). Moreover, the Company will not take any action or enter into any agreement which is inconsistent with UHT's status or qualification as a real estate investment trust, as defined in Code ss.856(a) (a "REIT"), or take any action which would cause (or be one of the causes for) UHT to lose its status or qualification as a REIT.

2.5. PLACE OF BUSINESS. The Company's principal place of business shall be at the Phoenix, Arizona office of DCP, currently located at 2525 E. Camelback Road, Suite 950, Phoenix, Arizona 85018. The Company may have other or additional places of business within or without the State of Arizona. The name and address of the agent for service of process is S.A. One Ltd., 2111 East Highland, Suite 255, Phoenix, Arizona 85016.

2.6. NATURE OF MEMBERS' INTERESTS. The Interests of the Members in the Company shall be personal property for all purposes. All property owned by the Company, whether real or personal, tangible or intangible, shall be owned by the Company as an entity, and no Member shall have any direct ownership of such property or any right to use such property for any purpose other than a purpose of the Company.

2.7. SPECIFIC PERFORMANCE. Each and all of the provisions of this Agreement shall be specifically enforceable (in addition to all other rights and remedies available under this Agreement or applicable laws).

2.8. CONTINGENCY. The obligations of UHT and DCP hereunder shall be expressly conditioned upon the Company obtaining a commitment for the Initial Financing on or before October 30, 1995, as and if such date is extended by mutual agreement of UHT and DCP (the "Initial Financing Contingency"). UHT and DCP each agree to proceed diligently and in good faith to apply for and obtain commitment for the Initial Financing; provided, that in the event the Initial

Financing Contingency is not timely satisfied, this Agreement shall be deemed terminated and of no further force and effect, with UHT and DCP to each be released from any and all rights or obligations hereunder, and with UHT and DCP each to bear and pay fifty percent (50%) of the cost incurred to date with respect to the Company.

### SECTION 3.

#### CONTRIBUTIONS; CAPITAL ACCOUNTS

##### 3.1. MEMBER CAPITAL ACCOUNTS AND CONTRIBUTIONS.

3.1.1. CAPITAL ACCOUNTS. A separate capital account shall be maintained for each Member. The Capital Account of each Member shall be increased by its Capital Contributions to the Company and by such Member's share of Profits of the Company, and shall be decreased by any Distributions of cash or other property to such Member and by such Member's share of Losses of the Company, as allocated under Section 4 hereof. This Section and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulation Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations.

3.1.2. INITIAL CAPITAL CONTRIBUTIONS. As and for their respective Initial Capital Contributions, the Members shall contribute the following to the Company upon and as a condition to their respective entrance into the Company:

(a) UHT: Upon UHT's acquisition of an undivided 10.720% ownership interest in Building I and Building II and concurrently with DCP's contribution set forth in (b) below, UHT shall contribute:

(1) an undivided 10.720% ownership interest in Building I and Building II for a deemed Capital Contribution of \$1,741,431.00; and

(2) \$3,240,000.00 in cash.

(b) DCP: Upon UHT's acquisition of an undivided 10.720% ownership interest in Building I and Building II and concurrently with UHT's contribution set forth in (a) above, DCP shall contribute an undivided 89.280% ownership interest in Building I and Building II for a deemed Capital Contribution of \$3,133,569.00.

DCP's contribution set forth in (b) above shall be subject to the Existing Financing and the obligation of DCP to pay any prepayment penalty applicable to the payoff of the Existing Financing. Neither the Company nor UHT shall have any obligation in connection with such prepayment penalty. Prior to the funding of

Initial Capital Contributions, as described above, expenses of forming and operating the Company and preparing for the planned acquisitions (including escrow and loan deposits) shall be borne equally by the Members and be Member Loans to the Company, for repayment upon closing of the Initial Financing.

3.1.3. ADDITIONAL CAPITAL CONTRIBUTIONS. To the extent the Members by mutual agreement determine additional Capital Contributions are required for Company purposes, the Members shall each then make additional Capital Contributions, Pro Rata to their then applicable Percentage Interests.

3.2. MEMBER LOANS. Any Member may, with the approval of all Members, or as otherwise permitted by Section 9 of this Agreement, lend or advance money to the Company as Member Loans. If any Member shall make any Member Loan to the Company, the amount of any such Member Loan shall not be treated as a Capital Contribution to the Company but shall be an indebtedness of the Company payable to such Member, repayable out of the Company's cash and bear interest at the Interest Rate during the period such loan is outstanding unless a different rate of interest is specifically agreed to by the Members. Member Loans or an agreed portion of such Member Loans shall be payable prior to any Distributions to be made after such Member Loans are funded.

3.3. WITHDRAWAL OR RETURN OF CONTRIBUTIONS. Except as otherwise specifically provided in this Agreement, or as otherwise provided by law, no Member shall have the right to withdraw from the Company or to demand or receive a return of his capital without the consent of all Members. No Member shall have the right to receive return of any Capital Contribution in any form other than cash except as may be specifically provided herein.

3.4. OTHER MATTERS.

3.4.1. No Member or Affiliate of a Member shall receive any interest, salary or draw with respect to its Capital Contributions or its Capital Account or for services rendered on behalf of the Company or otherwise in its capacity as a Member or otherwise, except as specifically provided for in the Keystone Management Arrangement, Keystone Financing Arrangement, this Agreement or as otherwise approved by all Members.

3.4.2. Except as otherwise provided by this Agreement or by separate agreement with third party creditors, no Member shall be liable for the debts, liabilities, contracts or any other obligations of the Company. Except as otherwise provided by this Agreement, a Member shall not be required to lend any funds, or to make any additional Capital Contributions, to the Company.

3.4.3. None of the provisions of this Agreement, whether in regard to contributions, loans or otherwise, are intended for the benefit of, nor shall such provisions be enforceable by, person or entities not a party to this Agreement (including but not limited to creditors of the Company).

SECTION 4.

DISTRIBUTIONS AND ALLOCATIONS

4.1. DISTRIBUTIONS AND ALLOCATIONS TO MEMBERS.

4.1.1. DISTRIBUTIONS OF CASH AVAILABLE FROM OPERATIONS. The Members shall seek to establish the Annual Budget for each fiscal year of the Company in a manner that provides for Distributions to Members from operating activity on a monthly basis. Cash Available From Operations, if any, shall be so distributed to Members as follows:

(a) First, to UHT until UHT has received any accrued but unpaid Preferred Return (including any Preferred Return Arrearage) on its Contribution Balance;

(b) Second, to DCP until DCP has received any accrued but unpaid Preferred Return (including any Preferred Return Arrearage) on its Contribution Balance; and

(c) Third, the remainder to the Members Pro Rata to their respective Percentage Interests.

Notwithstanding the foregoing, in the event Distributions of Cash Available From Operations fall below that specified by the then applicable Annual Budget, by fifteen percent (15%) or more (with the date thereof referred to herein as the "Deficit Date"), at any time during the course of the involved fiscal year, the Annual Budget will be adjusted, to provide for modified Distributions consistent with the adjusted Annual Budget, by mutual agreement of the Members within forty-five (45) days following the Deficit Date. From and after the Deficit Date, DCP will not have the right to receive the Preferred Return on its Contribution Balance, until such approval of an adjusted Annual Budget, if and to the extent the Preferred Return to UHT is impaired or is projected to be impaired pending implementation of the adjusted Annual Budget.

4.1.2. DISTRIBUTIONS OF NET SALES PROCEEDS. Net Sales Proceeds, if any, shall be distributed from time to time promptly following receipt by the Company to Members in the following priorities:

(a) First, to UHT until UHT has received any and all accrued and unpaid Preferred Return (including any Preferred Return Arrearage) on its Contribution Balance;

(b) Second, to the Members, Pro Rata to their respective Contribution Balances, until the Members have received return (pursuant to this Section 4.1.2(b) and Section 4.1.3(c)) equal to their aggregate Capital Contributions;

(c) Third, to DCP until DCP has received any and all accrued and unpaid Preferred Return (including any Preferred Return Arrearage) on its Contribution Balance; and

(d) Fourth, the remainder Pro Rata to the Members in accordance with their respective Percentage Interests.

4.1.3. DISTRIBUTIONS OF NET FINANCING PROCEEDS. Net Financing Proceeds, if any, shall be distributed from time to time promptly following receipt by the Company to Members in the following priorities:

(a) First, to UHT until UHT has received any and all accrued and unpaid Preferred Return (including any Preferred Return Arrearage) on its Contribution Balance;

(b) Second, to DCP until DCP has received any and all accrued and unpaid Preferred Return (including any Preferred Return Arrearage) on its Contribution Balance;

(c) Third, to the Members, Pro Rata to their respective Contribution Balances, until the Members have received return (pursuant to this Section 4.1.3(c) and Section 4.1.2(b)) equal to their aggregate Capital Contributions; and

(d) Fourth, the remainder Pro Rata to the Members in accordance with their respective Percentage Interests.

4.1.4. ALLOCATION OF LOSSES. Losses shall be allocated to the Members, Pro Rata to their respective Percentage Interests.

4.1.5. ALLOCATION OF PROFITS.

(a) First, a specific allocation of income shall be made to each Member in each fiscal year in an amount equal to the Distributions received by such Member during such year under Sections 4.1.1(a), 4.1.1(b), 4.1.2(a), 4.1.2(c), 4.1.3(a) and 4.1.3(b).

(b) Second, Profits shall be allocated to the Members, Pro Rata to the extent to which Losses were allocated to the Members, until all Members have been allocated Profits pursuant to this priority equal to all Losses allocated to such Members.

(c) Third, all remaining Profits shall be allocated to the Members Pro Rata to their respective Percentage Interests.

4.2. SPECIAL ALLOCATIONS. The special allocations set forth in this Section 4.2 shall, if necessary, be made in the following order:

4.2.1. COMPANY MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Section 4, if there is a net decrease in Company Minimum Gain during any Company fiscal year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to the portion of such Person's share of the net decrease in Company Minimum Gain, determined in accordance with Regulations Section 1.704-2(g), that is allocable to the disposition of Company Property subject to Nonrecourse Liabilities, determined in accordance with Regulations Section 1.704-2(iv)(e). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Section 1.704-2(f) of the Regulations. This Section 4.2.1 is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith.

4.2.2. MEMBER MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Section 4 except Section 4.2.1, if there is a net decrease in Member Minimum Gain attributable to Member Nonrecourse Debt during any Company fiscal year, each Member who has a share of the Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to the portion of such Person's share of the net decrease in Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), that is allocable to the disposition of Company Property subject to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Section 1.704-2(i)(4) of the Regulations. This Section 4.2.2 is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith.

4.2.3. QUALIFIED INCOME OFFSET. In the event any Member unexpectedly receives any adjustment, allocation, or distribution described in Sections 1.704-1(b)(2)(ii)(d)(4) through 1.704-1(b)(2)(ii)(d)(6) of the Regulations which causes or increases a deficit in such Member's Capital Account as of the end of the tax year to which the adjustment, allocation or distribution relates, items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Capital Account deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 4.2.3 shall be made if and only to the extent that such Member would

have a Capital Account deficit after all other allocations provided for in this Section 4 have been tentatively made as if this Section 4.2.3 were not in the Agreement.

4.2.4. CODE SECTION 704(C) ALLOCATIONS.

(a) In accordance with Code ss.704(c) and the Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members and assignees so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value.

(b) In the event the Gross Asset Value of any Company asset is adjusted pursuant to this Agreement, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code ss.704(c) and the Regulations thereunder.

(c) Any elections or other decisions relating to such allocations shall be made by the Members in any manner that reasonably reflects the purpose and intention of this Agreement. With respect to the Initial Capital Contributions, consisting of the interests of the Members in Building I and Building II, the allocation made pursuant to Code ss.704(c) shall be made in accordance with the "traditional method". Allocations pursuant to this Section 4.2.4 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

4.2.5. SECTION 754 ADJUSTMENTS. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

4.3. OTHER ALLOCATION RULES.

4.3.1. For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Members using any permissible method under Code Section 706 and the Regulations thereunder.

4.3.2. The Members are aware of the income tax consequences of the allocations made by this Section 4 and hereby agree to be bound by the provisions of this Section 4 in reporting their shares of Company income and loss for income tax purposes.

## SECTION 5.

### MANAGEMENT AND RESPONSIBILITIES

5.1. AUTHORITY OF THE MEMBERS. Except to the extent otherwise provided herein, the Members shall have the sole and exclusive right to manage the business of the Company and shall have all of the rights and powers which may be possessed by a member or manager under the Act.

5.2. DAY-TO-DAY OPERATIONS. Except as otherwise expressly provided by this Agreement, DCP shall be responsible for the day-to-day management of Company business, with all rights and powers generally conferred by this Agreement, the Act, by law, or as necessary, advisable or consistent with the proper management of Company affairs, including but not limited to, the following:

5.2.1. Enter into Leases, contracts and other agreements with third parties consistent with the then applicable Annual Budget.

5.2.2. Engage and retain legal counsel and other third parties (excluding accountants, the engagement and retention of which shall be governed by Section 5.3) for appropriate representation of, and providing of other reasonable and necessary services to the Company.

5.2.3. Keep the other Member informed of status of operation of the Company, and any actions and events causing material deviations from the Annual Budget.

5.2.4. Implement, supervise and carry out the Leasing of the Project to Tenants (including installation of Tenant Improvements), in accordance with the then applicable Annual Budget.

5.2.5. Correspond and interface, as appropriate, on behalf of the Company with Samaritan Health System, with respect to the Project and Ground Leases.

5.2.6. Issue to the Members monthly operating reports for the Project.

5.2.7. Control and administer (including deposits and withdrawals) all cash accounts for the Company, except those maintained pursuant to the Property Management Arrangement, and maintain all books and records for the Company and its activities, which shall be open to inspection at all reasonable times by all Members and, unless otherwise agreed by UHT, be physically located or available for such inspection within Phoenix, Arizona.

Third parties transacting with the Company or DCP shall in all respects be entitled to rely upon the signature of DCP as having authority to bind the Company, with the exception of those actions set forth in Section 5.3 which shall require resolution (or equivalent action) signed by all Members. DCP shall devote to the Company such time as may be necessary for the proper performance of its duties hereunder, but DCP shall not be required to devote full time to the performance of such duties.

5.3. MEMBER APPROVALS. The affirmative vote of all Members shall be required:

5.3.1. To sell, exchange, encumber or otherwise dispose of all or a material portion of the Project.

5.3.2. To approve the Annual Budget.

5.3.3. To commit the Company to any Financing, including the Initial Financing.

5.3.4. To commit the Company to any Leases other than Preapproved Leases.

5.3.5. To do any act in contravention of this Agreement.

5.3.6. To do any act which would make it impossible to carry on the ordinary business of the Company (including filing of any bankruptcy petition), except as otherwise provided in this Agreement.

5.3.7. To amend or change this Agreement, or any other document or agreement relating to operation of the Property in any manner.

5.3.8. To possess Company Property, or assign rights in specific Company Property, for other than a Company purpose.

5.3.9. To permit the Company to engage in any activities inconsistent with or in addition to the stated purposes of the Company.

5.3.10. To acquire or contract to acquire any property in addition to, and not reasonably related to use and operation of, the Buildings.

5.3.11. To approve a settlement of any lawsuit, condemnation action, or insurance claim not set forth in a then applicable Annual Budget involving the payment or receipt of greater than \$10,000.00.

5.3.12. To engage and retain accountants for the Company.

5.3.13. To enter into or modify the Keystone Management Agreement or Keystone Financing Agreement.

#### 5.4. DUTIES AND OBLIGATIONS OF MEMBERS.

5.4.1. The Members shall take all actions which may be necessary or appropriate: (i) for the continuation of the Company's valid existence as a limited liability company under the laws of the State of Arizona; and (ii) for the accomplishment of the Company's purposes, including the maintenance, preservation, and operation of the Company Property in accordance with the provisions of this Agreement and applicable laws and regulations.

5.4.2. Members or their Affiliates may provide services to the Company and be compensated therefor only as provided in this Agreement (including the Keystone Management Arrangement), or with the approval of all Members. All Company transactions with Affiliates shall be on competitive, market rate terms.

5.5. EXPENSES OF MEMBERS. The Members shall be entitled to payment of, or reimbursement for, all reasonable bona fide out-of-pocket business expenses approved by all Members incurred with or to a non-affiliate third party in connection with and reasonably related to Company business (including but not limited to any and all loan commitment and other financing fees, attorneys, accounting, appraisal, engineer and other professional fees, cost of fundings, and other costs incurred in negotiating and finalizing the Company, this Agreement, the Initial Financing, the Building III Purchase Agreement and similar matters), upon presentation of satisfactory documentation as to time, place, amount, nature and purpose of such expense; provided, the foregoing shall not apply to expenses required to be borne other than by the Company pursuant to the Keystone Financing Arrangement and the Project Management Arrangement. All of the expenses of the Company shall be paid from Company funds or, in the event that a Member shall advance his own funds to pay any such expenses of the Company, the Company shall reimburse such Member for all such advances within thirty (30) days of request if and to the extent it is within the then applicable Annual Budget.

5.6. OTHER ACTIONS. Unless otherwise specifically provided by this Agreement, all actions of the Company shall require approval by all Members.

### SECTION 6.

#### MEETINGS; VOTING

6.1. MEETINGS OF THE MEMBERS. Meetings of the Members, or a vote of the Members without a meeting, may be called by any Member. The call shall state the nature of the business to be transacted or, if no meeting is to be held, the matter to be voted on and the day that the votes shall be counted. Notice of any

such meeting shall be given to all Members not less than ten (10) business days or more than thirty (30) days prior to the date of such meeting. Whenever the vote or consent of Members is permitted or required under the Agreement, such vote or consent may be given at a meeting of Members or may be given in accordance with the procedure prescribed in Section 6.3. Meetings will, unless all Members agree otherwise, be held at a mutually acceptable location or by telephonic conference call.

6.2. RECORD DATE. For the purpose of determining the Members entitled to vote on a matter, or to vote at any meeting of the Members or any adjournment thereof, the Company may fix, in advance, a date as the record date for any such determination. Such date shall not be more than thirty (30) days nor less than ten (10) business days before any such meeting.

6.3. METHOD OF VOTING. With respect to each matter for which a vote is required, each Member may cast the number of votes equal to such Member's Percentage Interest. A Member may vote in person at a meeting, by written proxy or by a signed writing directing the manner in which such Member desires its vote to be cast, which writing must be received by the Company prior to the date on which votes are to be counted. The proxy of a Member may authorize any Person or Persons to act for him on all matters in which a Member is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Member or his attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Member executing it. The Members shall at all times be permitted to act without a formal meeting or voting whenever there is unanimous consent signed by all Members on a resolution of the Company.

6.4. MEETINGS. Each meeting of Members shall be conducted by such Person as the Members may appoint pursuant to such rules for the conduct of the meeting as the Members deem appropriate.

6.5. REQUIRED MEETING. Unless otherwise agreed or waived in writing by all Members, semi-annual meetings of the Members shall be held on the second Tuesday of each December and July during the Term.

## SECTION 7.

### BOOKS AND RECORDS

7.1. BOOKS AND RECORDS. The Company shall keep adequate books and records at either the principal place of business of the Company setting forth a true and accurate account of all business transactions arising out of and in connection with the conduct of the Company. Such books and records shall be kept in accordance with the accrual method of accounting with Federal Tax Principles consistently applied. Any Member or its designated representative shall have the right, at any reasonable time, to have access to and inspect and copy the contents of such books and records. Portions of the books and records under the necessary and reasonable control of the Property Manager may be kept at the principal place of business of the Property Manager.

7.2. TAX INFORMATION. Necessary tax information shall be delivered to each Member after the end of each fiscal year of the Company. Every effort shall be made to furnish such information within seventy-five (75) days after the end of each fiscal year. In addition, UHT (or any individual designated by UHT if the Tax Matters Member must be an individual) is specifically authorized to represent the Members and act as the "Tax Matters Partner," as that term is used under the Code and in any similar capacity under state or local law.

7.3. AUDITS. The books and records of the Company for each fiscal year shall be audited by an independent accounting firm approved by all Members.

7.4. FISCAL YEAR. The fiscal year of the Company shall be the Calendar Year.

## SECTION 8.

### TRANSFER OF INTERESTS

8.1. TRANSFER OF COMPANY INTEREST. Except as otherwise expressly provided in this Section 8, no Member may voluntarily withdraw from the Company and no Interest in the Company may be transferred without the consent of all Members. As used in this Section, "Transfer" means to directly or indirectly (including by transfer of controlling equity or other ownership interest in a Member) transfer, sell, assign, pledge, hypothecate, or otherwise dispose of any interest in the Company.

8.2. PERMITTED TRANSFERS. Subject to the conditions and restrictions set forth in Section 8.3 hereof, all or any portion of the Interest in the Company of a Member may be subjected to a transfer only to: (i) any other Member to the extent expressly allowed by this Section 8 or Section 9; (ii) in the case of UHT, transfers of the publicly-held ownership of UHT; (iii) any Affiliate of the transferor; or (iv) any Purchaser as defined in and pursuant in accordance with Sections 8.4 and 8.5.

8.3. CONDITIONS TO TRANSFERS. The Company shall not be required to acknowledge and be bound by a Transfer (including but not limited to a Transfer pursuant to Section 8.4) unless and until the following conditions are satisfied:

8.3.1. Except in the case of a Transfer of an Interest at death or involuntarily by operation of law, the transferor and transferee shall execute and deliver to the Company such documents and instruments of conveyance as may be necessary or appropriate in the opinion of counsel to the Company to effect such Transfer and to confirm the agreement of the transferee to be bound by the provisions of this Section 8. In any case not described in the preceding sentence, the Transfer shall be confirmed by presentation to the Company of legal evidence of such Transfer, in form and substance satisfactory to counsel to the Company. In all cases, the Company shall be reimbursed by the transferor and/or transferee for all costs and expenses that it reasonably incurs in connection with such Transfer.

8.3.2. Except in the case of a Transfer at death or involuntarily by operation of law, the transferor may be required to furnish the Company an opinion of counsel, which counsel and opinion shall be reasonably satisfactory to the Company, that the Transfer will not cause the Company to terminate for federal income tax purposes.

8.3.3. The transferor and transferee shall furnish the transferee's taxpayer identification number, sufficient information to determine the transferee's initial tax basis in the interest transferred, and any other information reasonably necessary to permit the Company to file all required federal and state tax returns and other legally required information statements or returns.

8.4. PURCHASE AND SALE. Each Member shall have the right, but not the obligation, at any time such Member (an "Offering Member") is not in material breach of its obligations under this Agreement or with respect to the Company, to make an offer (the "Offer") to any other Member or Members (the "Non-Offering Members") to either: (i) sell the Entire Interest of the Offering Member to the Non-Offering Members (an "Offer to Sell"); or (ii) purchase the Entire Interest of the Non-Offering Members (an "Offer to Purchase"), subject to the following:

8.4.1. The "Entire Interest" with respect to a Member shall mean the Interest of such Member, together with any or all Member Loans or similar matters payable or to such Member to or from the Company or the other Members.

8.4.2. Subject to the Minimum Purchase Price (as herein defined) requirement set forth in Section 8.5.1 below, the Offer shall specify a price to be paid for each point of Percentage Interest (to be adjusted for partial percentage points to the thousandth place) for the Interest subject to the Offer, which shall be the same for a sale or purchase of an Interest (the "Percentage Price").

8.4.3. The Non-Offering Members shall have sixty (60) days following receipt of the Offer (the "Acceptance Period"), to agree in writing to the Offering Member to accept either the Offer to Sell or the Offer to Purchase; provided, that if the Non-Offering Members fail to so accept either the Offer to Sell or the Offer to Purchase, the Non-Offering Members will be deemed to have accepted the Offer to Purchase.

8.4.4. The Non-Offering Members shall have the right only to accept either, and not both, the Offer to Sell or Offer to Purchase.

8.4.5. The acceptance, or deemed acceptance, by the Non-Offering Members of the Offer to Sell or Offer to Purchase shall constitute a binding agreement between the Offering Member and the Non-Offering Members for such transaction, to be consummated in accordance with this Section 8.

8.5. SALE TRANSACTION. Closing ("Closing") of transfer of an Entire Interest pursuant to Section 8.4 (a "Sale Transaction") shall occur within sixty

(60) days following the acceptance or deemed acceptance by the Non-Offering Members of the Offer at 10:00 o'clock local time, or at such other time and place as shall be mutually agreed upon by the Offering Member and Non-Offering Members as follows:

8.5.1. The purchase price to be paid by the purchaser in a Sale Transaction (the "Purchaser") to the selling Member (the "Seller") for the Entire Interest (the "Purchase Price") shall be an amount equal to the Percentage Price times the Percentage Interest within the Entire Interest, increased or decreased, as appropriate, for the following:

(a) Any disparity, dollar for dollar, in the Contribution Balance between the respective Interests subject to the Offer to the extent required to equalize the Contribution Balances (but without adjustment for any accrued but unpaid Preferred Returns) between Seller and Purchaser (with an example of the application of this Section 8.5.1(a) being attached as Exhibit "C"); and

(b) The unpaid balance (principal and interest) of any Member Loans or other amounts payable to or by the Seller, whether to or from the Members or the Company.

Notwithstanding any other provision of Sections 8.4 or 8.5 to the contrary, the Purchase Price before adjustment pursuant to Section 8.5.1.(a) shall never be less than the Contribution Balance of the Seller (the "Minimum Purchase Price").

8.5.2. Closing of the Sale Transaction shall be conditioned upon obtaining any consents required by material contracts (including Project Agreements) to which the Company is a party which in any way would be breached by, or cause a material adverse change in the terms thereof in the event of the completion of, a Sale Transaction, with provisions of any Financing being deemed such a material contract. The Seller and Purchaser will each exert diligent and good faith efforts, prior to Closing, to obtain any necessary consents or approvals required to satisfy such contingency. In the event such contingency cannot be so satisfied, the Sale Transaction shall be deemed withdrawn and terminated, with neither the Seller nor the Purchaser to have any further right or liability as to the other thereunder.

8.5.3. The Seller and Purchaser shall execute any and all documents and take any and all acts reasonably required to complete the Sale Transaction, including but not limited to the following:

(a) The documents otherwise required by this Section 8 in connection with Transfers.

(b) Amendment to this Agreement and filings, as required by applicable law.

(c) Indemnification by the Purchaser of the Seller of any and all liabilities pertaining to the Entire Interest accruing from and after the Closing, and indemnification by the Seller to the Purchaser of any and all liabilities pertaining to the Entire Interest accruing prior to the Closing.

(d) Evidence of authority to execute any and all documents and take such further acts as shall be required to complete the Sale Transaction.

8.5.4. The Seller shall, if and to the extent requested by the Purchaser, cancel or cause its Affiliates to cancel, effective as of Closing, all contracts (including but not limited to the Property Management Arrangement) between the Seller or its Affiliates and the Company.

8.5.5. The Seller and Purchaser shall each bear their respective expenses, including attorneys' fees, in connection with the Sale Transaction and the Purchaser and Seller shall each pay, as a part of Closing of the Sale Transaction, one-half of any expenses, including attorney, accounting and tax preparation fees, incurred by the Company in connection with the Sale Transaction. While an Offer is outstanding or a Sale Transaction is pending, the Entire Interest of the Offering Member and Non-Offering Members shall not be subject to an Offer by any other Member pursuant to this Section 8.

8.6. PROHIBITED TRANSFERS. Any purported Transfer of an Interest not in compliance with this Section 8 shall be null and void and of no effect whatever; provided that, if the Company is required by law to recognize a Transfer (or if the Company, in its sole discretion, elects to recognize a Transfer) the Interest transferred shall be strictly limited to the transferor's rights to allocations and distributions as provided by this Agreement with respect to the transferred interest, which allocations and distributions may be applied (without limiting any other legal or equitable rights of the Company) to satisfy any debts, obligations, or liabilities for damages that the transferor or transferee of such interest may have to the Company.

8.7. NON-COMPLIANCE INDEMNITY. In the case of a Transfer not in compliance with this Section 8, the parties engaging or attempting to engage in such Transfer shall be liable to indemnify and hold harmless the Company and the other Members from all cost, liability, and damage that any of such indemnified Persons may incur (including, without limitation, incremental tax liability and lawyers fees and expenses) as a result of such Transfer or attempted Transfer and efforts to enforce the indemnity granted hereby.

8.8. RIGHTS OF UNADMITTED ASSIGNEES. A Person who acquires a Company Interest but who is not admitted as a Substituted Member pursuant to Section 8.9 hereof shall be entitled only to allocations and distributions with respect to such interest in accordance with this Agreement, but shall have no right to any information or accounting of the affairs of the Company, shall not be entitled to inspect the books or records of the Company, and shall not have any of the rights of a Member under the Act or this Agreement.

8.9. ADMISSION OF TRANSFEREES AS MEMBERS. Subject to compliance with the other provisions of this Section 8, a transferee of a Company Interest may be admitted to the Company as a Substituted Member only if each of the following conditions is satisfied:

8.9.1. All existing Members unanimously consent to such admission;

8.9.2. The Interest with respect to which the transferee is being admitted was acquired by means of a Permitted Transfer;

8.9.3. The transferee becomes a party to this Agreement and executes such documents and instruments as the Company may reasonably request to confirm such transferee as a Member and such transferee's agreement to be bound by the terms and conditions hereof;

8.9.4. The transferee pays or reimburses the Company for all reasonable legal, filing, and publication costs that the Company incurs in connection with the admission of the transferee as a Member with respect to the transferred interest; and

8.9.5. The transferee executes a statement that it is acquiring such Interest in the Company interest for investment and not for resale.

8.10. DISTRIBUTIONS AND ALLOCATIONS IN RESPECT TO TRANSFERRED INTERESTS. If any Interest in the Company is Transferred during any accounting period in compliance with the provisions of this Section 8, all Profits, Losses, each item thereof, and all other items attributable to the transferred interest for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the period in accordance with Code Section 706(d), using any convention permitted by law and selected by the Company. All distributions on or before the date of such Transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee.

8.11. COVENANT NOT TO OTHERWISE WITHDRAW OR DISSOLVE. Notwithstanding any provision of the Act, each Member recognizes that the Members have entered into this Agreement based on their mutual expectation that all Members will continue as Members and carry out the duties and obligations undertaken by them hereunder and that, except as otherwise expressly required or permitted hereby, each Member hereby covenants and agrees not to: (a) take any action to file a certificate of dissolution or its equivalent with respect to itself; (b) take any action that would cause a voluntary bankruptcy of such Member; (c) voluntarily withdraw or attempt to withdraw from the Company; (d) exercise any power under the Act to dissolve the Company; (e) petition for judicial dissolution of the Company; or (f) demand a return of such Member's contributions or profits without the unanimous consent of the Members.

SECTION 9.

FAILURE TO MAKE CAPITAL CONTRIBUTIONS

9.1. OCCURRENCE AND DILUTION. In the event any Member (a "Non-Paying Member") shall at any time fail to timely fund to the Company any additional Capital Contribution required by Section 3.1.3 (an "Unpaid Contribution"), the other Members ("Other Members") shall have the right, but not the obligation, to give written notice to the Non-Paying Member requesting that the Unpaid Contribution be paid and, if the Unpaid Contribution is not paid by the Non-Paying Member within ten (10) days following the giving of such notice, the Other Members shall have the right, but not the obligation, to fund all or any portion of the Unpaid Contribution (the "Dilution Funding"), providing to the Non-Paying Member concurrent written notice of such funding as being pursuant to this Section 9.1 (the "Dilution Notice"). To the extent the Non-Paying Member does not repay the Other Members the Dilution Funding (together with interest thereon at the Interest Rate from the date of funding until repaid) within sixty (60) days following the Dilution Notice (the "Dilution Date"), the Percentage Interest of the Non-Paying Member shall be decreased, and the Percentage Interest of the Other Members increased (a "Dilution"), by the basis of one percent (1%) of Percentage Interest for the number of Capital Increment Units within a Dilution Funding (adjusted pro rata for partial Capital Increment Units), determined as of the Dilution Date.

9.2. CAPITAL INCREMENT UNIT. A Capital Increment Unit shall be an amount, calculated as of a certain date, obtained by dividing: (a) the product of ninety percent (90%) multiplied by the aggregate Contribution Balances of all Members as of such date; by (b) 100.

9.3. EXAMPLE. By way of illustration of the operation of Sections 9.1 and 9.2, in the event that, as of a Dilution Date, Member One and Member Two each hold a 50% Percentage Interest, Member One has a Contribution Balance of \$600,000.00 and Member Two has a Contribution Balance of \$400,000.00, and Member Two funds an Unpaid Contribution of Member One of \$120,000.00, the Dilution would be calculated as follows:

(a) The Capital Increment Unit would be \$9,000.00, being: (i) 90% multiplied by \$1,000,000.00 (aggregate of \$600,000.00 Contribution Balance of Member One and \$400,000.00 Contribution Balance for Member Two), divided by (ii) 100;

(b) Dilution Funding of \$120,000.00 by Member Two would equate to Percentage Interest of 13.333% (\$120,000.00 divided by \$9,000.00 per Capital Increment Unit);

(c) Percentage Interest of Member One would be decreased by 13.333% from 50% to 36.667%, and Percentage Interest of Member Two would be increased by 13.333% from 50% to 63.333%.

SECTION 10.

DISSOLUTION OF COMPANY

10.1. LIQUIDATING EVENTS. The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Liquidating Events"):

10.1.1. December 31, 2045;

10.1.2. Sale of all of the Project (including receipt of all proceeds therefrom);

10.1.3. The written consent of all Members to dissolve, wind up, and liquidate the Company;

10.1.4. The happening of any other event that makes it unlawful or impossible to carry on the business of the Company;

10.1.5. Any event which causes there to be only one Member;

10.1.6. An event of withdrawal of a Member, unless the remaining Member(s) elect to continue the Company in accordance with the provisions set forth in this Section 10.1, below; or

10.1.7. The occurrence of any dissolution event set forth in Section 29-271 of the Act, or the entry of a judgment of dissolution under Section 29-785 of the Act.

The Members hereby agree that, notwithstanding any provision of the Act, the Company shall not dissolve prior to the occurrence of a Liquidating Event. Furthermore, if an event specified in Sections 10.1.6 or 10.1.7 hereof occurs, the remaining Member(s) may, within sixty (60) days of the date such event occurs, elect to continue the Company's business by the affirmative vote of a such remaining Member(s), in which case the Company shall not dissolve and shall continue to operate.

10.2. NOTICE OF DISSOLUTION. As soon as possible following the occurrence of a Liquidating Event, a written notice of dissolution signed on behalf of the Company shall be filed with the Corporation commission giving notice of the dissolution of the Company and the commencement of the winding up of its business affairs.

10.3. WINDING UP. Upon the occurrence of a Liquidating Event, the Company shall continue solely for the Purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members. No Member shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. The Members shall each be responsible for overseeing the winding up and dissolution of the Company and shall take full account of the Company's liabilities and Company Property and the Company Property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom, to the extent sufficient therefor, shall be applied and distributed in the following order:

10.3.1. First, to the payment and discharge of all of the Company's debts and liabilities to creditors other than Members;

10.3.2. Second, to the payment and discharge of all of the Company's debts and liabilities to Members; then

10.3.3. The balance, if any, to the Members in accordance with their respective rights to receive Distributions pursuant to Section 4.1.2 of this Agreement.

10.4. DEEMED DISTRIBUTION AND RECONTRIBUTION. Notwithstanding any other provision in this Section 10, in the event the Company is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(i) but no Liquidating Event has occurred, the Company Property shall not be liquidated, the Company's liabilities shall not be paid or discharged, and the Company's affairs shall not be wound up. Instead, the Company shall be deemed to have distributed the Company Property in kind to the Members, who shall be deemed to have assumed and taken subject to all Company liabilities, all in accordance with their respective rights to receive Distributions pursuant to this Agreement. Immediately thereafter, the Members shall be deemed to have recontributed the Company Property in kind to the Company, which shall be deemed to have assumed and taken subject to all such liabilities.

10.5. ARTICLES OF TERMINATION. At such time as all of the debts, liabilities and obligations of the Company have been paid, discharged or otherwise provided for, written articles of Termination signed on behalf of the Company shall be filed with the Corporation Commission in accordance with Section 29-783 of the Act.

10.6. NEGATIVE CAPITAL ACCOUNTS. Notwithstanding anything to the contrary in this Agreement, upon a liquidation within the meaning of Regulations ss.1.704-1(b)(2)(ii)(g), if any Member has a negative Capital Account balance (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any contributions to the capital of the Company, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such Member to the Company or to any other Person for any purpose whatsoever.

#### SECTION 11.

##### REMEDIES

11.1. DEFAULT. In the event a Member (the "Defaulting Party") fails to timely perform any material duty or obligation required under the terms of this Agreement, the Members shall have the right to pursue such legal remedies as are available under the Act and the laws of the State of Arizona in such manner and to such extent deemed to be in the best interest of the Company under the prevailing facts and circumstances, including, but not limited to, the

institution of legal proceedings to specifically enforce the obligation of the Defaulting Party in accordance with this Agreement; provided, however, before pursuing such remedies the Defaulting Party shall be given written notice of the default and a period of ten (10) days after such notice is given in which to cure the default.

11.2. SUSPENSION OF RIGHTS. Subsequent to the material default by the Defaulting Party and until such time as the default has been cured, the Defaulting Party shall have no right to receive any Distribution from the Company or to vote or otherwise participate in the management of Company affairs.

## SECTION 12.

### MISCELLANEOUS

12.1. NOTICES. Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be delivered personally to the Person or to an officer of the Person to whom the same is directed, or sent by regular, registered, or certified mail, or by a nationally recognized overnight delivery service to the address set forth below or to such other address as such Person may from time to time specify by notice to the Company and the Members.

UHT: Kirk E. Gorman, President  
Universal Health Realty Income Trust  
367 South Gulph Road  
King of Prussia, Pennsylvania 19406  
Telephone: (610) 265-0688  
Facsimile: (610) 768-3318

with copies to:

Timothy J. Fowler  
Universal Health Realty Income Trust  
7 Piedmont Center, Suite 202  
3525 Piedmont Road, N.E.  
Atlanta, Georgia 30305  
Telephone: (404) 816-1936  
Facsimile: (404) 816-9329

and

Scott Henderson, Esq.  
Gallagher & Kennedy  
2600 North Central  
Phoenix, Arizona 85004-3020  
Telephone: (602) 530-8000  
Facsimile: (602) 257-9459

DCP: Attn: Kambiz Babaoff  
Rokmar Capital, L.L.C.  
2525 East Camelback road, Suite 950  
Phoenix, Arizona 85016  
Telephone: (602) 275-7500  
Facsimile: (602) 912-8945

with copies to:

Robert L. Shaw, Esq.  
Byrne, Beaugureau, Shaw, Zukowski & Hancock, PC  
2111 East Highland, Suite 255  
Phoenix, Arizona 85016  
Telephone: (602) 956-4438  
Facsimile: (602) 957-6935

If a notice is sent to the Company, it shall be sent to the Company's principal place of business. Any such notice shall be deemed to be delivered, given, and received for all purposes as of the date so delivered, if delivered personally or if sent by regular mail, or as of the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, if sent by registered or certified mail, postage and charges prepaid.

12.2. SEVERABILITY. Every provision of this Agreement is intended to be severable. If any portion of this Agreement is determined to be illegal or invalid for any reason, such determination shall not affect the validity or legality of the remainder of this Agreement.

12.3. GOVERNING LAW; PARTIES IN INTEREST. This Agreement will be governed by and construed according to the laws of the State of Arizona, and (subject to the restrictions on transfers of Interests herein) will bind and inure to the benefit of the heirs, successors, assigns and personal representatives of the Members.

12.4. AMENDMENT. Unless otherwise required by this Agreement, a proposed amendment to this Agreement shall be adopted and effective as an amendment if it receives the affirmative vote of all Members.

12.5. WAIVER OF LIS PENDENS AND PARTITION. The Members recognize that no Member has any direct right in the Company Property but only an interest in the Company which is deemed to be personal property. Nevertheless, because the Company may suffer irreparable financial injury if a lis pendens or an action for partition were filed with respect to the Company Property in connection with a Company dispute, each Member does hereby agree to waive any such right to file a lis pendens against the Company Property or an action for partition thereof.

12.6. EXECUTION IN COUNTERPART. This Agreement or the Certificate may be executed in counterparts, all of which taken together shall be deemed one original.

12.7. INCORPORATION BY REFERENCE. Every exhibit, schedule and other appendix attached to this Agreement referred to herein is deemed incorporated in this Agreement by reference.

12.8. COMPUTATION OF TIME. In computing any period of time pursuant to this Agreement, the day of the act, date of notice, event or default from which the designated period of time begins to run will not be included. The last day of the period so computed will be included, unless it is a Saturday, Sunday or legal holiday in the State of Arizona, in which event the period shall run until the end of the next day which is not a Saturday, Sunday or such legal holiday.

12.9. TITLES AND CAPTIONS. All article, section or paragraph titles or captions contained in this Agreement are for convenience only and are not deemed part of the context hereof.

12.10. PRONOUNS AND PLURALS. All pronouns and any variations thereof are deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or Persons may require.

12.11. CONSTRUCTION. Every covenant, term and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Member.

12.12. ENTIRE AGREEMENT. This Agreement contains the entire understanding between the Members, and supersedes any prior understandings and agreements (including but not limited to Letter Agreement dated June 14, 1995) previously entered into (whether oral or written) between them representing the subject matter contained herein.

12.13. OTHER TRANSACTIONS. Each Member acknowledges and agrees that the other Members or their respective Affiliates currently are or may be engaged in other transactions and projects ("Other Projects") including projects of a similar nature or in some manner competitive with the Project ("Similar Projects"). Neither the Company nor the Members shall have any right or obligation to in any way participate in, or preclude any Member or its Affiliate from being involved with, any Other Projects, including Similar Projects; provided, that in the event any Member or its Affiliate (an "Opportunity Member") hereafter possesses the opportunity, right or option to purchase or develop a medically oriented property (an "Opportunity") within a five (5) mile radius of the Project (the "Radius Area"), the Opportunity Member shall offer the other Members ("Other Members") participation with the Opportunity Member to jointly develop, own and operate the Opportunity within this Company (in the case of an Opportunity on the Desert Samaritan Hospital Campus, Mesa, Arizona) or, if the Opportunity involves property located elsewhere within the Radius Area, in a similarly structured company or joint venture to this Company (the "Opportunity Offer"). The Opportunity Offer will be deemed rejected by the Other Members unless the Other Members, within twenty (20) days following receipt of the Opportunity Offer, in writing to the Opportunity Member accept the Opportunity Offer and thereafter proceed continuously, diligently and in good

faith, with the Opportunity Member, to negotiate, participate and finalize the Opportunity transaction.

12.14. UHT TRUSTEES' LIABILITY. This Agreement is made on behalf of UHT by Trustees of UHT, not individually, but solely in their capacity in such office as authorized by the Trustees pursuant to UHT's Declaration of Trust, and the obligations of this Agreement are not binding upon, nor shall resort be had to, the private property of any of the Trustees, shareholders, officers, employees or agents of UHT personally, but bind only UHT's property. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that DCP or any third parties might otherwise have to obtain injunctive relief against UHT or UHT's successors in interest, or any action not involving the personal liability of the Trustees, shareholders, officers, employees or agents of UHT (original or successor).

12.15. CONFIDENTIALITY. Each of the Members agrees to maintain the confidentiality of this Agreement and the terms of their respective participation in the Company, except to the extent required: (a) for carrying out the activities of the Company, including but not limited to obtaining financing; (b) for filing tax returns and other tax-related financing; (c) for internal disclosures among the various participants in each Member; or (d) by, or to insure compliance with, applicable law.

12.16. EXHIBITS. Exhibits "A" through "C" attached hereto are by this reference incorporated herein.

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth above.

UNIVERSAL HEALTH REALTY INCOME  
TRUST, a Maryland real estate  
investment trust

By: /s/ XXXXXXXXXX  
-----  
Its: Vice President  
-----  
Tax I.D. No. 23-6858580

DESERT COMMERCIAL PROPERTIES  
LIMITED PARTNERSHIP, an Arizona  
limited partnership

By: ROKMAR CAPITAL, L.L.C., an Arizona  
limited liability company, its  
Managing General Partner

By: /s/ XXXXXXXXX  
-----  
Its: Manager  
-----  
Tax I.D. No 95-4266623

AGREEMENT AND ESCROW INSTRUCTIONS

-----  
Desert Samaritan Medical Building III

1520 South Dobson Road

Mesa, Arizona  
-----

Aug. 15, 1995

Exhibit A	--	Legal Description of Property
Exhibit B	--	Ground Lease and Amendments
Exhibit C	--	List of Personal Property
Exhibit D	--	List of Tenant Leases and Tenant Deposits
Exhibit E	--	Escrow Instructions
Exhibit F	--	Promissory Note
Exhibit G	--	Rent Roll Format
Exhibit H	--	Estoppel Certificate
Exhibit I	--	List of Partner Tenants New Lease Terms
Exhibit J	--	Bill of Sale
Exhibit K	--	Assignment of Tenant Leases
Exhibit L	--	General Assignment
Exhibit M	--	Non-Foreign Status Certificate
Exhibit N	--	Assignment of Ground Lease/Estoppel
Exhibit O	--	Special Warranty Deed

THIS AGREEMENT AND ESCROW INSTRUCTIONS (this "Agreement") is entered into on this 15th day of August, 1995 in Phoenix, Arizona by and between Phase III Desert Samaritan Medical Building Partners, an Arizona general partnership ("Seller") and Desert Commercial Properties Limited Partnership, an Arizona limited partnership or its Permitted Assignee ("Buyer") with respect to the following facts:

#### RECITALS

A. Seller is the ground lessee of certain property more particularly described on Exhibit "A" attached to this Agreement (the "Real Property"), pursuant to a Ground Lease dated July 3, 1984 with Samaritan Health System (formerly known as Samaritan Health Service and Samaritan Health Services), an Arizona non-profit corporation ("Samaritan") and evidenced by Memorandum of Ground Lease recorded July 3, 1984, as Instrument No. 84-543286, and a First Amendment to Ground Lease dated January 1, 1992 and subject, among other things, to Second Amendment to Reciprocal Easement Agreement recorded December 23, 1993, as Instrument No. 93-900503, all as described in Exhibit "B" attached to this Agreement (collectively, the "Ground Lease, with the lessee's interest thereunder referred to as the "Ground Lessee's Interest").

B. In addition, Seller owns, or has interest in: (i) various plans, licenses, permits and other personal property as more particularly described in Exhibit "C" attached to this Agreement ("Personal Property"); (ii) various leases with tenants ("Tenants") at the Property as more particularly described in Exhibit "D" attached to this Agreement ("Tenant Leases"); (iii) the fixtures, equipment and improvements, generally consisting of a commercial medical building commonly known as 1520 South Dobson Road, Mesa, Arizona (the "Improvements"); (iv) security and other deposits ("Tenant Deposits") paid by Tenants pursuant to Tenant Leases; and (v) other rights and interests constituting a part of or appurtenant to the foregoing, including but not limited to warranties, name of and telephone number for "Desert Samaritan Medical Building III" or equivalent, easements, licenses, parking areas, tax, insurance and condemnation awards and other matters (with any or all of the foregoing including the Ground Lessee's Interest, sometimes referred to herein as the "Property").

C. Buyer desires to purchase, and Seller desires to sell, the Property, including the assignment of the Ground Lessee's Interest and Tenant Leases to Buyer, on the terms and conditions set forth in this Agreement.

#### AGREEMENT AND ESCROW INSTRUCTIONS

NOW, THEREFORE, incorporating herein by this reference the foregoing recitals and in consideration of the terms and conditions of this Agreement, and the mutual covenants herein contained, Seller and Buyer hereby agree as follows:

1. Escrow.

(a) Opening Of Escrow.

The escrow for the consummation of the transaction contemplated by this Agreement (the "Escrow") shall be opened on that date ("Opening of Escrow") on which a copy or copies of this Agreement signed by Seller and Buyer together with Buyer's Deposit (as defined in paragraph 3(b)(i) are delivered to Chicago Title Insurance Company located at 2020 North Central Avenue, Suite 300, Phoenix, Arizona, (FAX: (602) 382-2261 Attn: Clifford Dieckoff ("Escrow Holder"). This Agreement, together with any additional escrow instructions provided for herein or executed pursuant hereto, shall: (i) constitute escrow instructions to the Escrow Holder; and (ii) evidence the agreement of Seller and Buyer with respect to the purchase and sale of the Property.

(b) Requests Of Escrow Holder.

Seller and Buyer hereby adopt escrow instructions for the escrow in the form attached as Exhibit "E", and each agree to execute such additional escrow instructions and other documents, and take such other steps, not inconsistent herewith, as the other or Escrow Holder may reasonably require in order to perform its functions and close the transactions contemplated herein in a timely manner; provided, however, that: (i) any such additional escrow instructions shall not include the customary thirteen (13) day cancellation provision usually contained in Arizona escrows and this Agreement shall control to the extent of any conflict or inconsistency with such escrow instruction or documents.

2. Purchase And Sale Of The Property And Personal

Property.

Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, the Property, all upon the terms and subject to the conditions set forth in this Agreement.

3. Consideration To Seller.

(a) The Purchase Price.

The purchase price payable by Buyer to Seller for the Property shall be Eight Million Nine Hundred Thousand and No/100 Dollars U.S. (\$8,900,000.00) (the "Purchase Price").

(b) Terms Of The Purchase.

(i) Deposit.

Concurrent with the Opening of Escrow, Buyer shall deposit with Escrow Holder the amount of Fifty Thousand Dollars (\$50,000.00) ("Deposit"). The Deposit shall be deposited in a segregated interest bearing account titled for this transaction and Escrow with interest thereon accruing for the benefit of Buyer if Close of Escrow occurs and, if Close of Escrow does not occur, for the benefit of the party that is entitled to the Deposit pursuant to this Agreement. Prior to the Close of Escrow (or earlier, if requested by Escrow Holder), Buyer, or its Permitted Assignee, shall provide its tax identification number to Escrow Holder for purposes of reporting interest earned.

(ii) Payment Upon Close Of Escrow.

At or prior to the Close of Escrow, Buyer shall deliver or cause to be delivered to Escrow Holder: (i) cash or immediately available funds in an amount equal to Seller's Required Payments (as herein defined); (ii) a Promissory Note in the form of Exhibit "F" (the "Note"), completed to reference an original principal amount equal to the Purchase Price less the sum of the Deposit and the Seller's Required Payments (the "Note Amount"), duly executed and delivered by Buyer; and (iii) a Letter of Credit in an amount equal to the total of the Note Amount plus interest accruing thereon from Close of Escrow until the Maturity Date, issued by an Acceptable Bank (as those terms are herein defined). Seller shall pay the Letter of Credit Fee; provided, that should Seller not pay the Letter of Credit Fee prior to Close of Escrow, Buyer shall have the right to reduce the Note Amount by an amount equal to the Letter of Credit Fee, with the Letter of Credit amount to be adjusted accordingly, and Buyer to pay the Letter of Credit Fee.

(c) Definitions.

For purposes of Paragraph 3(b)(ii), the following terms shall have the following meanings:

"Letter of Credit" shall mean a standby, irrevocable, non-transferable and non-negotiable Letter of Credit issued by an Acceptable Bank and secured by a certificate of deposit maturing on the Maturity Date obtained and funded by Buyer at Close of Escrow and pledged in favor of Acceptable Bank to secure the Letter of Credit (with the rate of interest payable by Acceptable Bank on such certificate of deposit referred to herein as the "CD Rate"), available for draw by Seller at any time on or within thirty (30) days following the Maturity Date at Phoenix, Arizona, upon default in payment of the Promissory Note.

"Acceptable Bank" shall mean Bank One, N.A., Morgan Guaranty Trust or other financial institution reasonably acceptable to Seller and Buyer, as designated by Seller to Buyer not later than twenty (20) days prior to Close of Escrow, and willing to issue the Letter of Credit.

"Maturity Date" shall mean January 3, 1996.

"Letter of Credit Fee" shall mean all fees and costs charged by Acceptable Bank in issuing the Letter of Credit.

(d) Seller Required Payments.

At or prior to Close of Escrow, Seller shall pay the following ("Seller's Required Payments"): (i) all costs to pay off any and all existing liens and encumbrances against the Property (including pre-payment, defeasance and other fees and costs), including but not limited to the then remaining principal balance and accrued interest under, that \$8,200,000.00 obligation evidenced by Deed of Trust dated November 29, 1984 and recorded December 18, 1984, as Instrument No. 84-543287 and Assignment of Rents and Leases dated November 29, 1984 and recorded December 18, 1984, as Instrument No. 84-543289, both made by Seller in favor of First Interstate Bank of Arizona, N.A., as Trustee under Indenture of Trust dated as of November 29 1984, as successor-in-interest to the Industrial Development Authority of the City of Mesa, Arizona, and related documents (the "IDA Obligations"); (ii) all escrow fees, title insurance premiums, recording costs and similar costs payable by Seller pursuant to this Agreement; (iii) all real estate commissions payable by Seller pursuant to this Agreement; (iv) all Tenant Deposits, rent pro-rations, and similar payments payable by Seller pursuant to this Agreement; and (v) all other payments payable by Seller, pursuant to this Agreement, at or prior to Close of Escrow.

4. Seller's Deliveries.

(a) Seller's Initial Deliveries.

Within seven (7) days following the Opening of Escrow (unless otherwise provided), Seller shall deliver or cause to be delivered to Buyer, originals or legible copies of the following documents pertaining to the Property to the extent not previously delivered to Buyer:

(i) Preliminary Title Report for the Real Property together with all documents referenced therein ("Preliminary Title Report") issued by Chicago Title Insurance Company ("Title Company"), to be delivered by Escrow Holder to Seller;

(ii) the Ground Lease, and any other documents pertaining to the Ground Lease;

(iii) All income and expense records for the fiscal years 1992, 1993, 1994 and 1995 to date;

(iv) Current real, personal property and rent tax bills including any prior or pending appeal information;

(v) All maintenance records, service contracts and other documents concerning maintenance for 1993, 1994 and 1995;

(vi) A schedule of all renovations and construction costs, together with all contracts and warranties with respect thereto, for 1993, 1994 and 1995;

(vii) All existing Tenant Leases, and a schedule of all of the Deposits, which shall be set forth on Exhibit "D";

(viii) All equipment leases or contracts;

(ix) All existing asbestos reports or other hazardous material reports, including test results, if any ("Environmental Reports");

(x) Any existing surveys, including, any which identify compliance and non-compliance items under the Americans with Disability Act of 1992;

(xi) All plans and specifications that Seller has in its possession or control, including all mechanical and electrical drawings;

(xii) Current rent roll for all Tenants and Tenant Leases (to be updated not less often than each thirty (30) days until Close of Escrow, and not earlier than three (3) days prior to the Close of Escrow) disclosing all pertinent terms of the Tenant Lease, including but not limited to, Tenant Deposits, term, premises, options and similar rights, delinquencies, concessions, rent and rental increases, in the basic format of Exhibit "G" (the "Rent Roll"); and

(xiii) any other documents and information in Seller's custody or control pertaining to the Property, including the operation and condition thereof.

All of the documents set forth in paragraph 4(a) above shall collectively be referred to as "Initial Deliveries".

(b) Certification Of Seller's Initial Deliveries.

Upon Seller's completion of delivery of the Initial Deliveries to Buyer, Seller shall provide to Buyer and Escrow Holder a written certification for all of the Initial Deliveries which shall certify that the Initial Deliveries provided to Buyer constitute all of the documents in Seller's possession or control with respect to each category referred to in paragraph 4(a) ("Delivery Certification").

(c) Confidentiality.

Buyer shall maintain the confidentiality of the Initial Deliveries; provided, that the foregoing shall not preclude Buyer

from providing the Initial Deliveries, information contained therein, or extrapolations thereof, to third parties reasonably connected to Buyer's acquisition and financing of the Property, including but not limited to, attorneys, accountants, appraisers, prospective investors or partners, prospective property managers, prospective lenders, mortgage brokers or bankers for prospective financing, or otherwise as required by applicable law (the "Confidentiality Obligation"). The Confidentiality Obligation shall automatically terminate on Close of Escrow except with respect to that portion of the Initial Deliveries constituting or disclosing the financial affairs of Seller other than ownership and operation of the Property (the "Continuing Obligation"). The Confidentiality Obligation (including the Continuing Obligation) shall survive any termination of this Agreement prior to Close of Escrow. and the Continuing Obligation shall survive Close of Escrow.

(d) Redelivery.

Upon any termination of this Agreement, other than due to Seller's default, Buyer shall promptly deliver to Seller all Initial Deliveries obtained from Seller, and either deliver to Seller or destroy any copies thereof in the possession of Seller or its agents.

5. Contingencies.

(a) Buyer's Contingencies.

Notwithstanding any other provision, covenant or agreement set forth herein to the contrary, Buyer's obligations under this Agreement shall be subject to Buyer's satisfaction (or waiver), review and approval of the matters set forth in this paragraph 5(a) (the "Contingencies"), in Buyer's sole and absolute discretion, as evidenced by written notice of Buyer's approval or waiver thereof (the "Approval Notice"), given to Escrow Holder on or before 5:00 p.m., Mountain Standard Time, on the day which is sixty (60) days after the Opening of Escrow ("Contingency Period"), subject to extension pursuant to the objection and cure provisions set forth in paragraph (b) below. If Buyer has not given the Approval Notice to Escrow Holder prior to the expiration of the Contingency Period, or if Buyer at any time prior to the Contingency Date gives written notice of disapproval of any of the Contingencies to Escrow Holder (a "Disapproval Notice"), then the Escrow Holder shall, without further consent from Seller, deliver the Deposit (including any interest earned thereon) to Buyer, Buyer shall be deemed to have terminated this Agreement pursuant to the provisions of this paragraph, and all rights and obligations of the parties under this Agreement shall be terminated. The Contingencies shall include:

(i) Initial Deliveries.

Buyer's receipt and approval of the Initial Deliveries.

(ii) Property Inspection.

Buyer's inspection and approval of the physical condition of the Property ("Property Inspection") including, without

limitation, the conducting of soil tests, surveys, engineering and structural studies and tests for hazardous wastes and hazardous substances as defined in applicable Arizona and federal laws.

(iii) Title Insurance.

Receipt and approval by Buyer of the Preliminary Title Report committing to issue to Buyer an ALTA standard coverage owner's policy of title insurance or, at Buyer's election, an ALTA extended coverage owner's policy of title insurance (the "Title Policy"), naming Buyer as the insured, in a policy amount equal to the Purchase Price, as the Ground Lessee's Interest. At Close of Escrow, Seller shall pay that portion of the Title Policy premium attributable to standard owner's coverage (the "Standard Premium") and Buyer shall pay the excess in premium (the "Extended Premium") attributable to the obtaining of such ALTA owner's extended coverage policy of title insurance and any endorsements thereto. In the event Title Company shall, following issuance of the Initial Preliminary Title Report, issue an Amendment or update to the Preliminary Title Report (an "Amended Commitment") disclosing new or additional Title Exceptions to be shown on the Title Policy not caused by Buyer ("New Exceptions"), Buyer shall have until the later (the "Amended Approval Date") of five (5) business days following receipt of the Amended Commitment (including legible copies of the New Exceptions) or the expiration of the Contingency Period, to review and approve, in Buyer's sole and absolute discretion, the New Exceptions, with Buyer deemed to have approved the New Exceptions unless Buyer, on or prior to the Amended Approval Date, delivers a Disapproval Notice, with respect to the New Exceptions, to Escrow Holder. Any such Disapproval Notice timely delivered by Buyer with respect to the New Exceptions shall terminate this Agreement in the same manner as for a Disapproval Notice timely given in accordance with paragraph 5(a).

(iv) Commitment for New Financing;

Receipt by Buyer of a commitment letter from an institutional lender ("New Lender") to provide a new loan ("New Financing") secured by a first trust deed on the Property (with the Ground Lease subordinated to such first trust deed) in an amount not less than \$6,200,000 and otherwise on terms acceptable to Buyer in Buyer's sole discretion.

(b) Objection Matters

Buyer shall have the right, in addition to its right to give a Disapproval Notice, to tender an Approval Notice or a Disapproval Notice, pursuant to which Buyer expressly requests Seller to attempt to cure, prior to a specified date (the "Cure Date"), without obligation on the part of Seller to do so, any matters objected to by Buyer ("Objection Matters") as a part of Buyer's review of the Contingencies (a "Conditional Approval Notice" and "Conditional Disapproval Notice", respectively). Seller shall then have ten (10) business days following its receipt of the Conditional Approval Notice or Conditional Disapproval Notice to elect, by written notice to Buyer and Escrow Holder (the "Election Notice"), to either cure the Objection Matters by the Cure Date, or not to attempt cure of the Objection Matters (with Seller deemed to have elected to not attempt such cure if Seller fails to timely give

the Election Notice). Buyer will then have until the later of five (5) business days following receipt of the Election Notice or expiration of the ten (10) business days for Seller to give the Election Notice to elect, by written notice to Escrow Holder, to either terminate this Agreement (in the same manner as if Buyer timely gives Disapproval Notice pursuant to paragraph 5(a)), or to elect to waive its objection to the Objection Matters (with Buyer's failure to give notice of such election to be deemed to be Buyer's election to have given a Disapproval Notice pursuant to paragraph 5(a)).

(c) Tenant Estoppel Certificates and Subordination Agreements Buyer's obligations under this Agreement shall also be conditioned upon Buyer obtaining (or waiving requirement for) execution of: (1) Estoppel Certificates in substantially the form of Exhibit "H" attached hereto (the "Estoppel Certificates"); and (2) Estoppel Certificates/Subordination and Non-Disturbance Agreements (or equivalent documents) in the form requested by New Lender for the New Financing (the "Subordination Agreement") by either: (i) Tenants representing Tenant Leases for not less than ninety percent (90%) of the leased area of the Property; plus (ii) Estoppel Certificates executed by Seller, as "Landlord" for the remaining Tenant Leases for which Tenant executed Estoppel Certificates are not so obtained. The Estoppel Certificates shall be in a "clean" form, not referencing or disclosing any default by either the Seller, as landlord or Tenant under the involved Tenant Lease and consistent with the Rent Roll provided by Seller to Buyer.

Provided Buyer has delivered the forms of the Estoppel Certificates and Subordination Agreements to Seller for execution by Tenants at least thirty-five (35) days prior to the Close of Escrow, and in the event Buyer does not receive such Estoppel Certificates and Subordination Agreements executed by Tenants or Landlord in compliance with subparagraphs (i) and (ii) above, dated not earlier than thirty (30) days prior to the Close of Escrow and not later than ten (10) days prior to the Close of Escrow, then Buyer may elect, by written notice to Escrow Holder given after the date ten (10) days, and before the date five (5) days, prior to the Close of Escrow to terminate this Agreement, in which event the Deposit (and any interest earned thereon) shall be returned to Buyer, and neither Seller nor Buyer shall have any further right or obligation as to the other under this Agreement except as expressly set forth herein.

(d) New Tenant Leases

Seller obtaining, and delivering to Buyer, execution of new or, where appropriate, extension of existing, Tenant Leases on the terms, and utilizing the lease form referenced on Exhibit "I", from those Tenants being partners or affiliates of Seller (the "Affiliated Leases"); provided, that the Affiliated Leases may be conditioned upon Buyer completing Close of Escrow. In the event that Seller does not so deliver the Affiliated Leases to Buyer within thirty (30) days following Opening of Escrow, Buyer shall thereafter have the right to issue a Disapproval Notice with respect to the Affiliated Leases. This Agreement shall not obligate any individual partner of Seller to enter into an Affiliated Lease prior to any such partner executing and actually delivering an Affiliated Lease pursuant to this paragraph.

(e) Seller's Contingencies.

Notwithstanding any other provision, covenant or agreement set forth herein to the contrary, Seller's obligations under this Agreement shall be subject to satisfaction of the following conditions ("Seller Contingencies") within the time limits specified:

(i) Samaritan Release.

Seller being released at Close of Escrow by Samaritan from its obligations under the Ground Lease, on the terms, and by execution by Samaritan of, the Landlord's Consent and Release attached to and forming a part of the Assignment of Leasehold Interest (Phase III) attached as Exhibit "N" to this Agreement ("Seller's Liability Release").

(ii) Partner Approval.

Seller obtaining the requisite approval (as set forth in the Partnership Agreement or equivalent organizational control document for Seller) from its partners for the transaction evidenced by this Agreement (the "Seller's Partners Approval") within ten (10) days following the Opening of Escrow (the "Seller's Approval Date"). Seller agrees, promptly following Opening of Escrow, to submit this Agreement, and such other additional information as shall be requested by the partners in Seller to properly consider the request for Seller's Partners Approval, to all partners in Seller, and to diligently pursue obtaining of Seller's Partners Approval.

(f) Satisfaction of Seller's Contingencies.

In the event binding agreement of Samaritan to the Seller's Liability Release has not been obtained and delivered to Seller on or prior to expiration of the Contingency Period, or in the event Seller has not obtained the Seller's Partners Approval on or prior to the Seller's Approval Date, this Agreement will be deemed terminated, in which event the Deposit (and any interest earned thereon) shall be returned to Buyer, and neither Seller nor Buyer shall have any further right or obligation as to the other under this Agreement except as expressly set forth herein. In the event such binding agreement of Samaritan to the Seller's Liability Release and Seller's Partners Approval are so timely obtained, those contingencies will be deemed satisfied.

6. Warranties And Representations.

(a) Representations And Warranties Of Seller.

Seller warrants and represents to Buyer as of the date hereof and as of the Closing Date as follows (with such warranties and representations to survive the Close of Escrow):

(i) Title To The Property.

To the actual knowledge of Herbert H. Bunchman II, M.D., Michael A. Chasin, M.D., and Mark Stern, M.D. (the "Managing Partners", with all references herein to "actual knowledge" of Seller deemed to refer only to the actual knowledge of any of the Managing Partners), Seller is the holder of the Ground Lessee's Interest, and has good and marketable title to the remainder of the Property, all free and clear of restrictions, conditions, transfers, assignments liens, pledges, charges, encumbrances, covenants and claims, except those which are (i) specifically set forth in this Agreement, or (ii) referenced in the Title Commitment, or (iii) revealed by an Arizona Uniform Commercial Code Search conducted under Seller's name.

(ii) Authority And Consent.

Seller: (a) acting through all three (3) of the Managing Partners, has all right, power, legal capacity, and authority to enter into this Agreement, with any two (2) of the Managing Partners authorized to execute any and all documents and to take all such acts required for Seller to perform its obligations under this Agreement; and (b) has obtained all necessary approvals and consents in connection herewith and shall provide to Escrow Holder and Buyer a partnership resolution, in a form acceptable to Escrow Holder for issuance of the Title Policy, authorizing the Managing Partners to so execute this Agreement and any and all additional documents as may be reasonably required to effectuate this transaction.

(iii) No Known Violations.

Seller has not received any notices, of any, and to Seller's actual knowledge, no governmental authority or any employee or agent thereof considers any, construction of the Improvements, or the operation, use or ownership of the Property, to have violated or be in violation of any ordinance, rule, law, regulation or order of any government or any agency, body or subdivision thereof or that any investigation has been commenced or is contemplated respecting any such possible violation.

(iv) Agreements.

Seller has no actual knowledge of any commitments to, agreements with or any plans proposed or discussed by any government authority or agency (federal, state or local) affecting the Property which have not been disclosed by Seller to Buyer in writing as a part of the Initial Deliveries.

(v) Representations.

The representations or warranties of Seller in this Agreement and the Initial Deliveries furnished or to be

furnished to Buyer pursuant hereto, or in connection with the transactions contemplated hereby, to Seller's actual knowledge will not and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements of fact contained therein not misleading.

(vi) Litigation.

Seller is not involved in, nor is there to Seller's actual knowledge any, pending or threatened litigation which will affect its ability to perform under this Agreement, or which in any way affects any of the Property.

(vii) Foreign Affidavit.

Seller is not a foreign person and is a "United States Person" as those terms are defined in Section 7701(a)(3) of the Internal Revenue Code of 1954, as amended.

(viii) Leases.

Seller has no actual knowledge that any third party has any interest in any Tenant Leases or the Ground Lessee's Interest affecting any of the Property other than those referred to in Exhibit D, the Preliminary Title Report, or that would be revealed by an Arizona Uniform Commercial Code Search conducted under Seller's name.

(ix) Special Assessments.

To Seller's actual knowledge, there are not presently pending any special assessments or condemnation actions against the Property or any part thereof, nor has Seller received any notice of any special assessments or condemnation actions being contemplated.

(x) Operation of the Property as Part of the Close of Escrow.

Seller shall continue to operate and maintain the Property or cause the Property to be operated and maintained up to the Close of Escrow in the usual and customary manner and in order to assure preservation of the business relationship and good will with, among others, the Tenants, and shall ensure that the Property is used and maintained in good operating condition at all levels required for normal operation up to the Close of Escrow. Seller shall not cause or permit any material changes in its policies, management, format or operation of the Property.

(xi) Security Deposits.

Seller shall maintain the Tenant Deposits in the amount represented in Exhibit "D" and shall not utilize the Tenant Deposits to offset any delinquencies or other sums due and owing from the

Tenants. After the Close of Escrow, Seller shall retain the right to collect from Tenants any and all sums due and delinquent under the Tenant Leases for periods prior to the Close of Escrow; provided, Seller shall not initiate any legal proceedings to collect any such delinquent rents for any Tenants while such Tenants remain tenants in the Property. At all times prior to Close of Escrow, Seller shall promptly notify Buyer in writing of any defaults that any Tenants may commit, or claim to have been committed on behalf of the landlord thereunder, under the Tenant Leases.

(xii) Hazardous Waste.

To Seller's actual knowledge (with Seller not having undertaken any independent investigation thereof), and except as set forth in any Environmental Reports: (a) there are not any violations of any Federal, state or local law, ordinance or regulation relating to the industrial hygiene, presence or use of hazardous waste (as herein defined) on, or to the environmental condition on, under, or about the Property, including, but not limited to, the soil and underground water; and (b) during the time the Seller has owned the Property, neither the Seller, nor any third party has improperly or illegally used, generated, manufactured, stored, disposed of, on or under or about, the Property or transported to or from the Property in an improper or illegal manner, any flammable, explosive, radioactive, hazardous waste, toxic substances or related materials or other substances regulated by applicable law. For purposes of this Agreement, "hazardous waste" shall include but not be limited to, substances defined as "hazardous substances", "hazardous materials", "hazardous wastes" or "toxic substances", or that are or become regulated under, or that are classified as hazardous or toxic (or equivalent designation), in or under any and all federal law including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 49 USC Section 1801, et seq., the Resource regulations adopted in publications promulgated pursuant to such laws, and any and all laws of the State of Arizona including but not limited to the Arizona Public Health and Safety Act, Title 36, and Arizona Environmental Quality Act, Title 49, Arizona Revised Statutes, and all rules and regulations adopted and guidelines promulgated pursuant to the foregoing.

(xiii) Employment.

With respect to Seller's ownership, management, maintenance and operation of the Property (but excluding any business conducted by Seller as a Tenant on the Property, any employees of Samaritan, or any employees of Seller's manager for the Property), Seller has no salaried or hourly employees, union or collective bargaining agreements, or current labor disputes. As of the Close of Escrow, all of the applicable real estate taxes, rent taxes, personal property taxes, withholding taxes, employment taxes, social security taxes, sales taxes, excise taxes and other applicable Federal, state, and municipal taxes applicable to the Property for the period through Close of Escrow or for which Seller is otherwise responsible has or will have been paid.

(b) Warranties And Representations Of Buyer.

Buyer has the power, legal capacity and authority to enter into and perform its obligations under this Agreement and

has obtained, or will obtain by Close of Escrow, all approvals and consents necessary in connection herewith and shall provide to Escrow Holder such resolutions as Escrow Holder may reasonably require.

7. Close Of Escrow.

(a) Time And Place.

The closing of the purchase and sale transaction contemplated by this Agreement (the "Close of Escrow" or "Closing") shall take place, at the location designated by the Escrow Holder, by 5:00 p.m. on November 15, 1995 or such earlier date as designated upon not less than five (5) days notice by Buyer to Escrow Holder and Seller, provided, Buyer shall have the right to extend Closing for up to two (2) consecutive and successive periods of thirty (30) days each by written notice to Seller given not later than five (5) days prior to the date then set for Close of Escrow.

(b) Seller's Obligations At Closing.

At the Close of Escrow, in addition to all documents reasonably required to be obtained or recorded by Escrow Holder, Seller shall deliver to Escrow Holder or, as appropriate, cause to be delivered, the following documents and instruments:

(i) Possession of the Property subject only to the terms of the Ground Lease, matters referenced in the Preliminary Title Report and the rights of Tenants under the Tenant Leases;

(ii) The Title Policy or a commitment to issue the Title Policy from the Title Company in a form reasonably acceptable by Buyer;

(iii) A Bill of Sale duly executed by Seller conveying to Buyer all of Seller's right, title and interest in and to the Personal Property ("Bill of Sale") in the form set forth in Exhibit "J" to the Agreement;

(iv) An Assignment of Tenant Leases duly executed by Seller assigning to Buyer all of Seller's right, title and interest in and to the Tenant Leases (to the extent accruing from and after the Close of Escrow) and Tenant Deposits, in the form of and upon the terms and conditions contained in, Exhibit "K" to this Agreement (the "Tenant Lease Assignment");

(v) An Assignment duly executed by Seller assigning to Buyer all of Seller's right, title, interest and obligations under, in and to all service agreements and the like (to the extent such are assignable), for the period from and after Close of Escrow ("General Assignment"); provided however, Seller shall cancel, at its expense any management arrangement for the Property effective as of Close of Escrow, and Buyer shall have the right to request that Seller cancel any and all such service agreements effective at the Close of Escrow in lieu of assignment.

The General Assignment shall be in the form of and upon the terms and conditions contained in Exhibit "L" to this Agreement;

(vi) A Certificate of Non-Foreign Status, sworn under penalty of perjury containing Seller's United States Tax Identification Number and stating that Seller is not a foreign person and is a United States person as defined in the Internal Revenue Code including Section 1445. The Certificate of Non-Foreign Status shall be in the form of and upon the terms and conditions contained in Exhibit "M" to this Agreement;

(vii) A Seller's Estoppel Certificate with respect to any such Tenants for which a Tenant Estoppel Certificate was not provided, if requested by and to the extent acceptable to Buyer;

(viii) An Assignment duly executed by Seller assigning to Buyer all of Seller's right, title, interest and obligations under, in and to the Ground Lease to the extent accruing from or after the Close of Escrow ("Ground Lease Assignment"), and including release by Samaritan of Seller from all post-Closing liability under the Ground Lease, in the form of and otherwise upon the terms and conditions contained in Exhibit "N" to this Agreement;

(ix) A Special Warranty Deed executed by Seller conveying to Buyer all of Seller's right, title and interest in and to all fixtures and improvements located on, and rights appurtenant to, the Real Property, in the form set forth on Exhibit "O" to this Agreement;

(x) Such other documents as may be requested or required by Buyer and/or Escrow Holder to effectuate the purchase and sale contemplated in this Agreement;

(xi) Originals of all Initial Deliveries, and of all other agreements, and of all records and plans maintained in connection with the ownership and operation of the Property together with all originals of all licenses and permits, including all governmental licenses and all warranties relating to the Property;

(xii) Keys to all entrance doors to the Property and keys to all Personal Property located on the Property, which keys shall properly be tagged for identification;

(xiii) Such resolutions, authorizations, bylaws and other documents to reasonably authorize Seller to enter into and complete all performances and documents required for this transaction; and

(xiv) Such payoff statements, releases, or other documents as are required to fully release the property from the encumbrance of the IDA Obligations as of Close of Escrow, subject to payment thereof by Seller as provided in Paragraph 3.

(c) Buyer's Obligations At Closing.

At the Closing, Buyer shall execute and deliver to Escrow the following:

(i) The Purchase Price and such additional funds as are required to be paid by Buyer at the Close of Escrow as provided for in this Agreement;

(ii) The Note (with Escrow Agent hereby directed to complete the Note to insert the CD Rate as the "Effective Rate" in paragraph 1 of the Note) and the Letter of Credit (each for delivery to Seller at Close of Escrow); and

(iii) Assumptions for the Ground Lease Assignment, Tenant Lease Assignment and General Assignment, and such other documents as may be reasonably requested or required by Seller and/or Escrow Holder to effectuate the purchase and sale contemplated by this Agreement.

8. Costs.

The following items shall be paid at the Close of Escrow as indicated:

(a) Seller's Costs.

Seller shall pay for the Standard Premium for the Title Policy, the documentary transfer tax (if any), one-half of the Escrow costs and any other expenses incurred in Escrow customarily paid by sellers of real property in Maricopa County, Arizona. In addition, Seller shall pay its prorated share of real property taxes, insurance, utility and service contracts and arrangements. In the event Buyer desires an extended coverage Title Policy, the Extended Premium shall be paid by Buyer. All improvement district special or similar assessments shall be paid by Seller in full at or prior to the Closing.

(b) Buyer's Costs.

Buyer shall pay one-half of the Escrow costs, and any other expenses incurred in Escrow which are customarily paid by buyers of real property in Phoenix, Arizona. Buyer shall pay its prorated share of real property taxes, insurance, utility and service contracts and arrangements.

(c) Prorations.

Rents, revenues and other income actually paid to and received by Seller, if any, from the Property, any payments due, including property taxes, service contract fees, installment payments, insurance premiums and other expenses, if any, and any impounds and/or deposits shall be prorated as of the Close of Escrow.

(d) Tenant Deposits.

All Tenant Deposits shall be delivered by Seller to Buyer through Escrow.

9. Remedies.

If Seller fails to perform any of its obligations in accordance with this Agreement, Buyer shall have all rights or remedies under applicable law, including but not limited to the right to waive such default and demand specific performance, terminate this Agreement (with Buyer to thereupon be released from any further obligations and liabilities hereunder), or pursue an action for damages. In the event of any such default by Seller, the Deposit (including accrued interest) will be returned to Buyer upon demand from Buyer. If Buyer fails to perform any of its obligations in accordance with the Agreement, Seller's sole remedy (and Buyer's sole liability) shall be to terminate this Agreement and to receive and retain the Deposit theretofore paid by Buyer; provided, the foregoing limitation shall not apply to the Inspection Indemnity or Brokerage Indemnity (as herein defined).

10. Rights Of Escrow Holder.

(a) Event Of Litigation.

If this Escrow shall be in any litigation or controversy, Buyer and Seller shall hold Escrow Holder free from, and harmless against, any loss or expense (except to the extent due to the negligence, intentional or other culpable act or failure to act of Escrow Holder) that may be suffered by Escrow Holder by reason of such litigation or controversy.

(b) Conflicting Demands.

Except as otherwise provided in this Agreement, in the event conflicting demands are made or notices served upon Escrow Holder with respect to this Escrow, Buyer and Seller agree that Escrow Holder shall have the absolute right, at its election, after five (5) days written notice to Seller and Buyer, to do either or both of the following:

(i) Withhold and stop all further proceedings in, and performance of, this Escrow; or,

(ii) File a suit in interpleader and obtain an order from the court of competent jurisdiction requiring the parties to interplead and litigate in such court their several claims and rights amongst themselves with respect to this Escrow and Agreement. In the event such interpleader suit is brought, Escrow Holder shall, upon appropriate delivery of all documents and sums then held by Escrow Holder to such court, be fully released and discharged from all obligations to perform any and all further duties and obligations imposed upon Escrow Holder as a result of this Agreement.

(c) Facsimile Transmissions.

The Escrow Holder shall have the right to rely upon any party's signature on this Agreement and/or any documents relating to this Escrow transmitted by facsimile machine from any of the parties as though it were an original.

11. Broker's Fees.

Any and all brokerage commissions or other broker fees with respect to this transaction shall be paid by Seller. Seller hereby represents that it has a contingent brokerage commission obligation to CB Commercial Real Estate Group, Inc. ("CB") which shall be payable if and when the transaction contemplated by this Agreement closes. Buyer hereby represents that it has not dealt with any real estate brokers other than CB with respect to this transaction. The parties hereto each agree to indemnify and hold harmless the other for, from and against any and all loss, liability, damage, cost, claim or expense, including interest, and reasonable attorneys' fees, that shall be incurred or suffered by reason of a brokerage commission or finder's fee payable to the extent of any act, omission or statement of the indemnifying party. CB will not be deemed a third party beneficiary of this Agreement nor will its consent or joinder to any amendment or cancellation of this Agreement be required except with respect to an amendment of the commission amount payable to CB.

12. Notices.

Unless applicable law requires a different method of giving notice, any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be deemed given upon personal delivery, completion of facsimile transmission if by facsimile, one (1) business day following delivery to a recognized overnight courier service (such as Federal Express) designated for next business day delivery, or two (2) days following deposited in the United States mail, certified with a return receipt requested and postage pre-paid, addressed to the party to whom such notice, demand or other communication is to be given as follows:

Buyer: Desert Commercial Properties Limited Partnership  
c/o Rockmar Capital, L.L.C.  
2525 Camelback Road  
Suite 950  
Phoenix, Arizona 85016  
Fax No.: (602) 912-8945

With copies to: Robert L. Shaw, Esq.  
Byrne, Beaugureau, Shaw, Zukowski & Hancock, P.C.  
2111 East Highland Road  
Suite 255  
Phoenix, Arizona 85016

Seller: Attn: Herbert H Bunchman II, M.D.  
1520 South Dobson Drive  
Suite 314  
Mesa, Arizona  
Fax No.: (602) 969-4316

With copies to: David Case, Esq.  
Ryley, Carlock & Applewhite  
101 North 1st Avenue, Suite 2700  
Phoenix, Arizona 85003  
Fax No.: (602) 257-9582

Any party hereto may change its address for the purpose of receiving notices, demands or other communications as herein provided by not less than five (5) days prior written notice given in the manner aforesaid to the other party or parties hereto.

13. Right Of Entry.

Buyer shall have the reasonable right of entry during normal business hours to the Property upon at least forty-eight (48) hours notice to Seller for the purpose of making inspections of the Property. Such inspections or other tests shall be at Buyer's sole expense. Buyer shall indemnify and hold Seller harmless in connection with and for, from and against any claims, loss or liability (including costs and attorney's fees) suffered, threatened or caused as a result of or to the extent deriving from such inspection(s), test(s), ingress, egress and/or other activities of Buyer, its contractors or agents, on or with respect to the Property (the "Inspection Indemnity"). The Inspection Indemnity shall survive the Close of Escrow, and any cancellation or termination of this Agreement. Seller shall have the right, but not the obligation, to have a representative of the Seller accompany Buyer on any inspection. Any such inspection must be carried out in a manner which does not unreasonably interfere with the Tenants of the Property.

14. Condemnation Or Destruction.

(a) Damage by Fire, Explosion, Disaster or Other Casualty.

If prior to the Closing any part of the Property shall be destroyed or damaged by fire, explosion, earthquake, disaster, accident, disturbance or act of God, then Seller shall promptly give Buyer written notice thereof. If the cost of repairing such damage or destruction is less than \$100,000.00, or if Buyer decides to proceed with the purchase of the Property notwithstanding the amount of such cost of repair, then the Closing shall proceed, and Seller at the Closing shall assign and transfer to Buyer all applicable insurance proceeds (including rent loss for the period from and after Close of Escrow) payable as a result of such damage or destruction, and pay Buyer the deductible sum, if any, prescribed by such insurance policy or any otherwise uninsured portion of such loss. If the cost of repairing such damage

or destruction is \$100,000.00 or greater, or is not covered by available insurance proceeds, then Buyer may, at its option, within ten (10) days following Buyer's receipt of Seller's notice, terminate this Agreement by written notice to Escrow Holder, in which event the Escrow Holder is directed to return to Buyer any Deposit with each party to then be released from any further right or obligation hereunder. Following any assignment by Seller of any insurance proceeds pursuant to this paragraph, Seller shall cooperate reasonably with Buyer in any loss adjustment negotiations with the insurance carrier. If Buyer shall not so elect to terminate this Agreement, the Closing shall proceed and Seller, at the Closing, shall assign and transfer to Buyer all applicable insurance proceeds (including rent loss for the period from and after Close of Escrow) payable as a result of such damage or destruction, and pay Buyer the deductible sum, if any prescribed by such insurance policy.

(b) Condemnation.

If prior to the Closing, any legal action shall be initiated or threatened by the United States of America, the State of Arizona or any municipality thereof or any other governmental body or by any other corporation or person for the taking of any material part (in excess of \$100,000.00) of the Property under the power of eminent domain or otherwise, Seller shall promptly give Buyer written notice thereof, and Buyer may, at its option, within ten (10) days following the receipt of such notice, terminate this Agreement by giving Seller and Escrow Holder written notice thereof, in which event the Escrow Holder is directed to return to Buyer Deposit and with each party to then be released from any further obligation or liability hereunder. If Buyer shall not so elect to terminate this Agreement, or if the taking is \$100,000.00 or less, then the Closing shall proceed and Seller, at the Closing, shall assign and deliver to Buyer all of Seller's rights (including proceeds received at or prior to Closing) arising by reason of such legal action, including but not limited to, all rights to award, compensation or other proceeds payable by reason of such action.

15. Survival Of Representations And Warranties.

All representations, warranties, covenants and agreements of the parties contained in this Agreement, or in any instrument or other writing provided for herein, shall, except as otherwise set forth herein, survive the execution and delivery of this Agreement and the Close of Escrow.

16. Attorneys' Fees.

Should any party hereto institute any action or proceeding at law or in equity to enforce any provision of this Agreement, including any action for declaratory relief, or for damages by reason of an alleged breach of any provision of this Agreement, or any provision thereof, the prevailing party shall be entitled to recover from the losing party or parties reasonable attorneys' fees and costs incurred by the prevailing party in such action or proceeding.

17. Time Is Of The Essence and Dates.

Time is of the essence of this Agreement and all of the terms, provisions, covenants and conditions hereof. If the date of performance by any party to this Agreement occurs on a weekend or holiday, then such performance shall occur on the next business day. A business day shall mean any day the State of Arizona and Maricopa County are regularly open for the conduct of business.

18. Assignment.

Buyer shall have the right until the Close of Escrow to assign Buyer's rights under this Agreement (an "Assignment") only to an entity (a "Permitted Assignee") which either: (a) has Desert Commercial Properties Limited Properties, or its principals, as a principal and managing member, partner, shareholder or similar participant therein; or (b) is otherwise approved by Seller, such approval not to be unreasonably withheld. An Assignment shall not be effective unless and until: (i) a copy of the Assignment document, duly executed by both Buyer and the Permitted Assignee, has been delivered to both Seller and Escrow Holder; (ii) in the Assignment the Permitted Assignee agrees to assume all of the obligations of Buyer and provide for continuation of the Deposit as set forth in this Agreement; and (iii) written confirmation is obtained from Samaritan that it satisfies the requirements of Samaritan for Seller's Liability Release.

19. Tax Deferred Exchange.

Either party ("Accommodator") shall upon request of the other ("Requesting Party") cooperate in effectuating transfer of the Property to a tax deferred exchange under Section 1031 of the Internal Revenue Code of 1986, as and if amended (an "Exchange"), subject to the following:

(a) The Requesting Party shall have the right to proceed with an Exchange at any time prior to Close of Escrow, provided it gives reasonable advance notice (in any event not less than five (5) business days) of its desire to have Accommodator participate in the Exchange, together with each and all of the documents to be executed by Accommodator, with respect to the Exchange.

(b) Neither the Closing, nor consummation of any other aspect of this Agreement, shall in any way be predicated or conditioned on the Exchange or completion thereof.

(c) Any documents to be executed by Accommodator in connection with an Exchange shall not cause Accommodator to incur any additional cost, expense or liability in any way or manner (irrespective of whether indemnified against by Requesting Party).

(d) Accommodator shall have the right, as a condition to participation in the Exchange, to require Requesting Party to

provide advance payment to Accommodator of the reasonably anticipated extra costs, including attorney fees, to be incurred by Accommodator solely by reason of participation in the Exchange.

(e) Accommodator does not make any representation or warranty to Requesting Party or any other third party, including state or federal tax authorities that the exchange will qualify for any particular or deferred tax treatment.

(f) Requesting Party shall indemnify and hold Accommodator harmless for, from and against any and all liability, damages, or costs, including actual attorneys' fees, incurred or that may be incurred by Accommodator by virtue of Accommodator's participation in the Exchange.

(g) The Exchange shall not in any way limit, terminate or otherwise effect all or any of any party's rights or obligations under this Agreement.

20. Miscellaneous.

(a) Independent Legal Advice.

Each of the parties to this Agreement does hereby warrant, represent to and agree with the other that it executes this document with full knowledge of its rights under this Agreement, and that it has received, or had the opportunity to receive, independent legal advice as to these rights.

(b) Applicable Law.

This Agreement shall in all respects, be governed by the laws of the State of Arizona applicable to agreements executed and to be wholly performed within Arizona.

(c) Severability.

Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provisions contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail; but the provision of this Agreement which is affected shall be deemed deleted and limited only to the extent necessary to bring it within the requirements of the law.

(d) Further Assurances.

Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder to carry out the intent of the parties hereto.

(e) Modifications and Amendments.

This Agreement, including this paragraph, may be modified or amended only by an agreement in writing signed by the Buyer and Seller.

(f) Entire Agreement.

This Agreement contains all representations and the entire agreement and understanding between the parties, and supersedes any and all other agreements, either oral or in writing, between the parties hereto, concerning the subject matter of this Agreement.

(g) Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which together shall constitute the Agreement, notwithstanding the fact that all the parties have not been signatories either on the same date or to the same counterpart; provided, however, that the Agreement shall not become effective until completely conforming counterparts have been signed by each of the parties hereto.

(h) Number and Gender.

In this Agreement, the masculine, feminine or neuter gender, and the singular or plural number, shall each be deemed to include the others whenever the context so requires.

(i) Captions and Recording References.

The captions appearing at the commencement of the sections hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the section at the head of which it appears, the section and not such caption shall control and govern in the construction of this Agreement. Set recordation references herein refer, unless otherwise expressly stated, to the Office of the Maricopa County Recorder, State of Arizona.

(j) Exhibits.

Exhibits "A" through "O" attached are hereby incorporated herein by this reference.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and place first written above.

SELLER:

PHASE III DESERT SAMARITAN MEDICAL BUILDING

PARTNERS

An Arizona General Partnership

By: /s/ Herbert H. Bunchman II, M.D.

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Herbert H. Bunchman II, M.D.  
Its: Managing Partner

By: /s/ Michael A. Chasin, M.D.

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Michael A. Chasin, M.D.  
Its: Managing Partner

By: /s/ Mark Stern, M.D.

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Mark Stern, M.D.  
Its: Managing Partner

BUYER:

DESERT COMMERCIAL PROPERTIES LIMITED PARTNERSHIP  
an Arizona limited partnership

By: Rokmar Capital, L.L.C.  
an Arizona limited liability company  
Its: General partner

By: /s/ Kambiz Babaoff

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Kambiz Babaoff, Manager

BROKER:

CB COMMERCIAL REAL ESTATE GROUP, INC.

By: /s/ Robert L. Young

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ITS: Vice President  
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ACCEPTED:

/s/ C.D. Dieckhoff

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Chicago Title Insurance Company

Aug. 15, 1995

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Date

C.D. DIECKHOFF  
SENIOR ESCROW OFFICER



YEAR		
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JAN-01-1995		
DEC-31-1995	1	139
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