

UNIVERSAL HEALTH SERVICES INC
Form DEF 14A
April 07, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

UNIVERSAL HEALTH SERVICES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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filing.

1. Amount Previously Paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

UNIVERSAL HEALTH SERVICES, INC.

April 7, 2016

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Universal Health Services, Inc. (the Company) to be held at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania, on Wednesday, May 18, 2016, at 10:00 a.m., for the following purposes:

- (1) the election of one director by the holders of Class A and Class C Common Stock and one director by the holders of Class B and Class D Common Stock;
- (2) the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016;
- (3) to act on a shareholder proposal regarding proxy access if properly presented at the meeting; and
- (4) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

Detailed information concerning these matters is set forth in the Important Notice Regarding the Availability of Proxy Materials (the Notice) you received in the mail and in the attached Notice of Annual Meeting of Stockholders and Proxy Statement. We have elected to provide access to our Proxy Materials over the internet under the Securities and Exchange Commission's notice and access rules. If you want more information, please see the Questions and Answers section of this Proxy Statement.

Your vote is important. Whether or not you plan to attend the meeting, please either vote by telephone or internet or, if you received printed Proxy Materials and wish to vote by mail, by promptly signing and returning your Proxy card in the enclosed envelope. Please review the instructions on each of your voting options described in this Proxy Statement as well as in the Notice you received in the mail. If you then attend and wish to vote your shares in person, you still may do so. In addition to the matters noted above, we will discuss the business of the Company and be available for your comments and discussion relating to the Company.

I look forward to seeing you at the meeting.

Sincerely,

Alan B. Miller
*Chairman and
Chief Executive Officer*

UNIVERSAL HEALTH SERVICES, INC.

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PENNSYLVANIA 19406

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 18, 2016

Notice is hereby given that the Annual Meeting (the Annual Meeting) of Stockholders of Universal Health Services, Inc. (the Company) will be held on Wednesday, May 18, 2016 at 10:00 a.m., at the offices of the Company, Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania for the following purposes:

- (1) the election of one director by the holders of Class A and Class C Common Stock and one director by the holders of Class B and Class D Common Stock;
- (2) the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016;
- (3) to act on a shareholder proposal regarding proxy access if properly presented at the meeting; and
- (4) the transaction of such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the Annual Meeting only if you were a Company stockholder of record at the close of business on March 22, 2016.

You are cordially invited to attend the Annual Meeting in person.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE OR INTERNET OR, IF YOU RECEIVED PRINTED PROXY MATERIALS AND WISH TO VOTE BY MAIL, MARK YOUR VOTES, THEN DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. YOU MAY REVOKE YOUR PROXY IF YOU DECIDE TO ATTEND THE ANNUAL MEETING AND WISH TO VOTE YOUR SHARES IN PERSON.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on Wednesday, May 18, 2016:

The Proxy Statement and Annual Report to Stockholders are available at

<http://www.edocumentview.com/uhs>.

BY ORDER OF THE BOARD OF DIRECTORS

STEVE G. FILTON, *Secretary*

King of Prussia, Pennsylvania

April 7, 2016

UNIVERSAL HEALTH SERVICES, INC.

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PA 19406

PROXY STATEMENT

QUESTIONS AND ANSWERS

1. Q: Why am I receiving these materials?

A: This Proxy Statement and enclosed forms of Proxy (first mailed to the holders of Class A and Class C Common Stock, and to the holders of Class B and Class D Common Stock who requested to receive printed Proxy Materials, on or about April 7, 2016) are furnished in connection with the solicitation by our Board of Directors of Proxies for use at the Annual Meeting of Stockholders, or at any adjournment thereof. A Notice Regarding the Availability of Proxy Materials was first mailed to all of our stockholders beginning on or about April 7, 2016. The Annual Meeting will be held on Wednesday, May 18, 2016 at 10:00 a.m., at our offices located at Universal Corporate Center, 367 South Gulph Road, King of Prussia, Pennsylvania. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this Proxy Statement.

2. Q: What is the purpose of the Annual Meeting?

A: The Annual Meeting is being held (1) to have the holders of Class A and C Common Stock elect one Class II director to serve for a term of three years until the annual election of directors in 2019 and the election and qualification of his successor; (2) to have the holders of Class B and D Common Stock elect one Class II director to serve for a term of three years until the annual election of directors in 2019 and the election and qualification of his successor (3) the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016; (4) to act on a shareholder proposal regarding proxy access if properly presented at the meeting; and (5) to transact such other business as may properly be brought before the meeting or any adjournment thereof. We will also discuss our business and be available for your comments and discussion.

3. Q: Why did holders of Class B and Class D Common Stock receive a notice in the mail regarding the internet availability of Proxy Materials instead of a full set of Proxy Materials?

A: In accordance with notice and access rules adopted by the U.S. Securities and Exchange Commission, or SEC, we may furnish Proxy Materials, including this Proxy Statement and our Annual Report to Stockholders, to our stockholders by providing access to such documents on the internet instead of mailing printed copies. Most holders of Class B and Class D Common Stock will not receive

printed copies of the Proxy Materials unless they request them. Instead, the Notice, which was mailed to holders of Class B and Class D Common Stock, will instruct you as to how you may access and review all of the Proxy Materials on the internet. Please visit <http://www.edocumentview.com/uhs>. The Notice also instructs you as to how you may submit your Proxy on the internet. If you would like to receive a paper or e-mail copy of our Proxy Materials, you should follow the instructions for requesting such materials in the Notice.

4. Q: Who may attend the Annual Meeting?

A: Stockholders of record as of the close of business on March 22, 2016, or their duly appointed Proxies, may attend the meeting. Stockholders whose shares are held through a broker or other nominee will need to bring a copy of a brokerage statement reflecting their ownership of our Common Stock as of the record date.

5. Q: Who is entitled to vote at the Annual Meeting?

A: Only stockholders of record as of the close of business on March 22, 2016 are entitled to vote at the Annual Meeting. On that date, 6,595,308 shares of Class A Common Stock, par value \$.01 per share, 663,940 shares of Class C Common Stock, par value \$.01 per share, 90,014,036 shares of Class B Common Stock, par value \$.01 per share, and 23,122 shares of Class D Common Stock, par value \$.01 per share, were outstanding.

6. Q: Who is soliciting my vote?

A: The principal solicitation of Proxies is being made by the Board of Directors by mail. Certain of our officers, directors and employees, none of whom will receive additional compensation therefor, may solicit Proxies by telephone or other personal contact. We will bear the cost of the solicitation of the Proxies, including postage, printing and handling and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of shares. We have not engaged any third party to assist us in solicitation of proxies at the Annual Meeting, but we may decide to retain the services of a proxy solicitation firm in the future if we believe it is appropriate under the circumstances.

7. Q: What items of business will be voted on at the Annual Meeting?

A: The holders of Class A and C Common Stock will elect one Class II director, to serve for a term of three years until the annual election of directors in 2019. The holders of Class B and D Common Stock will elect one Class II director, to serve for a term of three years until the annual election of directors in 2019. The holders of Class A, Class C, Class B and Class D Common Stock will vote on the following matters: ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016; and a shareholder proposal regarding proxy access if properly presented at the meeting.

8. Q: How does the Board of Directors recommend that I vote?

A: The Board of Directors recommends that holders of Class A and Class C Common Stock and Class B and Class D Common Stock vote shares **FOR** the election of the nominees to the Board of Directors (Proposal 1).

The Board of Directors recommends that holders of Class A, Class C, Class B and Class D Common Stock vote shares **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016 (Proposal 2).

The Board of Directors recommends that holders of Class A, Class C, Class B and Class D Common Stock vote shares **AGAINST** the shareholder proposal regarding proxy access if properly presented at the meeting; (Proposal 3).

9. Q: How will voting on any other business be conducted?

A: Other than the items of business described in this Proxy Statement, we know of no other business to be presented for action at the Annual Meeting. As for any business that may properly come before the Annual Meeting, your signed Proxy gives authority to the persons named therein. Those persons may vote on such matters at their discretion and will use their best judgment with respect thereto.

10. Q: What is the difference between a stockholder of record and a street name holder?

A: These terms describe how your shares are held. If your shares are registered directly in your name with Computershare, our transfer agent, you are a stockholder of record. If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a street name holder.

11. Q: How do I vote my shares if I am a stockholder of record?

A: A separate form of Proxy applies to our Class A and Class C Common Stock and a separate form of Proxy applies to our Class B and Class D Common Stock. For specific instructions on how to vote your shares, please refer to the instructions on the Notice Regarding the Availability of Proxy Materials you received in the mail or, if you received printed Proxy Materials, your enclosed Proxy card. If you received printed Proxy Materials, enclosed is a Proxy card for the shares of stock held by you on the record date. If you received printed Proxy Materials, you may vote by signing and dating each Proxy card you receive and returning it in the enclosed prepaid envelope, or you may vote by telephone or internet. Unless otherwise indicated on the Proxy, shares represented by any Proxy will, if the Proxy is properly executed and received by us prior to the Annual Meeting, be voted **FOR** each of the nominees for director; **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016; and **AGAINST** the shareholder proposal regarding proxy access if properly presented at the meeting.

12. Q: How do I vote by telephone or electronically?

A: Instead of submitting your vote by mail on the enclosed Proxy card (if you received printed Proxy Materials), your vote can be submitted by telephone or electronically, via the internet. Please refer to the specific instructions set forth on the Notice Regarding the Availability of Proxy Materials or, if you received printed Proxy Materials, on the enclosed Proxy card. For security reasons, our electronic voting system has been designed to authenticate your identity as a stockholder.

13. Q: How do I vote my shares if they are held in street name?

A: If your shares are held in street name, your broker or other nominee will provide you with a form seeking instruction on how your shares should be voted.

14. Q: Can I change or revoke my vote?

A: Yes. Any Proxy executed and returned to us is revocable by delivering a later signed and dated Proxy or other written notice to our Secretary at any time prior to its exercise. Your Proxy is also subject to revocation if you are present at the meeting and choose to vote in person.

15. Q: What is the vote required to approve each proposal?

A: The director nominee receiving the highest number of affirmative votes of the shares of Class A and Class C Common Stock, voting as a class, present in person or represented by Proxy and entitled to vote, a quorum being present, shall be elected as Class II director. The director nominee receiving the highest number of affirmative votes of the shares of Class B and Class D Common Stock, voting as a class, present in person or represented by Proxy and entitled to vote, a quorum being present, shall be elected as Class II director. The affirmative vote of the holders of a majority of the Class A, B, C and D Common Stock votes, present in person or represented by Proxy and entitled to vote on the matter is required to approve each proposal other than the election of directors.

16. Q: What constitutes a quorum ?

A: The holders of a majority of the common stock votes issued and outstanding and entitled to vote, either in person or represented by Proxy, constitutes a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

17. Q: What are our voting rights with respect to the election of directors?

A: Our Restated Certificate of Incorporation provides that, with respect to the election of directors, holders of Class A Common Stock vote as a class with the holders of Class C Common Stock, and holders of Class B Common Stock vote as a class with holders of Class D Common Stock, with holders of all classes of Common Stock entitled to one vote per share.

As of March 22, 2016, the shares of Class A and Class C Common Stock constituted 7.5% of the aggregate outstanding shares of our Common Stock, had the right to elect five members of the Board of

Directors and constituted 86.4% of our general voting power; and as of that date the shares of Class B and Class D Common Stock (excluding shares issuable upon exercise of options) constituted 92.5% of the outstanding shares of our Common Stock, had the right to elect two members of the Board of Directors and constituted 13.6% of our general voting power.

18. Q: What are our voting rights with respect to matters other than the election of directors?

A: As to matters other than the election of directors, our Restated Certificate of Incorporation provides that holders of Class A, Class B, Class C and Class D Common Stock all vote together as a single class, except as otherwise provided by law. Each share of Class A Common Stock entitles the holder thereof to one vote; each share of Class B Common Stock entitles the holder thereof to one-tenth of a vote; each share of Class C Common Stock entitles the holder thereof to 100 votes (provided the holder of Class C Common Stock holds a number of shares of Class A Common Stock equal to ten times the number of shares of Class C Common Stock that holder holds); and each share of Class D Common Stock entitles the holder thereof to ten votes (provided the holder of Class D Common Stock holds a number of shares of Class B Common Stock equal to ten times the number of shares of Class D Common Stock that holder holds).

In the event a holder of Class C or Class D Common Stock holds a number of shares of Class A or Class B Common Stock, respectively, less than ten times the number of shares of Class C or Class D Common Stock that holder holds, then that holder will be entitled to only one vote for every share of Class C Common Stock, or one-tenth of a vote for every share of Class D Common Stock, which that holder holds in excess of one-tenth the number of shares of Class A or Class B Common Stock, respectively, held by that holder. The Board of Directors, in its discretion, may require holders of Class C or Class D Common Stock to provide satisfactory evidence that such owner holds ten times as many shares of Class A or Class B Common Stock as Class C or Class D Common Stock, respectively, if such facts are not apparent from our stock records.

19. Q: What if I abstain from voting or withhold my vote?

A: Stockholders entitled to vote for the election of directors can abstain from voting or withhold the authority to vote for any nominee. If you attend the meeting or send in your signed Proxy with instructions to withhold authority to vote for one or more nominees, you will be counted for the purposes of determining whether a quorum exists. Abstentions and instructions on the accompanying Proxy card to withhold authority to vote will result in the respective nominees receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action.

20. Q: Will my shares be voted if I do not sign and return my Proxy card or vote by telephone or internet?

A: If you are a stockholder of record and you do not sign and return your Proxy card or vote by telephone or internet, your shares will not be voted at the Annual Meeting. If your shares are held in street name and you do not issue instructions to your broker, your broker may vote your shares at its discretion on routine matters, but may not vote your shares on nonroutine matters. Under the New York Stock

Exchange rules, each of the proposals other than the ratification of the selection of the Company's independent registered public accounting firm is deemed to be a nonroutine matter with respect to which brokers and nominees may not exercise their voting discretion without receiving instructions from the beneficial owner of the shares.

21. Q: What is a broker non-vote ?

A: Broker non-votes are shares held by brokers or nominees which are present in person or represented by Proxy, but which are not voted on a particular matter because instructions have not been received from the beneficial owner. Under the rules of the Financial Industry Regulatory Authority, member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, New York Stock Exchange-member brokers who hold shares of Common Stock in street name for their customers and have transmitted our Proxy solicitation materials to their customers, but do not receive voting instructions from such customers, are not permitted to vote on nonroutine matters. Under the New York Stock Exchange rules, each of the proposals other than the ratification of the selection of the Company's independent registered public accounting firm is deemed to be nonroutine matters with respect to which brokers and nominees may not exercise their voting discretion without receiving instructions from the beneficial owner of the shares.

22. Q: What is the effect of a broker non-vote?

A: Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum but they do not affect the determination of whether a matter is approved.

23. Q: Who will count the votes?

A: The Secretary will count the Class A and Class C votes. Our transfer agent will count the Class B and Class D votes and serve as inspector of elections.

24. Q: When are stockholder proposals due in order to be included in our Proxy Statement for the 2017 Annual Meeting?

A: Any proposal that you wish to present for consideration at the 2017 Annual Meeting must be received by us no later than December 8, 2016. This date provides sufficient time for inclusion of the proposal in the 2017 Proxy Materials. Any stockholder proposal must also be in proper form and substance, as determined in accordance with the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Proposals should be addressed to our Secretary at Universal Health Services, Inc., Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, Pennsylvania 19406.

25. Q: Can I receive more than one set of Annual Meeting materials?

A: If you share an address with another stockholder, each stockholder may not receive a separate copy of our Annual Report and Proxy Statement. We will promptly deliver a separate copy of either document to any stockholder upon written or oral request to our Secretary at Universal Health Services, Inc., Universal Corporate Center, 367 South Gulph Road, P.O. Box 61558, King of Prussia, Pennsylvania 19406, telephone (610) 768-3300. If you share an address with another stockholder and (i) would like to receive multiple copies of the Proxy Statement or Annual Report to Stockholders in the future, or (ii) if you are receiving multiple copies and would like to receive only one copy per household in the future, please contact your bank, broker, or other nominee record holder, or you may contact us at the above address and phone number.

26. Q: How can I obtain additional information about the Company?

A: Copies of our annual, quarterly and current reports we file with the Securities and Exchange Commission, or SEC, and any amendments to those reports, are available free of charge on our website, which is located at <http://www.uhsinc.com>. Copies of these reports will be sent without charge to any stockholder requesting it in writing to our Secretary at Universal Health Services, Inc., Universal Corporate Center, P.O. Box 61558, 367 South Gulph Road, King of Prussia, Pennsylvania 19406. The information posted on our website is not incorporated into this Proxy Statement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of March 22, 2016, the number of shares of our equity securities and the percentage of each class beneficially owned, within the meaning of Securities and Exchange Commission Rule 13d-3, and the percentage of our general voting power currently held, by (i) all stockholders known by us to own more than 5% of any class of our equity securities, (ii) all of our directors and nominees who are stockholders, (iii) the executive officers named in the Summary Compensation Table and (iv) all directors and executive officers as a group. Except as otherwise specified, the named beneficial owner has sole voting and investment power. No shares are currently pledged as security by any of our directors or executive officers.

Name and Address of Beneficial Owner ⁽¹⁾	Title of Class				Percentage of General Voting Power ⁽³⁾
	Class A Common Stock ⁽²⁾	Class B Common Stock ⁽²⁾	Class C Common Stock ⁽²⁾	Class D Common Stock ⁽²⁾	
John H. Herrell 1021 10th Street, S.W. Rochester, MN 55902		29,267 ⁽⁵⁾⁽¹²⁾			(5)
Robert H. Hotz Houlihan Lokey Howard & Zukin 245 Park Avenue, 20th Floor New York, NY 10167		53,661 ⁽⁵⁾⁽¹²⁾			(5)
Alan B. Miller	5,163,885 ⁽⁶⁾ (18)(21) (69.1%)	8,312,380 ⁽⁴⁾⁽¹²⁾ (13)(19) (6.6%)	661,688 (99.7%)		83.1%
Marc D. Miller	1,641,815 ⁽⁷⁾⁽¹⁶⁾⁽¹⁸⁾ (24.9%)	2,507,596 ⁽⁴⁾⁽¹²⁾ (15)(19)(20) (2.6%)			2.5%
Anthony Pantaleoni Norton Rose Fulbright US LLP 666 Fifth Avenue New York, NY 10103	633,138 ⁽⁵⁾⁽¹⁴⁾⁽¹⁷⁾⁽²¹⁾	822,436 ⁽⁴⁾⁽⁵⁾ (8)(12)(15)	2,192 ⁽⁵⁾		(5)
Lawrence S. Gibbs Cannonball Trading LLC 22 Trafalgar Drive Livingston, NJ 07039		7,504 ⁽⁵⁾⁽¹²⁾			(5)
Eileen C. McDonnell The Penn Mutual Life Insurance Company		9,713 ⁽⁵⁾⁽¹²⁾			(5)

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600 Dresher Road

Horsham, PA 19044

Debra K. Osteen

210,940⁽⁵⁾⁽¹²⁾

(5)

Steve G. Filton

429,188⁽⁵⁾⁽¹²⁾

(5)

Name and Address of Beneficial Owner ⁽¹⁾	Class A Common Stock ⁽²⁾	Title of Class			Percentage of General Voting Power ⁽³⁾
		Class B Common Stock ⁽²⁾	Class C Common Stock ⁽²⁾	Class D Common Stock ⁽²⁾	
Marvin G. Pember		112,568 ⁽⁵⁾⁽¹²⁾			⁽⁵⁾
Wellington Management Company, LLP		5,707,049 ⁽⁹⁾			
280 Congress Street		(6.3%)			
Boston, MA 02210					
BlackRock, Inc.		7,482,201 ⁽¹⁰⁾			
40 East 52 nd Street		(8.3%)			
New York, NY 10022					
The Vanguard Group		7,851,381 ⁽¹¹⁾			
100 Vanguard Blvd.		(8.7%)			
Malvern, PA 19355					
All directors & executive officers as a group (10 persons)	(99.9%)	(12.8%) ⁽⁴⁾	(99.9%)		86.7%

(1) Unless otherwise shown, the address of each beneficial owner is c/o Universal Health Services, Inc., Universal Corporate Center, 367 South Gulph Road, King of Prussia, PA 19406.

(2) Each share of Class A, Class C and Class D Common Stock is convertible at any time into one share of Class B Common Stock.

(3) As to matters other than the election of directors, holders of Class A, Class B, Class C and Class D Common Stock vote together as a single class. Each share of Class A Common Stock entitles the holder thereof to one vote; each share of Class B Common Stock entitles the holder thereof to one-tenth of a vote; each share of Class C Common Stock entitles the holder thereof to 100 votes (provided the holder of Class C Common Stock holds a number of shares of Class A Common Stock equal to ten times the number of shares of Class C Common Stock that holder holds); and each share of Class D Common Stock entitles the holder thereof to ten votes (provided the holder of Class D Common Stock holds a number of shares of Class B Common Stock equal to ten times the number of shares of Class D Common Stock that holder holds).

(4) Includes shares issuable upon the conversion of Classes A, C and/or D Common Stock.

(5) Less than 1% of the class of stock or general voting power.

(6) Includes 400,000 shares of Class A Common Stock that are beneficially owned by Mr. Miller and are held by Mr. Miller in trust for the benefit of his spouse.

(7) Includes 521,821 shares of Class A Common Stock which are held by three trusts (the 2002 Trusts) for the benefit of certain of Alan B. Miller's family members of which Marc D. Miller (who is a named executive officer, director and the son of Alan B. Miller) and Mr. Pantaleoni are trustees; and 532,194 shares held by the A. Miller Family, LLC, whose members are the 2002 Trusts. Marc D. Miller is

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the sole manager of the A. Miller Family, LLC and during his tenure as such, has voting and dispositive power with respect to the Class A Common Stock held by the A. Miller Family, LLC.

- (8) Includes 680 shares of Class B Common Stock that are beneficially owned by Mr. Pantaleoni and are held by Mr. Pantaleoni in trust for the benefit of certain members of his family.
- (9) These securities are held by Wellington Management Company, LLP, a registered investment adviser. Wellington Management Company LLP has shared power to vote or direct the vote of 1,399,608 shares of our Class B Common Stock and shared power to dispose or to direct the disposition of 5,707,049 shares of our Class B Common Stock. Information is based on Amendment No. 11 to Schedule 13G dated February 11, 2016.
- (10) These securities are held by BlackRock, Inc. Information is based on Amendment No. 7 to Schedule 13G dated January 22, 2016.
- (11) These securities are held by The Vanguard Group. Vanguard Group has sole power to vote with respect to 167,719 shares and shared power to vote or direct the vote with respect to 8,800 shares of our Class B Common Stock and shared power to dispose with respect to 178,010 shares and sole power with respect to 7,851,381 shares to dispose or to direct the disposition of 7,673,371 shares of our Class B Common Stock Information is based on Amendment No. 2 to Schedule 13G dated February 10, 2016.
- (12) Includes 2,133,750 shares issuable pursuant to stock options to purchase Class B Common Stock held by our directors and executive officers and exercisable within 60 days of March 22, 2016 as follows: John H. Herrell (15,000) Robert H. Hotz (11,250); Alan B. Miller (1,475,000); Marc D. Miller (202,500); Anthony Pantaleoni (15,000); Lawrence S. Gibbs (7,500); Eileen C. McDonnell (7,500); Debra K. Osteen (122,500); Steve G. Filton (175,000); and Marvin G. Pember (102,500).
- (13) Includes 23,984 restricted shares awarded during 2014 and 2015, net of vestings, pursuant to our 2010 Employees Restricted Stock Purchase Plan for Alan B. Miller. These shares are subject to forfeiture and vesting pursuant to the terms and conditions set forth in the applicable restricted stock agreements.
- (14) Does not include (i) 521,821 shares of Class A Common Stock which are held by the 2002 Trusts of which Mr. Pantaleoni is a trustee, and; (ii) 532,194 shares of Class A Common Stock which are held by A. Miller Family, LLC whose members are the 2002 Trusts. Mr. Pantaleoni disclaims any beneficial interest in the shares.
- (15) Includes 171,426 shares held by the three 2011 Family Trusts for the benefit of Alan B. Miller's three children. Anthony Pantaleoni and Marc D. Miller are both Trustees. Marc D. Miller has sole voting power with respect to these shares. Mr. Pantaleoni disclaims beneficial ownership of all shares and Marc D. Miller disclaims beneficial ownership of Abby Miller King's shares (55,763) and Marni Spencer's shares (55,763).
- (16) Includes 237,800 shares held by the 2012 Family Trust for the benefit of Abby Miller King and Marni Spencer. Anthony Pantaleoni and Marc D. Miller are both Trustees. Marc D. Miller has sole voting power with respect to these shares. Mr. Pantaleoni disclaims beneficial ownership of these shares.
- (17) Includes 356,700 shares held by the 2012 Family Trust for the benefit of Alan B. Miller's three children. Anthony Pantaleoni is the Trustee of Marc D. Miller's shares (118,900) and Mr. Pantaleoni has sole voting power with respect to Marc D. Miller's shares. Mr. Pantaleoni disclaims beneficial ownership of these shares.

- (18) Includes 350,000 shares held by three separate limited liability companies 100% of the interests of which are held by the three 2014 Grantor Retained Annuity Trusts and the three 2015 Grantor Retained Annuity Trusts for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (19) Includes 300,000 shares held by the three separate limited liability companies 100% of the interests of which are held by 2014 Grantor Retained Annuity Trusts and the three 2015 Grantor Retained Annuity Trusts for the benefit of Alan B. Miller's three children. Alan B. Miller has the sole dispositive power and Marc D. Miller has sole voting power with respect to these shares.
- (20) Includes 130,604 shares held by the three 2002 Trusts for the benefit of Alan B. Miller's three children. Anthony Pantaleoni is a Trustee and disclaims beneficial ownership of these shares. Marc D. Miller has sole voting power with respect to these shares.
- (21) Includes 258,630 shares held by The Alan B. Miller 2002 Trust. Anthony Pantaleoni is the Trustee of the Trust and has sole voting power with respect to these shares. Mr. Pantaleoni disclaims any beneficial interest in the shares.

Equity Compensation Plan Information

The table below provides information, as of the end of December 31, 2015, concerning securities authorized for issuance under our equity compensation plans.

Plan Category (1.)	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (2.)	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (3.)
Equity compensation plans approved by security holders	8,400,183	\$ 80.50	8,372,888
Total	8,400,183	\$ 80.50	8,372,888

- (1) Shares of Class B Common Stock
- (2) As of March 22, 2016, there were 7,894,971 options outstanding with a weighted-average exercise price of \$82.45 and a weighted-average remaining term of 2.8 years. In addition, there were 40,984 full-value shares outstanding as of March 22, 2016.
- (3) As of March 22, 2016, the Company's Stock Incentive Plan had 6,933,041 shares remaining for future issuance, and, the Restricted Stock Purchase Plan had 498,975 shares remaining for future issuance for a total of 7,432,016 shares.

PROPOSAL NO. 1**ELECTION OF DIRECTORS**

Our Restated Certificate of Incorporation provides for a Board of Directors of not fewer than three members nor more than nine members. The Board of Directors is currently fixed at seven members, and is divided into three classes, with members of each class serving for a three-year term. At each Annual Meeting of Stockholders, directors are chosen to succeed those in the class whose term expires at such Annual Meeting and, in the case of this Annual Meeting, directors will be elected as Class II directors. Under our Restated Certificate of Incorporation, holders of shares of our outstanding Class B and Class D Common Stock are entitled to elect 20% (but not less than one) of the directors, currently two directors, one in Class II and one in Class III, and the holders of Class A and Class C Common Stock are entitled to elect the remaining five directors, three in Class I, one in Class II, and one in Class III.

The persons listed below include our Board of Directors and nominees. The terms of the two current Class II directors, Mr. Robert H. Hotz and Mr. Anthony Pantaleoni expire at the 2016 Annual Meeting. Mr. Robert H. Hotz has been nominated to be elected by the holders of Class B and Class D Common Stock and Mr. Anthony Pantaleoni has been nominated to be elected by the holders of Class A and C Common Stock. We have no reason to believe that any of the nominees will be unavailable for election; however, if either nominee becomes unavailable for any reason, the shares represented by the Proxy will be voted for the person, if any, who is designated by the Board of Directors to replace the nominee. All nominees have consented to be named and have indicated their intent to serve if elected. The following information is furnished with respect to each of the nominees for election as a director and each member of the Board of Directors whose term of office will continue after the meeting.

Name	Class of Director	Class of Stockholders Entitled to Vote	Age	Business Experience	Director Since
<u>DIRECTOR NOMINEES</u>					
Anthony Pantaleoni	II	A Common C Common	76	Of Counsel to the law firm of Norton Rose Fulbright US LLP., New York, New York. We utilized during the year ended December 31, 2015 and currently utilize the services of Norton Rose Fulbright US LLP as outside counsel.	1982
Robert H. Hotz	II	B Common D Common	71	Senior Managing Director, Co-Head of Corporate Finance, Co-Chairman of Houlihan Lokey Howard & Zukin, Member of the Board of Directors and Operating Committee, Houlihan Lokey Howard & Zukin since June 2002.	1991

Name	Class of Director	Class of Stockholders Entitled to Vote	Age	Business Experience	Director Since
DIRECTORS WHOSE					
<u>TERMS EXPIRE IN 2017</u>					
Alan B. Miller	III	A Common C Common	78	Our Chairman of the Board and Chief Executive Officer since 1978 and previously served as President until May 2009. Prior thereto, President, Chairman of the Board and Chief Executive Officer of American Medicorp, Inc. Chairman of the Board of Trustees, Chief Executive Officer and President of Universal Health Realty Income Trust. Father of Marc D. Miller, a Director and President.	1978
Lawrence S. Gibbs	III	B Common D Common	44	Managing Partner at Cannonball Trading, LLC since July 2014. Previously served as a Macro Portfolio Manager at Ramius LLC from March 2010 until July 2014. Prior thereto, Portfolio Manager at Millennium Partners LLC from February 2009 to March 2010.	2011
DIRECTORS WHOSE					
<u>TERMS EXPIRE IN 2018</u>					
John H. Herrell	I	A Common C Common	75	Former Chief Administrative Officer of Mayo Foundation from 1993 through 2002; Chief Financial Officer of Mayo Foundation from 1984 until 1993 and various other capacities since 1968.	1993
Marc D. Miller	I	A Common C Common	45	Appointed as our President in May 2009. Previously served as Senior Vice President and Co-Head of our Acute Care Division during 2007 and served as a Vice President since January 2005. Served as Vice-President of our Acute Care Division	2006

Name	Class of Director	Class of Stockholders Entitled to Vote	Age	Business Experience	Director Since
Eileen C. McDonnell	I	A Common C Common	53	<p>since August 2004; Assistant Vice President and Group Director of Acute Care Division, Eastern Region since June 2003, and; served in other management positions at various hospitals from 1999 to 2003. Currently serves as a member of the Board of Trustees of Universal Health Realty Income Trust and as a member of the Board of Directors of Premier, Inc. Son of Alan B. Miller, our Chief Executive Officer and Chairman of the Board.</p> <p>Ms. McDonnell was appointed to our Board of Directors in April, 2013 and she currently serves as Chairman and Chief Executive Officer of The Penn Mutual Life Insurance Company since her appointment in February, 2011. Ms. McDonnell joined Penn Mutual in 2008 and previously served as President of the company. She was also appointed to The Penn Mutual Board of Trustees in 2010. Before joining Penn Mutual, Ms. McDonnell founded ExecMPower, a strategic planning and executive coaching consultancy. Previously, she was president of New England Financial, a wholly-owned subsidiary of MetLife, and senior vice president of the Guardian Life Insurance Company.</p>	2013

See the Corporate Governance section for additional information about our Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS.

PROPOSAL NO. 2

RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of the Board has selected, and as a matter of good corporate governance, is requesting ratification by the shareholders of the selection of PricewaterhouseCoopers LLP to serve as our independent registered public accountants for the year ending December 31, 2016. PricewaterhouseCoopers LLP served as our independent registered public accountants for the year ended December 31, 2015. If a favorable vote is not obtained, the Audit Committee may reconsider the selection of PricewaterhouseCoopers LLP. Even if the selection is ratified, the Audit Committee, in its discretion, may select different independent auditors if it subsequently determines that such a change would be in the best interest of the Company and its shareholders.

PricewaterhouseCoopers LLP representatives will attend the Annual Meeting and respond to questions where appropriate. Such representatives may make a statement at the Annual Meeting should they so desire.

Vote Required

Ratification of the selection of the independent registered public accountants by the shareholders requires that affirmative FOR vote of the holders of a majority of the Class A, Class B, Class C and Class D Common Stock votes present in person or represented by proxy and entitled to vote on the matter. Unless marked to the contrary, proxies will be voted FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accountants.

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016.

PROPOSAL NO. 3

SHAREHOLDER PROPOSAL REGARDING SHAREHOLDER PROXY ACCESS

We have been notified that the Comptroller of the City of New York, Scott M. Stringer, as the custodian and a trustee of the New York City Employees Retirement System, the New York City Fire Department Pension Fund, the New York City Teachers Retirement System, and the New York City Police Pension Fund (the Systems) intends to present a non-binding proposal for consideration at the Annual Meeting. The Comptroller of the City of New York represents that the Systems, collectively, are the beneficial owners of 197,080 shares of common stock. The stockholders making this proposal have provided the proposal and supporting statement, which is set forth below.

The Board opposes adoption of the proposal and asks stockholders to review the Board's statement in opposition to the proposal, which follows the stockholders' proposal and supporting statement below.

Shareholder Proposal Regarding Proxy Access

RESOLVED: Shareholders of Universal Health Services, Inc. (UHS) ask the board of directors (Board) to take the steps necessary to adopt a proxy access bylaw. The bylaw should require UHS to include in proxy materials prepared for a shareholder meeting at which Class B/D directors are to be elected the name, Disclosure and Statement (defined below) of any person nominated for election as a Class B/D director by a Class B/D shareholder or group (Nominator) satisfying the criteria established below and allow Class B/D shareholders to vote on such nominee(s) on UHS's proxy card.

The number candidates nominated pursuant to the bylaw for a given meeting should not exceed one quarter of the directors then comprising the Board, subject to any limitations on the number of Class B/D directors to be elected by Class B/D shareholders at the meeting. (Currently, holders of Class B and D shares elect two of UHS's seven directors, and they are in different classes resulting from UHS's classified board.) This bylaw, which supplements existing rights, should provide that a Nominator must:

- a) Not be an executive officer or director of UHS;
- b) have beneficially owned 3% or more of UHS's outstanding Class B or D common stock continuously for at least three years;
- c) give UHS, within the time period identified in its bylaws, written notice of the information required by the bylaws and any SEC rules about (i) the nominee; and (ii) the Nominator, including proof it owns the required shares (information required by this subsection is the Disclosure); and
- d) certify that (i) it will assume liability stemming from any legal or regulatory violation arising out of the Nominator's communications with UHS shareholders, including the Disclosure and Statement; (ii) it will comply with all applicable laws and regulations if it uses soliciting material other than UHS's proxy materials; and (iii) to the best of its knowledge, the required shares were acquired in the ordinary course of business and not to change or influence control at UHS.

The Nominator may submit a statement not exceeding 500 words in support of each nominee (the Statement). The Board shall adopt procedures for promptly resolving disputes over whether notice of a nomination was timely, whether the Disclosure and Statement satisfy the bylaw and applicable rules, and the priority to be given when the limit on nominees is exceeded.

SUPPORTING STATEMENT

We believe proxy access is a fundamental shareholder right that will make directors more accountable and enhance shareholder value. A 2014 CFA Institute study concluded that proxy access would benefit both the markets and corporate boardrooms, with little cost or disruption and could raise overall US market capitalization by up to \$140.3 billion if adopted market-wide.

(<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2014.n9.1>)

The proposed terms enjoy strong investor support. Through November 2015, votes on more than 100 similar proposals have averaged 55% and more than 70 companies have enacted similar proxy access bylaws for 3% shareowners.

MANAGEMENT'S STATEMENT IN OPPOSITION TO STOCKHOLDER PROPOSAL

Our Board of Directors recommends a vote AGAINST the foregoing proposal for the following reasons:

Proxy access is a procedure designed to facilitate company-financed proxy contests in director elections, pitting the Board's nominees against one or more proxy access candidates nominated by a stockholder to be included in the Company's proxy statement. The Board recommends that you vote against this proposal because it ignores the voice stockholders already have, undercuts the role of the independent Nominating and Governance Committee, and would introduce an unnecessary and potentially expensive and destabilizing dynamic into the Board election process.

This proposal advances a solution for a problem that does not exist at the Company, as the Company's current corporate governance policies and practices provide stockholders with the ability to effectively express their views and participate meaningfully in director elections, and ensure that the Board of Directors is accountable to stockholders. For example,

As a controlled company for purposes of NYSE Listed Company Manual Section 303A.00, we are not required to have a majority of independent directors and we are exempt from the NYSE's requirements relating to compensation committees and nominating/corporate governance committees. However, the Company has a majority of independent directors on our Board of Directors and all independent directors serving on our Compensation Committee and Nominating & Governance Committee. We believe that our Board and committee structure provides independence and good corporate governance practices while our multi-tiered voting structure preserves our ability to manage the Company in the best interests of all our shareholders.

We have an empowered, independent Lead Independent Director.

Shareholders are able to:

Communicate directly with any director, including our independent directors, as discussed in this Proxy Statement under *Stockholder Communications* ;

Propose director nominees to the Nominating and Governance Committee; and

Directly submit nominations of director candidates at our annual meetings, subject to the conditions set forth in our By-laws.

We do not have a poison pill which would limit the amount of shares any group of stockholders could hold. Since its founding in 1979 UHS has become one of the largest and most respected hospital management companies in the nation. As a Fortune 500 corporation, with approximately \$9.0 billion in annual revenue that produced net income of more than \$680 million in 2015, UHS subsidiaries own and operate 260 acute care and behavioral health facilities in 37 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and the United Kingdom, and employ more than 74,000 people. Our governance structure has enabled us to grow our

business and to succeed despite a rapidly changing landscape and changes in technology, market structure and regulatory regimes. The tenure of our directors enables the Board to provide insight into the rationale and historical context for past decisions and strategies that has allowed us to successfully adapt to our evolving business environment. This continuity increases the full Board's collective experience, provides new directors the opportunity to learn about our business from the continuing directors and improves the Board's ability to develop, refine, and execute our long-term strategic plans. All of this is even more important in today's uncertain environment with increased challenges and opportunities facing companies within the healthcare industry. An abrupt change in the composition of our Board could impair our progress in achieving our strategic goals.

The proposal would undermine the important role of the independent Nominating and Governance Committee. Allowing stockholders to nominate competing candidates for director in our proxy statement would seriously undercut the role of the independent Nominating and Governance Committee and our Board in one of the most crucial elements of corporate governance, the election of directors. An effective Board of Directors is composed of individuals with a diverse and complementary blend of experiences, skills and perspectives. Our independent Nominating and Governance Committee and our Board of Directors are in the best position to assess the particular qualifications of potential director nominees and determine whether they will contribute to an effective and well-rounded Board that operates openly and collaboratively and represents the interests of all stockholders, not just those with special interests.

The Nominating and Governance Committee, which is comprised of independent, non-management directors who owe fiduciary duties to act in the best interests of all stockholders, has developed criteria and a process for identifying and recommending director candidates for election by our Class B and D stockholders, which are described in this Proxy Statement under Committees of the Board of Directors-Nominating and Governance Committee.

As part of this process, stockholders can recommend prospective director candidates for the Nominating and Governance Committee's consideration. No stockholders have recommended prospective director candidates through this process to date, which we believe reflects the confidence of our stockholders in the nomination process of the Nominating and Governance Committee outlined above. However, any nominee proposed by stockholders for the Committee's consideration through this process would be evaluated and considered in the same manner as a nominee recommended by a Board member, management, search firm or other source.

This process is designed to identify and nominate qualified director candidates who possess a combination of skills, professional experience and diversity of backgrounds necessary to oversee our business and who can contribute to the overall effectiveness of our Board. The Nominating and Governance Committee also carefully reviews and considers the independence of potential nominees. Shareholders already have a voice in this process and the ability to nominate potential directors for consideration by the Committee. Through this process, we believe that our Nominating and Governance Committee and Board achieve the optimal balance of directors and best serve the Company and all of our stockholders.

This proxy access proposal would potentially enable a holder, or a group of holders, with ownership of as little as 3% of our outstanding shares to completely bypass this process by placing directly into nomination

candidates who may fail to meet the qualifications established by the Board, fail to contribute to the desired mix of perspectives, or fail to represent the interests of stockholders as a whole. In addition, this proposal, if implemented, would allow a constantly shifting alignment of stockholders that have held shares for the requisite three-year period to aggregate their shares to reach this 3% threshold creating a never ending cycle of stockholders seeking to disrupt the Company's governance.

The proposal could have a number of other significant adverse consequences. In addition to proxy access being unnecessary, the Board believes that proxy access as proposed in this stockholder proposal could have a number of significant adverse consequences and harm the Company and stockholders by:

Creating an Uneven Playing Field and Increasing Company Costs. In the absence of proxy access, the playing field is level, in that a stockholder seeking to elect its own nominee to the Board outside of the process of the Nominating and Governance Committee outlined above would, like the Company, need to undertake the expense of preparing proxy materials and soliciting proxies on its nominee's behalf. We see little reason why a stockholder owning 3% or more of the outstanding shares of the Company (which as of the record date would constitute over \$320 million worth of shares) should not, if the stockholder has a legitimate interest in having representation on the Board, bear the expense of preparing proxy materials and soliciting proxies. Moreover, in a contested election resulting from proxy access, we would likely feel compelled to undertake an additional and potentially expensive campaign in support of Board-nominated candidates and inform stockholders of the reasons why we believe the Board-nominated candidates rather than the stockholder nominee(s) should be elected. In this regard, the United States Court of Appeals for the District of Columbia overturned the SEC's proxy access rule because it determined that the SEC failed to adequately assess the economic effects of the rule, including the expense and distraction that contested director elections arising out of proxy access would entail.

Increasing the Influence of Special Interest Groups. Proxy access creates the potential for a stockholder with a special interest to use the proxy access process to promote a specific agenda rather than the interests of all stockholders or to extract concessions from the Company related to that stockholder's special interests, thereby creating the risk of politicizing the Board election process at virtually no cost to the proponent.

Encouraging Short-Termism. With proxy access, contested director elections could become routine. The Board believes that the potential for frequent contested elections arising from proxy access would not only be highly distracting to the Board and management, but could also encourage a short-term focus with respect to the management of the business that would not be in the long-term interests of our stockholders. We believe that our Board's stability has driven, and will continue to drive, long-term value for stockholders who are committed to holding our stock for extended periods. As a testament to this belief, our shares have outperformed leading stock indices by significant margins since our initial public offering in 1981. More recently, since 2000, our stock performance has outperformed the S&P 500 Index by a margin of more than 7.5 to 1 during the 16-year period ended December 31, 2015. After various stock splits and reinvested dividends are considered, an investor who purchased \$1,000 of our Class B Common Stock on January 1, 2000, would have had an investment valued at \$14,249 as of

December 31, 2015, as compared to \$1,891 for a \$1,000 investment made in the S&P 500 Index during the same period.

Disrupting Board Operations. Frequent contested director elections arising out of proxy access could also disrupt our Board operations and dynamics in various ways. Abrupt changes in the composition of our Board arising out of proxy access could disrupt continuity on our Board in a manner that could interfere with our ability to develop, refine, monitor and execute our long-term strategic and business plans. In addition, the election of stockholder-nominated directors through proxy access could create factions on the Board, leading to dissension and delay, and thereby potentially preclude the Board's ability to function effectively and serve the best interests of all our stockholders. Finally, the potential for frequent contested elections arising out of proxy access could hinder collegiality among our Board members by creating the potential for our Board members to be pitted against one another in contested director elections on a regular basis where there would be more nominees up for election than available director positions.

Discouraging Highly Qualified Director Candidates from Serving. Under the current process overseen by the Nominating and Governance Committee, we have a well-functioning team of directors with a diverse range of expertise and experience. However, the prospect of routinely standing for election in a contested situation may deter highly qualified individuals from Board service. Moreover, the prospect of perennial contested elections may cause incumbent directors to become excessively risk adverse, thereby impairing their ability to provide sound and prudent guidance with respect to our operations and interests.

The Board believes that the current measures the Company employs for the nomination and election of directors, as well as the Company's stockholder engagement program, have led to a Board that is responsive to stockholder input and promotes a strategy of long-term value creation. While our Board strives to implement corporate governance best practices when appropriate, our Board believes that proxy access would be unnecessary and counterproductive for the Company. Moreover, our Board believes that proxy access could disrupt the functioning of our Board and adversely affect the implementation of our long-term strategy. Finally, while proxy access has been the subject of significant publicity this proxy season, proxy access has only been implemented by a relatively small number of U.S. public companies, which we believe creates the potential for other unforeseen problems in light of the complicated issues associated with the implementation of proxy access.

For the foregoing reasons, the Board believes that this proposal is not in the best interests of the Company or its stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THE SHAREHOLDER PROPOSAL REGARDING STOCKHOLDER PROXY ACCESS DESCRIBED IN PROPOSAL NO. 3.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our 2015 Performance

The following are highlights of our 2015 financial and operating performance:

During 2015, our adjusted net income attributable to UHS (see A. below) increased 19% to \$692.0 million, or \$6.87 per diluted share, as compared to \$581.8 million, or \$5.78 per diluted share, during 2014.

Our net revenues increased 10.2% to \$9.04 billion during 2015 as compared to \$8.21 billion during 2014.

Net revenues at our acute care hospitals owned during both years increased 8.7% during 2015 as compared to 2014. During 2015 at these facilities, adjusted admissions (adjusted for outpatient activity) increased 5.4% and adjusted patient days increased 5.5% as compared to 2014.

Net revenues at our behavioral health care facilities owned during both years increased 5.0% during 2015 as compared to 2014.

During 2015 at these facilities, adjusted admissions increased 2.9% and adjusted patient days increased 1.2% as compared to 2014.

In addition to strong financial performance, we continued to focus on delivering quality care to our patients. The following are a few of the 2015 quality and patient care highlights:

The Joint Commission released its list of Top Performers on Key Quality Measures (based on 2014 performance results) and 46 of our facilities were included on the list including 8 acute care hospitals and 38 behavioral health care facilities.

Our behavioral health care facilities that achieved this recognition comprised approximately 35% of all freestanding psychiatric facilities in the nation recognized by The Joint Commission.

Our inpatient behavioral health care facilities exceeded national averages for quality reporting measures reported to the federal Centers for Medicare and Medicaid Services, in some cases by more than 25%.

More than 318,000 of our behavioral health care patients participated in the division's Patient Satisfaction Survey, scoring our behavioral health facilities 4.5 out of 5 on each question asked, with 92% indicating that they felt better after care.

- A. The adjusted net income and adjusted net income per diluted share for 2015 and 2014 were publicly disclosed and reconciled to our reported results for each year on the Schedule of Non-GAAP Supplemental Consolidated Statements of Income Information, included with our earnings for the years ended December 31, 2015 and 2014, as filed on Form 8-K on February 25, 2016.

Compensation Philosophy and Objectives

Our compensation practices are aligned with our philosophy by practices that are regulatory compliant, financially sound and provide long-term value to shareholders and generally include the following:

Review peer group market data

Performance discussion is included on base and incentive decisions

Enforce maximums on incentive payments to limit undue risk

Practices evaluated annually

The Compensation Committee seeks guidance from an outside consultant

Do not provide plans generally outside of current market practices

Do not offer excessive perquisites to our executives

In designing our compensation programs for our named executive officers, we follow our belief that compensation should reflect the value created for stockholders while supporting our strategic business goals. In doing so, our compensation programs reflect the following objectives:

Compensation should encourage increases in stockholder value;

Compensation programs should support our short-term and long-term strategic business goals and objectives;

Compensation programs should reflect and promote our core values set forth in our mission statement, which includes commitment to excellence, high ethical standards, teamwork and innovation;

Compensation should reward individuals for outstanding performance and contributions toward business goals, and;

Compensation programs should enable us to attract, retain and motivate highly qualified professionals.

These objectives govern the decisions that the Compensation Committee of the Board of Directors (the Compensation Committee) and management of the Company make with respect to the amount and type of compensation payable to our named executive officers. The Compensation Committee believes that linking executive compensation to corporate performance results in a strong alignment of compensation with corporate business goals and stockholder value. This belief has been adhered to through the use of incentive pay programs that provide competitive compensation and for achieving superior performance. Our compensation programs are designed to reward our employees for outstanding performance and contributions that increase our stock price thereby increasing stockholder value. Both short-term and long-term incentive compensation are based on our performance and the value received by stockholders. Executives are rewarded commensurately for the achievement of specified business goals and performance objectives, which may increase the value of our stock. The majority of our compensation programs are reviewed annually to ensure that these objectives continue to be met.

Compensation Setting Process

The Compensation Committee has traditionally taken into account the input and recommendations of our Chairman and Chief Executive Officer, Mr. Alan Miller, with respect to our compensation programs, including the compensation arrangements with our named executive officers other than himself. The Compensation Committee believes that Mr. Alan Miller, due to his role within the Company, his years of healthcare experience and other factors, as mentioned below, provides a valuable resource to the Compensation Committee. Mr. Alan Miller attends certain Compensation Committee meetings by invitation, however, he does not have the right to vote on matters addressed by the Compensation Committee and he does not participate in the discussions with respect to his own compensation. Mr. Alan Miller conducts formal performance evaluations on an annual basis of the named executives who have direct reporting responsibility to him.

Unlike our other named executive officers, Mr. Alan Miller's base salary, minimum annual bonus and certain perquisites are determined under his employment agreement. Please also refer to the discussion of Mr. Alan Miller's employment agreement in the *Chief Executive Officer Employment Agreement* section of this Proxy Statement. In addition, the compensation setting process for Mr. Alan Miller varies from that of our other named executive officers because it is determined by the Compensation Committee without Mr. Alan Miller's participation. The Compensation Committee, in determining Mr. Alan Miller's compensation, takes into account his position as Chief Executive Officer, his role as a founder of our Company in 1978, his years of dedicated service and his expertise and reputation in the hospital management industry. The Compensation Committee also considers Mr. Alan Miller's responsibilities in overseeing all of our Company's businesses, operations, development and overall strategy and his role as the public face of our Company, which shapes our corporate image and identity. These factors differentiate Mr. Alan Miller from the other named executive officers.

In addition, for Mr. Alan Miller and the Company's other named executive officers, the Compensation Committee reviewed data prepared in early 2015 by Pay Governance LLC that compared the Company's executive compensation levels to data for comparable positions from two reference points: a primary reference of other companies within the healthcare industry; and a secondary reference of size-adjusted (by revenues) data from the broader general industry. Data for the primary reference were drawn from publicly filed proxies of peer healthcare companies, and data for the secondary reference were drawn from published compensation surveys covering a range of companies and industries. Data were compiled for all elements of compensation including base salary, annual incentive opportunity, and equity/long-term incentive awards. These data, as well as Company-specific factors including the prior year performance of our executives and the Company's operating and shareholder return performance relative to our competitors, were considered by the Committee in determining 2015 compensation rates for Mr. Alan Miller and our other named officers. In light of the above factors, the Compensation Committee approved the base salary, annual cash incentive opportunity, and long-term compensation award to each of the named executive officers in 2015 and believes that the forms and amounts of compensation for each year adequately reflect our compensation goals and policies.

Elements of Compensation

Our executive compensation is based on six primary components, each of which is intended to serve the overall compensation objectives. These components include:

annual base salary;

annual cash incentive;

long-term incentive awards;

deferred compensation;

retirement benefits; and

other benefits, including perquisites.

Annual Base Salary

Our annual base salary levels are intended to be consistent with competitive pay practices and level of responsibility, with salary increases reflecting competitive trends, our overall financial performance, the performance of each individual executive and general economic conditions.

In establishing the base salary for our named executive officers, various criteria are reviewed including the following:

the executive officer's achievements, performance in his or her position with us, taking into account the tenure of service, the complexity of the position and current job responsibilities;

Mr. Alan Miller's recommendations as to the proposed base salary, other than his own;

company financial performance, and;

salaries of similar positions in our competitor companies.

For our named executive officers, an analysis was conducted in 2015 utilizing the most currently available proxy statements, as filed with the Securities and Exchange Commission, from six companies that we believe are our most direct competitors. We believe these companies, which are indicated below, are comparable peer companies based upon the median revenues of this peer group, which were approximately \$12.8 billion as compared to our 2015 revenues of \$9.0 billion.

The companies are:

Community Health Systems Inc.

HCA Inc.

Iasis Healthcare

Kindred Healthcare, Inc.

LifePoint Hospitals, Inc.

Tenet Healthcare Corporation

In addition, Pay Governance LLC provided assistance in the development of our new equity plan and provided additional market data on competitive levels of incentive plan participation.

For Mr. Alan Miller, his 2015 base salary exceeded the 75th percentile of the peer group, due to his long tenure in the position, his value as the Company's founder, his status within the healthcare industry and his performance. The median years of experience of other executives in this group was 10 years compared to Mr. Alan Miller's 37 years.

For 2015, for our other named executive officers (excluding Mr. Alan Miller), we targeted the median (fiftieth percentile) base salary paid by the comparable companies (listed above), along with the median of broader general industry data, to establish our base market rate. We generally consider our base salaries to be competitive if they are approximately within a 15% range of the median market rate. However, actual base salaries are not dictated solely by the median market rate. We also take into account an individual's expertise, tenure in the position, responsibilities and achievements. For 2015, the actual base salary rates for Messrs. Marc Miller, Filton, Pember and Ms. Osteen were within approximately 15% of their respective median base salary market rates (as assessed relative to our peer group).

Annual Cash Incentives

Cash incentives for our named executive officers are awarded under the Executive Incentive Plan, which was adopted by our stockholders at our 2010 Annual Meeting and re-approved by our stockholders at our 2015 Annual Meeting. The Executive Incentive Plan is intended to support our efforts to attract, retain and motivate highly qualified senior management and other executive officers of the Company and its affiliates through the payment of performance-based incentive compensation. Annual incentive compensation may be awarded under the Executive Incentive Plan to our named executive officers and others as selected by the Compensation Committee for any calendar year. The Compensation Committee believes that the payment of cash incentives to our named executive officers under the Executive Incentive Plan is consistent with the objectives for our compensation programs by rewarding such officers for the achievement of specified business goals and performance objectives and that may increase the value of our stock.

The amount of an employee's cash incentive award for a calendar year is based upon the employee's target cash incentive and the extent to which the performance goal(s) applicable to the employee are achieved. For each calendar year, an employee's target cash incentive will be equal to a fixed percentage of the employee's base salary earned during the year.

The Compensation Committee establishes performance goals for the named executive officers using such business criteria and other measures of performance discussed herein; provided that, in the case of incentive

awards intended to qualify as performance-based compensation under Section 162(m) of the Code, the Compensation Committee will establish objective performance goals based upon one or more of the following business criteria:

attainment of certain target levels of, or a specified increase in, after-tax or pre-tax profits;

attainment of certain target levels of, or a specified increase in, earnings per diluted share or adjusted earnings per diluted share, and;

attainment of certain target levels of, or a specified increase in, return on capital or return on invested capital.

In the case of an award intended to qualify as performance-based compensation under Section 162(m) of the Code, except as otherwise permitted under Section 162(m) of the Code, the applicable target cash incentive, performance goals and performance factors with respect to any calendar year will be established in writing by the Compensation Committee no later than 90 days after the commencement of that year. Promptly after the date on which the necessary financial or other information for a particular year becomes available, the Compensation Committee will determine the amount, if any, of the cash incentive compensation payable to each participant for that calendar year and will certify in writing prior to payment that the performance goals for the year were in fact satisfied. The maximum incentive award which any participant may earn under the Executive Incentive Plan for any calendar year shall not exceed \$5 million. The Executive Incentive Plan provides the Compensation Committee with the discretion to establish higher or lower performance factors for levels of performance that are more or less than the target levels. Performance goals may be adjusted for changes in accounting methods, corporate transactions and other similar types of events, provided that, such adjustment is permitted under Section 162(m) of the Code.

2016 and 2015 Annual Cash Incentive Formula and Performance Goals: The Compensation Committee approved the specific formula for the determination of the target annual cash incentive compensation for our executive officers pursuant to the Executive Incentive Plan with respect to the years ending December 31, 2016 and 2015. Under the formulae approved by the Compensation Committee, each of the Company's executive officers was assigned a percentage of such executive officer's base salary as a target bonus based upon corporate performance criteria. The corporate performance criteria target bonus award indicated below for Mr. Alan B. Miller is stipulated in his employment agreement dated July 24, 2013.

The following table shows each named executive officer's corporate performance criteria target bonus as a percentage of his or her base salary for 2016 and 2015. With respect to Messrs. Alan B. Miller, Marc D. Miller and Steve G. Filton, 100% of their annual incentive bonus for 2016 and 2015 will be/was determined using the corporate performance criteria, as described below. With respect to Ms. Osteen and Mr. Pember, their 2016 and 2015 annual incentive bonus will be/was determined utilizing: (i) 25% of their annual salary based upon the achievement of the corporate performance criteria, and; (ii) 75% of their annual salary based upon the achievement of the divisional income targets, as described below.

Name	Title	Target Award as a % of salary	
		2016	2015
Alan B. Miller	Chief Executive Officer and Chairman of the Board	100%	100%
Marc D. Miller	President	65%	65%
Steve G. Filton	Senior Vice President and Chief Financial Officer	50%	50%
Debra K. Osteen	Senior Vice President and President, Behavioral Health Division	50%	50%
Marvin G. Pember	Senior Vice President and President, Acute Care Division	50%	50%

As part of our peer company compensation review for executive officers as discussed above in *Annual Base Salary*, we also target the median (fiftieth percentile) market rate from our healthcare peers and the broader general industry data when determining each officer's target annual incentive. For 2015, our target annual incentive opportunities were assessed as being at or below the market 25th percentile. Actual cash incentive awards, however, appropriately vary from this targeted level based upon performance, consistent with our pay for performance philosophy, and are detailed in the Summary Compensation Table in this Proxy Statement. The Compensation Committee believes that the annual and long-term incentive opportunities offered to our named executive officers are appropriate to facilitate our ability to attract, retain, motivate and reward our named executive officers, and that actual incentive payouts appropriately reflect the Company's performance.

Pursuant to the Plan and the formulae approved by the Compensation Committee, each executive officer is entitled to receive between 0% and 250% of that executive officer's target bonus based, either entirely or in part, on the Company's achievement of a combination of: (i) a specified range of target levels of adjusted net income per diluted share attributable to UHS, and; (ii) a specified range of target levels of return on capital (adjusted net income attributable to UHS divided by quarterly average net capital) for the years ending December 31, 2016 and 2015. The adjusted net income per diluted share attributable to UHS generally excludes, among other things, the impact of the incentive income and incremental expenses incurred in connection with the implementation of electronic health records applications at our acute care hospitals as well as other amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years.

The divisional income targets consist of the projected aggregate pre-tax income for our Acute Care and Behavioral Health Services segments, net of deductions for the allocation of corporate overhead expenses and a charge for the estimated cost of capital. The divisional income targets generally exclude, among other things, amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years. The divisional income targets may be adjusted to include the impact of acquisitions or divestitures made during the year, if material.

To the extent that the actual divisional results exceeded the targets, Ms. Osteen and Mr. Pember are entitled to 75% of the following (as applied to their annual base salary) as the portion of their annual bonus that is based upon divisional income targets: (i) 25% if actual results meet divisional income targets; (ii) 50% if actual results exceed divisional income targets by 5%; (iii) 75% if actual results exceed divisional income targets by 10%, and; (iv) 100% if actual results exceed divisional income targets by 15%.

The 2015 Target of adjusted net income per diluted share attributable to UHS, which represented a specified point within the publicly disclosed range of our projected consolidated earnings per diluted share estimate for the year, was \$6.35 per diluted share. The 2015 Return on Capital Target was 9.1%. On February 26, 2015, we publicly disclosed our 2015 estimated range of adjusted net income per diluted share attributable to UHS of \$6.15 to \$6.55.

In July of 2015, based upon our actual operating results experienced during the first six months of 2015, we publicly disclosed an increase to our 2015 estimated range of adjusted net income attributable to UHS to \$6.75 to \$7.15 per diluted share. In October of 2015, based upon our actual operating results experienced during the first nine months of 2015, we publicly disclosed a slight reduction to the upper end of the revised range to \$7.05 per diluted share from \$7.15 per diluted share. For annual cash incentive computation purposes, the above-mentioned 2015 Target of adjusted net income per diluted share attributable to UHS, and the 2015 Return on Capital Target, were not impacted by these publicly disclosed revisions to our annual 2015 estimated range of adjusted net income per diluted share attributable to UHS.

Pursuant to the terms of the Executive Incentive Plan and the formula approved by our Compensation Committee, our named executive officers were eligible to receive the applicable portion of their annual cash incentive (which were based on the corporate performance criteria) at various increments ranging from 0% of their bonus target award (based upon the achievement of a Target of adjusted net income per diluted share attributable to UHS of \$5.76 or less, and Return on Capital of 8.2% or less) up to 250% of their annual cash incentive target award (based upon the achievement of a Target of adjusted net income per diluted share attributable to UHS of \$6.93 or greater and Return on Capital of 10.0% or greater). Although the cash incentive formula in fiscal year 2015 was unchanged from 2014's cash incentive formula, the Targets have been adjusted, as necessary, to correlate to the range of our estimated 2015 adjusted net income per diluted share attributable to UHS, as publicly disclosed on February 26, 2015.

In determining the corporate and divisional performance criteria, various factors are considered, including the projected revenue and earnings growth over the prior year. Since the value received by stockholders is measured, in large part, by an increase in stock price, which is in turn typically influenced by increases in

revenues and earnings, our performance criteria are established at reasonably aggressive levels to encourage the attainment of our financial objectives which, if accomplished, may result in an increase to our stock price and increased value to stockholders. As mentioned above, the corporate performance criteria are established annually and the Target of adjusted net income per diluted share attributable to UHS directly correlates to our annual earnings guidance that is typically publicly disclosed by us during the first quarter of each year. The divisional performance criteria are also established annually and represent each division's respective portion of the corporate performance criteria.

The actual cash incentives awarded for 2015 (which were based upon corporate performance criteria) were based upon the achievement of 219% of the target, as determined by the Compensation Committee in March, 2016, based upon our 2015 actual operating results. During 2015, our adjusted net income per diluted share attributable to UHS was \$6.87. This adjusted net income per diluted share attributable to UHS for 2015 was publicly disclosed and reconciled to our reported 2015 net income per diluted share attributable to UHS of \$6.76, on the Schedule of Non-GAAP Supplemental Consolidated Statements of Income Information, included with our earnings for the year ended December 31, 2015, as filed on Form 8-K on February 25, 2016. The Return on Capital was 9.6% for 2015, as compared to a target of 9.1%. The Return on Capital is calculated by dividing our annual adjusted net income attributable to UHS by the consolidated average net capital.

For 2015, Ms. Osteen's divisional income target was \$301 million. The divisional income target consists of the projected aggregate pre-tax income for our Behavioral Health Services segment, net of deductions for the allocation of corporate overhead expenses and a charge for the estimated cost of capital. The divisional income target was adjusted to include the impact of acquisitions or divestitures made during the year as well as other amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years. The 2015 actual divisional income, as calculated, was \$334 million. Since the actual divisional income exceeded the target by more than 10% (the \$301 million target was exceeded by \$33 million, or 11%), Ms. Osteen was entitled to 75% of the portion of her bonus (75%) that was based upon the achievement of the divisional income target.

For 2015, Mr. Pember's divisional income/loss target was a loss of \$138 million. The divisional income/loss target consists of the projected aggregate pre-tax income for our Acute Care Services segment, net of deductions for the allocation of corporate overhead expenses and a charge for the estimated cost of capital. The divisional income/loss target was adjusted for certain amounts that may be nonrecurring or non-operational in nature or amounts that may be reflected in the current year financial statements that relate to prior years. The 2015 actual divisional income/loss, as calculated, was a loss of \$116 million. Since the actual divisional income/loss compared favorably to the target by more than 15% (the \$138 million target loss was favorably reduced by \$22 million, or 16%), Mr. Pember was entitled to 100% of the portion of his bonus (75%) that was based upon the achievement of the divisional income target.

The performance goals related to the Executive Incentive Plan, as outlined above, are generally based upon the achievement of our business plan financial objectives. Performance goals are established at reasonably aggressive levels to encourage and motivate executive performance and attainment of our financial objectives. At the time the Compensation Committee approved the Executive Incentive Plan for fiscal years 2016 and 2015 we

believed that the performance goals were attainable, but not certain. Based upon the achievement of the corporate performance criteria, 219% during 2015, 250% during 2014 and 154% during 2013 of the target awards were earned, showing the variability and performance-oriented nature of payouts over time.

For a further description of the cash incentives and other elements of compensation granted to our named executive officer for 2015, 2014 and 2013, please refer to the Summary Compensation Table in this Proxy Statement.

Long-Term Incentives

The Compensation Committee believes that the grant of equity-based, long-term compensation, primarily in the form of stock options and restricted shares, to our named executive officers is appropriate to attract, motivate and retain such individuals, and enhance stockholder value through the use of equity incentive compensation opportunities.

Further, long-term incentive awards reward individuals for their performance and achievement of business goals. The Compensation Committee believes that our best interests will be advanced by enabling our named executive officers, that are responsible for our management, growth and success, to receive compensation in the form of long-term incentive awards which may increase in value in conjunction with an increase in the value of our common stock and which will provide our named executive officers with an incentive to remain in their positions with us.

Like base salaries, with respect to grants of long-term incentive awards, an individual's performance is reviewed in light of his or her position, responsibilities and contribution to our financial performance. In addition, the Compensation Committee takes into account an individual's potential contribution to our growth and productivity. There is no other predetermined formula, factors or specified list of criteria that is followed.

For a description of the long-term incentive awards granted to our named executive officers for 2015, please read the Summary Compensation Table and the Grants of Plan-Based Awards Table included in this Proxy Statement.

Stock options. Our Third Amended and Restated 2005 Stock Incentive Plan (the "Stock Incentive Plan"), as amended in 2008 and 2011 and 2015, provides for the issuance of options to purchase shares of our Class B Common Stock at an exercise price equal to the fair market value on the date of grant. The Stock Incentive Plan is intended to provide a flexible vehicle through which we may offer equity based compensation incentives to our named executive officers and other eligible personnel in support of our compensation objectives.

Awards under the Stock Incentive Plan may be in the form of options to purchase shares of Class B Common Stock (including options intended to qualify as "incentive stock options" within the meaning of Section 422 of the Code and options which do not qualify as "incentive stock options") and stock appreciation rights ("SARs"). Awards may be granted to our present or future employees, our affiliates and our directors and consultants who are not employees. To date, no SARs have been granted.

Typically, option awards are granted by the Compensation Committee on specific dates that are scheduled in advance, which generally coincide with regularly scheduled meetings of the Compensation Committee and the Board of Directors. There is no separate policy with respect to the timing of option awards to our named executive officers. Typically, option awards are granted to our named executive officers at the same time as option awards are granted to our other employees. In certain circumstances, such as new hires or promotions, option awards are granted separately by the Compensation Committee or our Chief Executive Officer and Chief Financial Officer who are duly authorized by the Compensation Committee.

Subject to the provisions of the Stock Incentive Plan, the Compensation Committee has the responsibility and full power and authority to select the persons to whom awards will be made, to prescribe the terms and conditions of each award and make amendments thereto, to construe, interpret and apply the provisions of the Stock Incentive Plan and of any agreement or other instrument evidencing an award and to make any and all determinations and take any and all other actions as it deems necessary or desirable in order to carry out the terms of the Stock Incentive Plan. The grant of stock options is based primarily on an employee's level in the organization and their contribution to our growth and profitability.

Stock options have such vesting and other terms and conditions as the Compensation Committee, acting in its discretion, may determine. Generally, grants of stock options vest in equal amounts over four years and, unless otherwise determined, employees must be employed by us for such options to vest. We do not have any plan to select option grant dates for our named executive officers in coordination with the release of material non-public information. The exercise price per share of Class B Common Stock covered by an option may not be less than 100% of the fair market value of the underlying Class B Common Stock on the date of grant. For purposes of the Stock Incentive Plan, unless otherwise determined by the Compensation Committee, the fair market value of a share of Class B Common Stock as of any given date is the closing sale price per share reported on a consolidated basis for securities listed on the principal stock exchange or market on which the Class B Common Stock is traded on the date as of which such value is being determined or, if there is no sale on that day, then on the next day on which a sale was reported.

In March of 2015, Mr. Alan Miller made recommendations to our Compensation Committee with respect to stock option awards to our named executive officers (except for himself) and other eligible employees. The number of stock options awarded to each of our named executive officers during 2015 was as follows: Alan B. Miller (590,000); Marc D. Miller (90,000); Steve G. Filton (70,000); Debra K. Osteen (70,000); and; Marvin G. Pember (50,000). In determining the number of options to award to our named executive officers, the Compensation Committee considered Mr. Alan Miller's recommendations and took into account individual performance in light of a named executive officer's position, responsibilities and contribution to our financial performance as well as his or her potential contribution to our growth and productivity. In addition, the Compensation Committee also reviewed and considered the compensation data and competitive performance data prepared by Pay Governance LLC in January, 2015, including stock-based compensation, and reviewed historical company practices with respect to stock option and long-term incentive awards. The grant date value of the above-mentioned 2015 stock option awards for Mr. Alan Miller, Mr. Pember and Ms. Osteen exceeded the median and the grants for Mr. Marc Miller and Mr. Filton approximated the median. For a description of the long-term incentive awards granted to our named executive officers in 2015, please see the Summary Compensation Table and the Grants of Plan-Based Awards Table included in this Proxy Statement.

Additionally, in March of 2016, Mr. Alan Miller made recommendations to our Compensation Committee with respect to stock option awards to our named executive officers (except for himself) and other eligible employees. The number of stock options awarded to each of our named executive officers during 2016 were as follows: Alan B. Miller (590,000); Marc D. Miller (100,000); Steve G. Filton (70,000); Debra K. Osteen (70,000); and; Marvin G. Pember (55,000). In determining the number of options to award to our named executive officers, the Compensation Committee considered Mr. Alan Miller's recommendations and took into account individual performance in light of a named executive officer's position, responsibilities and contribution to our financial performance as well as his or her potential contribution to our growth and productivity. In addition, the Compensation Committee also reviewed and considered the compensation data and competitive performance data prepared by Pay Governance LLC in January, 2016, including stock-based compensation, and reviewed historical company practices with respect to stock option and long-term incentive awards.

Restricted Stock Awards. The Amended and Restated 2010 Employees' Restricted Stock Purchase Plan (the "Restricted Stock Plan"), which is administered by the Compensation Committee, provides for the grant of shares of our Class B Common Stock to eligible personnel for a purchase price equal to par value. Shares of our Class B Common Stock may be granted under the Restricted Stock Plan to any of our employees or consultants. Historically, our restricted grants have had a scheduled vesting period ranging from one to five years.

Vesting conditions on shares issued under the Restricted Stock Plan may consist of continuing employment for a specified period of time following the purchase date. Alternatively, or in addition, vesting may be tied to the satisfaction of specific performance objectives established by the Compensation Committee based upon any one or more of the business criteria used in determining the bonuses for our named executive officers, as mentioned above. We have the right to repurchase the shares for the same purchase price (par value) if specified vesting conditions are not met.

The Compensation Committee believes restricted stock awards, at times, can be effective in achieving our compensation objectives because it provides employees with a strong retention incentive and aligns the value of the award with our stock price performance. Additionally, cash dividends are paid on all outstanding awards of restricted stock as an additional element of compensation and to provide employees incentives to sustain or increase our performance. We do not have any plan to select restricted stock award grant dates for our named executive officers in coordination with the release of material non-public information. Mr. Alan Miller is entitled to an annual grant of \$1.5 million of restricted stock pursuant to his Employment Agreement with the Company.

Deferred Compensation

Our Deferred Compensation Plan, which is subject to the applicable provisions of Internal Revenue Code Section 409A, provides that eligible employees may elect to defer a portion of their base salary and bonus award into deferred compensation accounts that accrue earnings based upon the selection of available investment options. An eligible employee under the Deferred Compensation Plan is: (i) an employee whose base compensation for 2015 is expected to be \$120,000 or higher and has been approved by our Chief Executive Officer, or; (ii) any other employee who has been approved by our Chief Executive Officer. The base compensation threshold is adjusted annually for cost-of-living increases. Pursuant to the terms of the Deferred

Compensation Plan, the minimum annual amount that can be deferred is \$2,000. Prior to January 1, 2016, no more than 25% of an employee's base salary or 50% of an employee's annual bonus may be deferred under the Deferred Compensation Plan in any calendar year. Effective January 1, 2016, no more than 50% of an employee's base salary or 95% of an employee's annual bonus may be deferred under the Deferred Compensation Plan in any calendar year. Employees may allocate a portion of their deferred compensation to be distributed in a lump sum or installments to begin at retirement or a scheduled distribution date. The available investment options consist of certain mutual funds which include: (i) conservative (e.g. money markets or bonds); (ii) moderately conservative (e.g. balanced funds), and; (iii) aggressive (e.g. domestic and international equity).

Our obligation to make payments of amounts credited to participants' deferred compensation accounts is a general unsecured obligation. In addition, under the Deferred Compensation Plan, we may make discretionary contributions on behalf of an eligible employee. Since inception of the Deferred Compensation Plan, we have not made any discretionary contributions on behalf of employees. Two of our named executive officers deferred a portion of their base salary and/or bonus paid during 2015 to the Deferred Compensation Plan. The Compensation Committee believes that, by offering an alternative savings alternative for our named executive officers, the Deferred Compensation Plan supports our objectives to attract, retain and motivate talented personnel.

For a further description of the Deferred Compensation Plan, please refer to *the Nonqualified Deferred Compensation* table and the narrative discussion included in this Proxy Statement.

Retirement Benefits

Our retirement benefits consist of our Executive Retirement Income Plan and a 401(k) plan. These plans are designed in combination to provide an appropriate level of replacement income upon retirement. The Compensation Committee believes that these retirement benefits provide a balanced and competitive retirement program and support our objectives to attract, retain and motivate talented personnel.

Executive Retirement Income Plan. In October 1993, the Board of Directors adopted the Executive Retirement Income Plan, which was closed to new participants effective January 1, 2015. Pursuant to the terms of this plan, certain management or other highly compensated employees, who had been previously designated as plan participants by our Board of Directors prior to December 31, 2014, and who had completed at least 10 years of active employment with us, may receive retirement income benefits. The monthly benefit is payable to a participant who retires after he or she reaches age 62 (applicable to participants added to the plan before 2008) or age 65 (applicable to participants added to the plan after January 1, 2008). The benefit is equal to 3% of the employee's average monthly base salary over the three years preceding retirement multiplied by the number of qualified years (not to exceed 10) of the participant's employment with us. Payment of the benefit will be made in 60 monthly installments following the participant's retirement date. If an employee ceases employment with us prior to the applicable retirement age, or an employee has not completed at least 10 years of active employment with us, no retirement income will be payable to the employee unless the Board of Directors

determines otherwise. For a further description of the Executive Retirement Income Plan, please refer to the Pension Benefits Table included in this Proxy Statement.

401(k) Plan. We maintain a 401(k) plan for all employees, including our named executive officers, as an additional source of retirement income. Pursuant to the 401(k) plan, in 2015, we made matching contributions (subject to highly compensated employee limits set by the Internal Revenue Code) to the 401(k) plan of approximately \$41 million. All of the named executive officers participated in the 401(k) plan in 2015. Accordingly, we made matching contributions equal to \$7,950 to the 401(k) plan for each of the participating named executives.

Benefits

Our named executive officers are eligible to participate in the benefit plans generally available to all of our employees, which include health, dental, life insurance, vision and disability plans, all of which the Compensation Committee believes are commensurate with plans of other similarly situated public companies in the hospital management industry.

Company Aircraft. We have a partial ownership interest in a fixed wing aircraft that is available for business purpose use by members of our management team, including our named executive officers, and for personal use by Mr. Alan Miller, as stipulated in his employment agreement. When the aircraft is utilized for personal purposes by Mr. Alan Miller and/or his family members, the incremental costs incurred, including the regular hourly charges, variable fuel charges and associated fees and taxes, are directly reimbursed to us by Mr. Alan Miller and therefore no imputed amounts are included in the *Summary Compensation Table*.

Automobile. Mr. Alan Miller utilizes his automobiles for both business and personal purposes. As partial reimbursement for his business-related usage, we paid 70% of the cost of a vehicle purchased in 2006 and Mr. Alan Miller paid the remainder. Included in the *Summary Compensation Table* in All other compensation for 2015, is \$1,536 related maintenance and fuel costs paid by the Company deemed to be related to his personal vehicle use.

Reimbursement of Relocation Expenses. In the normal course of business, in an effort to satisfy our staffing needs with high-quality personnel and/or support the career development of an employee by enabling them to assume a position of broader scope and complexity, we may need to place an executive in a position in a geographic location which differs from that in which the individual resides. The relocation benefits for our executives are patterned on standard industry practices and are competitive in design. The provisions for relocation benefits are the same for several of the top layers of management and consistently administered. Included in the relocation benefits are reimbursements or direct payment to vendors for expenses that include items like a short duration house hunting trip, movement of household goods and personal items, short duration of interim living expenses and certain closing costs for the sale and purchase of a house. Relocation reimbursement that is taxable to the individual is typically grossed-up to cover the resulting incremental income tax expense. During 2015, we did not pay any relocation expenses on behalf of our named executive officers.

Other Perquisites. From time to time, we make tickets to cultural and sporting events available to our employees, including our named executive officers, for business purposes. If not utilized for business purposes, the tickets are made available to our employees, including our named executive officers, for personal use.

Split-Dollar Life Insurance Agreements. In October 1998, we entered into split dollar life insurance agreements, with a combined face value of \$16 million, in connection with second to die insurance policies issued on the lives of our chief executive officer, Alan B. Miller and his wife and owned by the Alan B. Miller 1998 Dual Life Insurance Trust (the 1998 Trust). In January, 2002, we entered into two additional split dollar life insurance agreements, with a combined face value of \$30 million, in connection with life insurance policies issued on the life of Alan B. Miller and owned by the Alan B. Miller 2002 Trust (the 2002 Trust). Anthony Pantaleoni, a director of the Company, is Trustee of the 1998 Trusts and the 2002 Trusts.

In December, 2010, with assistance from its advisors, the Compensation Committee of the Board of Directors recommended, and the Board of Directors approved, the Company's entering into supplemental life insurance plans and agreements with the 1998 Trust and the 2002 Trust (collectively, the Trusts) previously established by Mr. Miller and which previously owned the policies. The supplemental life agreements replaced the existing arrangements. The supplemental life agreements are intended to constitute a non-equity endorsement split-dollar arrangement as defined by Internal Revenue Code and Regulations. In order to effectuate the supplemental life agreements, the Trusts transferred the life insurance policies to the Company in exchange for cancellation of the previously existing split-dollar agreement obligation to repay the Company's premium advances. This transfer terminated the previously existing split-dollar arrangements. As a result of these transfers, the Company owns the policies and agreed to endorse a portion of the death benefit to the Trusts. The Company (and the Trusts) agreed to resume making premium payments on the policies, which had been suspended since 2002, with the consent of Mr. Miller, due to uncertainties regarding the legality of the fundings of the previously existing split-dollar arrangements pursuant to the Sarbanes-Oxley Act of 2002. Premium payments will be shared by the Company and the Trusts, with the Trusts' portion determined under the principles established by applicable U.S. Treasury Department pronouncements, notices, rulings and regulations in effect for determining such costs for insurance (the same premium division contemplated in the original arrangement).

As a result of these Agreements, based on actuarial tables and other assumptions, during the life expectancies of the insureds, and including amounts paid through 2015, the Company would pay approximately \$25.3 million in premiums and the Trusts would pay approximately \$8.2 million in premiums. Based on the projected premiums mentioned above, and assuming the policies remain in effect until the death of the insureds, the Company will be entitled to receive death benefit proceeds of no less than \$33.5 million representing the \$25.3 million of aggregate premiums paid by the Company as well as the \$8.2 million of aggregate premiums paid by the Trusts. The Trusts will receive the remaining death benefit proceeds under the policies.

Based on these projections, the total economic pre-tax cost to the Company (which includes the projected cost of capital net of the income resulting from the Company's expected future receipt of the \$8.2 million of premiums paid by the Trusts) would be \$11.3 million over the life expectancies of the insureds. During each of 2015 and 2014, the Company paid approximately \$1.3 million in premium payments. The Company expects to expend between \$1.3 million and \$500,000 during each of the next ten years and lesser amounts thereafter. All of

the Company's premium payments (as well as the Trusts) are expected to be repaid to the Company utilizing the death benefit proceeds. The Company recorded net after-tax income of \$232,000 during 2015, \$156,000 during 2014 and \$86,000 during 2013, in connection with the present value computations related to the Company's projected premium funding commitment over the terms of the policies and the projected death benefit proceeds due to the Company in the future, as discussed above.

The Compensation Committee has determined to offer the above-described fringe benefits and perquisites in order to attract and retain our named executive officers by offering compensation opportunities that are competitive. In determining the total compensation payable to our named executive officers, for a given fiscal year, the Compensation Committee considers such fringe benefits and perquisites. However, with the exception of the above-mentioned split dollar life insurance agreements related to Mr. Alan B. Miller, given the fact that such other fringe benefits and perquisites, which are available to our named executive officers, represent a relatively insignificant portion of their total compensation, they do not materially influence the decisions made by the Compensation Committee with respect to other elements of each individual's total compensation. For a further description of the fringe benefits and perquisites received by our named executive officers during 2015, please refer to the *All Other Compensation* table included in this Proxy Statement.

Rewards/Compensation Risk Analysis: As part of its oversight of the Company's executive compensation program, the Compensation Committee considers the impact of the Company's executive compensation program, and the incentives created by the compensation awards that it administers, on the Company's risk profile. In addition, the Company reviews all of its compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to the Company. The review found that there were no excessive risks encouraged by the Company's reward programs and the rewards programs do not produce payments that have a material impact on the financial performance of the organization. Approximately 465 employees (including the named executive officers) of our 52,400 full-time employees (comprising 0.8% of our full-time employees) have incentive plans that entitle those individuals to larger bonus awards if profitability increases. However, although the plans are based on profitability, the bonus awards for these employees are capped at specific award levels (typically at 125% or less of base salary). Therefore, should our profitability increase, even by significant amounts, we do not believe the additional aggregate bonus awards would have a material unfavorable impact on our future results of operations.

Tax Considerations

Our chief executive officer, our chief financial officer and the next three most highly compensated officers are referred to herein as the named executive officers. Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) places a limit of \$1 million on the amount of compensation we may deduct for federal income tax purposes in any one year with respect to our named executive officers with the exception of our chief financial officer. However, performance-based compensation that meets certain requirements is excluded from this \$1 million limitation.

In reviewing the effectiveness of the executive compensation program, the Compensation Committee considers the anticipated tax treatment to us and to the named executive officers of various payments and

benefits. However, the deductibility of certain compensation payments depends upon the timing of an executive's vesting or exercise of previously granted awards, as well as interpretations and changes in the tax laws and other factors beyond the Compensation Committee's control. For these and other reasons, including to maintain flexibility in compensating the named executive officers in a manner designed to promote varying corporate goals, the Compensation Committee will not necessarily, or in all circumstances, limit executive compensation to that which is deductible under Section 162(m) of the Code and has not adopted a policy requiring all compensation to be deductible.

The Compensation Committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its other compensation objectives. The portion of Mr. Alan Miller's 2015 base salary exceeding \$1 million will not be deductible by virtue of Section 162(m) of the Code.

Summary

The foregoing discussion describes the compensation objectives and policies that were utilized with respect to our named executive officers during 2015 and 2016. In the future, as the Compensation Committee continues to review each element of the executive compensation program with respect to our named executive officers, the objectives of our executive compensation program, as well as the methods that the Compensation Committee utilizes to determine both the types and amounts of compensation to award to our named executive officers, may change.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management; and based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE

Robert H. Hotz

Lawrence S. Gibbs

John H. Herrell

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors is composed of Robert H. Hotz, Lawrence S. Gibbs and John H. Herrell. All the members of the Compensation Committee are independent directors and no member has ever been one of our officers or employees or had a relationship with us that required disclosure.

SUMMARY COMPENSATION TABLE

The following table sets forth certain compensation information for our Chief Executive Officer, our Chief Financial Officer and the other most highly compensated executive officers for services rendered to UHS and its subsidiaries during the past three fiscal years. We refer to these officers collectively as our named executive officers:

Name and principal position	Year	Salary (\$)	Bonus (\$)	Grant Date Fair Value Stock Awards (\$)	Grant Date Fair Value Option Awards (2.) (\$)	Non-Equity Incentive Plan Compensation (3.) (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4.) (\$)	All other compensation (6.) (\$)	Total (\$)
Alan B. Miller, Chairman of the Board and Chief Executive Officer	2015	\$ 1,568,310	\$ 0	1,500,022(1).	\$ 12,553,430	\$ 3,434,599	\$ 49,722	\$ 1,370,948	\$ 20,477,031
	2014	1,537,560	0	1,500,004(1).	10,098,440	3,843,900	48,748	1,396,923	18,425,575
	2013	1,500,058	0	0	7,846,233	2,310,089	79,913	1,414,824	13,151,117
Marc D. Miller, President and Director	2015	\$ 695,027	\$ 0	\$ 0	\$ 1,914,930	\$ 989,371	\$ 46,133	\$ 13,877	\$ 3,659,338
	2014	666,692	0	0	1,540,440	1,083,375	98,957	14,189	3,403,653
	2013	644,692	0	0	1,196,883	645,337	30,960	421	2,518,293
Steve G. Filton, Senior Vice President, Chief Financial Officer and Secretary	2015	\$ 566,022	\$ 0	\$ 0	\$ 1,489,390	\$ 619,794	\$ 29,305	\$ 17,443	\$ 2,721,954
	2014	546,321	0	0	1,198,120	682,901	32,993	17,293	2,477,628
	2013	525,320	0	0	930,909	404,496	25,358	8,542	1,894,625
Debra K. Osteen, Senior Vice President and President, Behavioral Health Division	2015	\$ 620,024	\$ 0	\$ 0	\$ 1,489,390	\$ 518,495	\$ 28,315	\$ 17,115	\$ 2,673,339
	2014	601,023	0	0	1,198,120	413,203	26,616	16,965	2,255,927
	2013	583,517	0	0	930,909	331,146	21,337	8,510	1,875,419
Marvin G. Pember, Senior Vice President and President, Acute Care Division	2015	\$ 599,210	\$ 0	\$ 0	\$ 1,063,850	\$ 613,441	\$ 0	\$ 17,697	\$ 2,294,198
	2014	581,823	0	0	855,800	618,187	0	17,547	2,073,357
	2013	575,022	1,000,000(5.)	0	664,935	110,692	0	8,971	2,359,620

(1.) Represents the grant date fair value of award made during 2015 and 2014 under the 2010 Amended and Restated Employees Restricted Stock Purchase Plan (the 2010 Plan). The 2015 and 2014 awards are scheduled to vest ratably over a four-year period. Dividends declared by the Company are paid with respect to outstanding shares of restricted stock.

- (2.) Represents grant date fair value for awards made pursuant to our Amended and Restated 2005 Stock Incentive Plan. For the assumptions used for the fair value valuations, please refer to Note 5 Common Stock, to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the years ended December 31, 2015, 2014 and 2013.
- (3.) Reflects the dollar value of annual bonuses earned during each of the last three years pursuant to the terms of our Executive Incentive Plan as approved by our Compensation Committee on March 23, 2016 (for 2015), March 18, 2015 (for 2014) and on March 26, 2014 (for 2013). As a percentage of each individual's annual base salary, the bonus amounts earned were as follows: Alan B. Miller 219% in 2015, 250% in 2014 and 154% in 2013; Marc D. Miller 142% in 2015, 163% in 2014 and 100% in 2013; Steve G. Filton 110% in 2015, 125% in 2014 and 77% in 2013; Debra K. Osteen 84% in 2015, 69% in 2014 and 57% in 2013, and; Marvin G. Pember 102% in 2015, 106% in 2014 and 19% in 2013.
- (4.) These amounts represent the aggregate change in the present value that accrued for each named executive in 2015, 2014 and 2013 under the UHS Executive Retirement Plan. The amounts in this column do not reflect compensation deferrals pursuant to our Nonqualified Deferred Compensation Plan since there are no contributions or benefits provide by us in connection with the plan.
- (5.) The \$1 million supplemental cash compensation payment for Mr. Marvin Pember was paid in August, 2013, the second anniversary date of his employment. This supplemental compensation payment was intended to compensate Mr. Pember for a deferred compensation arrangement with his previous employer that he forfeited upon resignation.
- (6.) Components of All Other Compensation are as follows:

ALL OTHER COMPENSATION TABLE

Name	Year	Perquisites and Other Personal Benefits (\$ (1.))	Tax Reimbursements (\$ (2.))	Insurance Premiums (\$ (3.))	Company Contributions to Retirement and 401(k) Plans (\$)	Dividends Paid on Unvested Stock	Total (\$)
Alan B. Miller	2015	\$ 46,391	\$ 0	\$ 1,306,534	\$ 7,950	\$ 10,073	\$ 1,370,948
	2014	45,004	0	1,334,303	7,800	9,816	1,396,923
	2013	47,846	0	1,351,442	7,650	7,886	1,414,824
Marc D. Miller	2015	\$ 230	\$ 0	\$ 5,697	\$ 7,950	\$ 0	\$ 13,877
	2014	692	0	5,697	7,800	0	14,189
	2013	421	0	0	0	0	421
Steve G. Filton	2015	\$ 0	\$ 0	\$ 9,493	\$ 7,950	\$ 0	\$ 17,443
	2014	0	0	9,493	7,800	0	17,293
	2013	0	0	892	7,650	0	8,542
Debra K. Osteen	2015	\$ 0	\$ 0	\$ 9,165	\$ 7,950	\$ 0	\$ 17,115
	2014	0	0	9,165	7,800	0	16,965
	2013	421	0	439	7,650	0	8,510
Marvin G. Pember	2015	\$ 900	\$ 0	\$ 8,847	\$ 7,950	\$ 0	\$ 17,697
	2014	900	0	8,847	7,800	0	17,547
	2013	1,321	0	0	7,650	0	8,971

(1.) 2015:

Amount for Mr. Alan Miller consists of the following: (i) \$25,000 for professional tax services; (ii) \$13,846 for payment of country club dues; (iii) \$2,548 for accounting services; (iv) \$2,707 for maintenance on personal residence; (v) \$1,530 for fuel and maintenance charges incurred in connection with his automobile; (vi) \$300 wireless stipend, and; (vii) \$460 for sporting event tickets paid for by us.

Amount for Mr. Marc D. Miller consists of \$230 for sporting event tickets paid for by us.

Amount for Mr. Marvin G. Pember consist of a \$900 cell phone stipend.

2014:

Amount for Mr. Alan Miller consists of the following: (i) \$25,000 for professional tax services; (ii) \$14,075 for payment of country club dues; (iii) \$2,686 for accounting services; (iv) \$2,545 for maintenance on personal residence; (v) \$167 for fuel and maintenance charges incurred in connection with his automobile; (vi) \$300 wireless stipend, and; (vii) \$231 for sporting event tickets paid for by us.

Amount for Mr. Marc D. Miller consists of \$692 for sporting event tickets paid for by us.

Amount for Mr. Marvin G. Pember consist of a \$900 cell phone stipend.

2013:

Amount for Mr. Alan Miller consists of the following: (i) \$25,000 for professional tax services; (ii) \$12,025 for payment of country club dues; (iii) \$2,866 for accounting services; (iv) \$3,948 for maintenance on personal residence; (v) \$3,286 for fuel and maintenance charges incurred in connection with his automobile; (vi) \$300 wireless stipend, and; (vii) \$421 for sporting event tickets paid for by us.

Amount for Mr. Marc D. Miller and Ms. Debra K. Osteen consists of \$421 each for sporting event tickets paid for by us.

Amount for Mr. Marvin G. Pember consist of: (i) \$421 for sporting event tickets paid for by us, and; (ii) \$900 cell phone stipend.

(2.) There were no reimbursements for taxes during 2015, 2014 or 2013.

(3.) Amounts for Messrs. Marc D. Miller, Steve G. Filton and Marvin G. Pember and Ms. Osteen consist of premiums paid in connection with long term disability coverage.

Amounts for Mr. Alan B. Miller consist of: (i) \$1,294,709 in 2015, \$1,322,392 in 2014 and \$1,344,683 in 2013, of premium payments made in connection with split-dollar-life insurance agreements, as discussed in *Split Dollar Life Insurance Agreement*, included herein, and; (ii) \$11,825 in 2015, \$11,911 in 2014 and \$6,759 in 2013 of premiums paid in connection with long term disability coverage.

GRANTS OF PLAN-BASED AWARDS

The following table provides information regarding plan-based awards granted during fiscal year 2015 to our named executive officers.

Name	Approval / Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1.)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (3.) (#)	All Other Option Awards: Number of Underlying Options (4.) (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (5.) (\$)	Closing Price on Grant Date (\$/Sh)
		Threshold (\$ (2.))	Target (\$ (2.))	Maximum (\$ (2.))	Threshold (\$)	Target (\$)	Maximum (\$)					
Alan B. Miller	3/18/2015 3/18/2015 3/18/2015	\$ 78,416	\$ 1,568,310	\$ 3,920,775				12,789			\$ 1,500,022 \$ 12,553,430	\$ 117.29 \$ 117.29
Marc D. Miller	3/18/2015 3/18/2015	\$ 22,588	\$ 451,768	\$ 1,129,419					90,000	\$ 117.29	\$ 1,914,930	\$ 117.29
Steve G. Filton	3/18/2015 3/18/2015	\$ 14,151	\$ 283,011	\$ 707,528					70,000	\$ 117.29	\$ 1,489,390	\$ 117.29
Debra K. Osteen	3/18/2015 3/18/2015	\$ 3,875	\$ 193,758	\$ 658,776					70,000	\$ 117.29	\$ 1,489,390	\$ 117.29
Marvin G. Pember	3/18/2015 3/18/2015	\$ 3,745	\$ 187,253	\$ 636,661					50,000	\$ 117.29	\$ 1,063,850	\$ 117.29

- (1.) Pursuant to the Executive Incentive Plan and the formula approved by the Compensation Committee, each named executive officer is entitled to receive between 0% and 250% of that executive officer's target bonus based, either entirely or in part, on our achievement of certain corporate and divisional performance criteria. As discussed in the *Compensation Discussion and Analysis*, with respect to Messrs. Alan B. Miller, Marc D. Miller and Steve G. Filton, 100% of their 2015 annual incentive bonus was determined using certain corporate performance criteria, and with respect to Ms. Osteen and Mr. Pember, their 2015 annual incentive bonus was determined utilizing: (i) 25% of their annual salary based upon the achievement of certain corporate performance criteria, and; (ii) 75% of their annual salary based upon the achievement of certain divisional income targets.
- (2.) Estimates calculated based upon 2015 salaries.
- (3.) Restricted shares of Class B Common Stock issued under the Company's Amended and Restated 2010 Employees' Restricted Stock Purchase Plan.
- (4.) Stock option awards issued on March 18, 2015 were issued under our Amended and Restated 2005 Stock Incentive Plan.
- (5.) Represents the full grant date fair value for the stock awards and option awards, calculated in accordance with ASC 718 as described in our Form 10-K for the year ended December 31, 2015.

Chief Executive Officer Employment Agreement

As discussed in the *Compensation Discussion and Analysis*, unlike our other named executive officers, Mr. Alan Miller's compensation is determined in large part by the terms of his employment agreement. Mr. Miller's base salary, minimum annual bonus and certain perquisites are determined under his employment agreement. On July 24, 2013, we entered into an employment agreement with Alan B. Miller (effective July 1, 2013) that provides that Mr. Miller will continue to serve as Chief Executive Officer and Chairman of our Board of Directors through December 31, 2017, and subject further to automatic annual renewal for one additional year unless either party elects otherwise.

Mr. Alan Miller participates in benefit plans and programs that are made available to other employees and he receives certain executive perquisites, including, but not limited to, split dollar life insurance benefits, payment of certain automobile costs, payment of country club dues, tax and accounting services, use of a private plane for personal purposes for up to 60 hours per year, subject to reimbursement by Mr. Alan Miller of the incremental costs incurred at market rates, and such other fringe benefits as the Compensation Committee of our Board of Directors may determine (as discussed in the *Compensation Discussion and Analysis*).

Mr. Alan Miller's salary as our Chief Executive Officer will be \$1,600,000 for 2016 which is a 2.0% increase over his 2015 salary. Mr. Miller is also entitled to an annual bonus opportunity target equal to 100% of his salary. The amount of the annual bonus for any year may be more or less than the target amount and will be determined by the Board of Directors in accordance with pre-established performance measures.

In addition to the stock options and/or restricted stock granted to Mr. Alan Miller during the years discussed above in the *Compensation Discussion and Analysis-Restricted Stock Awards and Stock Options*, he was also eligible to receive awards under our long-term incentive plan(s), including shares of restricted stock.

For a further description of the employment agreement, please refer to the *Potential Payments Upon Termination or Change-in-Control* section below. For a further description of the compensation setting process with respect to Mr. Miller, please refer to the *Compensation Discussion and Analysis* section above.

Chief Executive Officer Restricted Stock Grants in 2016, 2015 and 2014

Pursuant to Mr. Alan Miller's employment agreement, in March of 2016, 2015 and 2014, as indicated below, the Compensation Committee approved the issuance of restricted shares of our Class B Common Stock to Mr. Alan Miller pursuant to the Amended and Restated 2010 Employees' Restricted Stock Purchase Plan. These restricted shares, each of which had market value of \$1.5 million on the date of grant, have a vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the grant date. The forfeiture of these shares prior to the vesting dates are determined pursuant to the terms set forth in the Restricted Stock Purchase Agreement. Dividends declared by the Company are paid with respect to outstanding shares of restricted stock.

12,646 restricted shares of our Class B Common Stock issued on March 23, 2016 (grant date market value of \$118.62 per share).

12,789 restricted shares of our Class B Common Stock issued on March 18, 2015 ((grant date market value of \$117.29 per share).

19,189 restricted shares of our Class B Common Stock issued on March 26, 2014 ((grant date market value of \$78.17 per share).

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2015

The following table provides information about the number of outstanding equity awards held by our named executive officers at December 31, 2015.

Name	Option Awards (1.)					Stock Awards (2.)			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$ (3.))	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Alan B. Miller						27,181	\$ 3,247,858	0	0
	442,500	147,500	0	\$ 36.95	01/17/2017	0	0	0	0
	295,000	295,000	0	\$ 53.38	01/15/2018	0	0	0	0
	147,500	442,500	0	\$ 78.17	03/25/2019	0	0	0	0
	0	590,000	0	\$ 117.29	03/17/2020	0	0	0	0
Marc D. Miller	45,000	22,500	0	\$ 36.95	01/17/2017	0	0	0	0
	45,000	45,000	0	\$ 53.38	01/15/2018	0	0	0	0
	22,500	67,500	0	\$ 78.17	03/25/2019	0	0	0	0
	0	90,000	0	\$ 117.29	03/17/2020	0	0	0	0
Steve G. Filton	52,500	17,500	0	\$ 36.95	01/17/2017	0	0	0	0
	35,000	35,000	0	\$ 53.38	01/15/2018	0	0	0	0
	17,500	52,500	0	\$ 78.17	03/25/2019	0	0	0	0
	0	70,000	0	\$ 117.29	03/17/2020	0	0	0	0
Debra K. Osteen	0	17,500	0	\$ 36.95	01/17/2017	0	0	0	0
	35,000	35,000							