

HEALTH CARE PROPERTY INVESTORS INC
Form 10-Q
August 06, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2007.

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-8895

HEALTH CARE PROPERTY INVESTORS, INC.

(Exact name of registrant as specified in its charter)

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Maryland

(State or other jurisdiction of
incorporation of organization)

33-0091377

(I.R.S. Employer
Identification No.)

3760 Kilroy Airport Way, Suite 300
Long Beach, CA 90806
(Address of principal executive offices)

(562) 733-5100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of Accelerated Filer and Large Accelerated Filer in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

YES NO

As of July 25, 2007, there were 206,380,189 shares of \$ 1.00 par value common stock outstanding.

HEALTH CARE PROPERTY INVESTORS, INC.

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HEALTH CARE PROPERTY INVESTORS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Real estate:		
Buildings and improvements	\$ 6,205,698	\$ 5,779,689
Developments in process	29,056	42,366
Land	770,010	655,624
Less accumulated depreciation and amortization	618,321	526,348
Net real estate	6,386,443	5,951,331
Net investment in direct financing leases	682,176	678,013
Loans receivable, net	203,147	196,480
Investments in and advances to unconsolidated joint ventures	214,904	25,389
Accounts receivable, net of allowance of \$22,730 and \$24,205, respectively	33,652	31,026
Cash and cash equivalents	351,217	60,687
Intangible assets, net	328,753	380,568
Real estate held for sale, net	204,683	490,075
Real estate held for contribution, net		1,684,341
Other assets, net	474,351	514,839
Total assets	\$ 8,879,326	\$ 10,012,749
LIABILITIES AND STOCKHOLDERS EQUITY		
Bank line of credit and term loan	\$	\$ 1,129,093
Senior unsecured notes	3,223,422	2,748,522
Mortgage debt	1,260,885	1,292,485
Mortgage debt on assets held for sale		34,813
Mortgage debt on assets held for contribution		889,356
Other debt	108,497	107,746
Intangible liabilities, net	145,047	134,050
Accounts payable and accrued liabilities	166,648	200,088
Deferred revenue	29,638	20,795
Total liabilities	4,934,137	6,556,948
Minority interests:		
Joint venture partners	34,305	34,211
Non-managing member unitholders	306,497	127,554
Total minority interests	340,802	161,765
Stockholders' equity:		
Preferred stock, \$1.00 par value: 50,000,000 shares authorized; 11,820,000 shares issued and outstanding, liquidation preference of \$25 per share	285,173	285,173
Common stock, \$1.00 par value: 750,000,000 shares authorized; 206,378,679 and 198,599,054 shares issued and outstanding, respectively	206,379	198,599
Additional paid-in capital	3,392,612	3,108,908
Cumulative net income	2,155,265	1,938,693
Cumulative dividends	(2,449,360)	(2,255,062)
Accumulated other comprehensive income	14,318	17,725
Total stockholders' equity	3,604,387	3,294,036
Total liabilities and stockholders' equity	\$ 8,879,326	\$ 10,012,749

See accompanying Notes to Condensed Consolidated Financial Statements.

HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	2006	June 30, 2007	2006
Revenues and other income:				
Rental and related revenues	\$ 204,580	\$ 109,894	\$ 407,946	\$ 209,147
Income from direct financing leases	15,215		30,205	
Investment management fee income	4,220	943	10,459	1,997
Interest and other income	18,732	5,395	34,947	19,084
	242,747	116,232	483,557	230,228
Costs and expenses:				
Interest	72,359	33,485	151,337	65,418
Depreciation and amortization	60,434	26,975	121,328	52,469
Operating	38,949	19,143	81,350	36,589
General and administrative	18,292	8,396	38,884	16,868
	190,034	87,999	392,899	171,344
Operating income	52,713	28,233	90,658	58,884
Equity income from unconsolidated joint ventures	1,302	2,714	2,516	6,536
Gains on sale of real estate interests, net	10,141		10,141	
Minority interests' share of earnings	(6,739)	(4,170)	(11,974)	(7,947)
Income from continuing operations	57,417	26,777	91,341	57,473
Discontinued operations:				
Operating income	11,796	17,219	19,115	35,820
Gains on sales of real estate, net of impairments	2,071	(2,429)	106,116	6,162
	13,867	14,790	125,231	41,982
Net income	71,284	41,567	216,572	99,455
Preferred stock dividends	(5,283)	(5,283)	(10,566)	(10,566)
Net income applicable to common shares	\$ 66,001	\$ 36,284	\$ 206,006	\$ 88,889
Basic earnings per common share:				
Continuing operations	\$ 0.25	\$ 0.16	\$ 0.39	\$ 0.34
Discontinued operations	0.07	0.11	0.62	0.31
Net income applicable to common shares	\$ 0.32	\$ 0.27	\$ 1.01	\$ 0.65
Diluted earnings per common share:				
Continuing operations	\$ 0.25	\$ 0.16	\$ 0.39	\$ 0.34
Discontinued operations	0.07	0.10	0.61	0.31
Net income applicable to common shares	\$ 0.32	\$ 0.26	\$ 1.00	\$ 0.65
Weighted average shares used to calculate earnings per common share:				
Basic	205,755	136,484	204,882	136,262
Diluted	207,024	137,192	206,470	137,024
Dividends declared per common share	\$ 0.445	\$ 0.425	\$ 0.890	\$ 0.850

See accompanying Notes to Condensed Consolidated Financial Statements.

HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(In thousands except per share data)
(Unaudited)

	Six Months Ended June 30, 2007
Preferred Stock, \$1.00 Par Value	
Shares, beginning and ending	11,820
Amounts, beginning and ending	\$ 285,173
Common Stock, Shares	
Shares at beginning of period	198,599
Issuance of common stock, net	7,743
Exercise of stock options	37
Shares at end of period	206,379
Common Stock, \$1.00 Par Value	
Balance at beginning of period	\$ 198,599
Issuance of common stock, net	7,743
Exercise of stock options	37
Balance at end of period	\$ 206,379
Additional Paid-In Capital	
Balance at beginning of period	\$ 3,108,908
Issuance of common stock, net	277,236
Exercise of stock options	626
Amortization of deferred compensation	5,842
Balance at end of period	\$ 3,392,612
Cumulative Net Income	
Balance at beginning of period	\$ 1,938,693
Net income	216,572
Balance at end of period	\$ 2,155,265
Cumulative Dividends	
Balance at beginning of period	\$ (2,255,062)
Common dividends (\$0.89 per share)	(183,732)
Preferred dividends	(10,566)
Balance at end of period	\$ (2,449,360)
Accumulated Other Comprehensive Income	
Balance at beginning of period	\$ 17,725
Net unrealized gains (losses) on securities:	
Unrealized losses	(650)
Reclassification adjustment for gains recognized in net income	(4,144)
Unrealized gains on cash flow hedges	1,336
Changes in Supplemental Executive Retirement Plan (SERP) obligation	51
Balance at end of period	\$ 14,318
Total Comprehensive Income	
Net income	\$ 216,572
Other comprehensive income	(3,407)
Total comprehensive income	\$ 213,165

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See accompanying Notes to Condensed Consolidated Financial Statements.

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HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 216,572	\$ 99,455
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of real estate, in-place lease and other intangibles:		
Continuing operations	121,328	52,469
Discontinued operations	6,248	10,568
Amortization of above and below market lease intangibles, net	(1,572)	(921)
Stock-based compensation	5,842	4,248
Debt issuance costs amortization	5,643	1,804
Recovery of loan losses	(210)	
Interest accretion on direct financing leases and straight-line rents	(24,542)	(4,721)
Equity income from unconsolidated joint ventures	(2,516)	(6,536)
Distributions of earnings from unconsolidated joint ventures	2,067	5,623
Minority interests share of earnings	11,974	7,947
Impairments		4,711
Gains on sales of real estate and real estate interests, net	(116,257)	(10,873)
Gains on sales of securities, net	(4,874)	
Changes in:		
Accounts receivable	(3,912)	891
Other assets	(5,204)	(282)
Accounts payable, accrued liabilities and deferred revenue	4,135	9,484
Net cash provided by operating activities	214,722	173,867
Cash flows from investing activities:		
Acquisition and development of real estate	(274,458)	(264,133)
Lease commissions and tenant and capital improvements	(14,408)	(8,093)
Net proceeds from sales of real estate	356,556	27,609
Contributions to unconsolidated joint ventures	(1,172)	(563)
Distributions from unconsolidated joint ventures, net	475,685	
Purchase of securities	(26,647)	(12,895)
Proceeds from the sale of securities	53,317	
Principal repayments on loans receivable	6,630	44,298
Investment in loans receivable and debt securities	(7,939)	(3,154)
Decrease (increase) in restricted cash	12,088	(105)
Net cash provided by (used in) investing activities	579,652	(217,036)
Cash flows from financing activities:		
Net borrowings (repayments) under bank lines of credit	(624,500)	6,500
Repayments of term loan	(504,593)	
Repayments of mortgage debt	(66,813)	(19,373)
Issuance of mortgage debt, net of issuance costs	141,817	161,874
Repayments of senior unsecured notes	(20,000)	(135,000)
Issuance of senior unsecured notes, net of issuance costs	493,365	148,606
Net proceeds from the issuance of common stock and exercise of options	282,080	14,237
Dividends paid on common and preferred stock	(194,298)	(127,423)
Distributions to minority interests	(10,902)	(6,118)
Net cash provided by (used in) financing activities	(503,844)	43,303
Net increase in cash and cash equivalents	290,530	134

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Cash and cash equivalents, beginning of period	60,687	21,342
Cash and cash equivalents, end of period	\$ 351,217	\$ 21,476

See accompanying Notes to Condensed Consolidated Financial Statements.

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HEALTH CARE PROPERTY INVESTORS, INC.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS

(1) Business

Health Care Property Investors, Inc. is a real estate investment trust (REIT) that, together with its consolidated entities (collectively, HCP or the Company), invests directly, or through joint ventures and mortgage loans, in healthcare related properties located throughout the United States.

(2) Summary of Significant Accounting Policies

Basis of Presentation

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The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission (SEC).

Use of Estimates

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Management is required to make estimates and assumptions in the preparation of financial statements in conformity with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

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The consolidated financial statements include the accounts of HCP, its wholly-owned subsidiaries and its controlled, through voting rights or other means, joint ventures. All material intercompany transactions and balances have been eliminated in consolidation.

The Company applies Financial Accounting Standards Board (FASB) Interpretation No. 46R, *Consolidation of Variable Interest Entities*, as revised (FIN 46R), for arrangements with variable interest entities. FIN 46R provides guidance on the identification of entities for which control is achieved through means other than voting rights (variable interest entities or VIEs) and the determination of which business enterprise is the primary beneficiary of the VIE. A variable interest entity is broadly defined as an entity where either (i) the equity investors as a group, if any, do not have a controlling financial interest or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. The Company consolidates investments in VIEs when it is determined that the Company is the primary beneficiary of the VIE at either the creation of the variable interest entity or upon the occurrence of a reconsideration event.

The Company adopted Emerging Issues Task Force (EITF) Issue 04-5, *Investor's Accounting for an Investment in a Limited Partnership When the Investor is the Sole General Partner and the Limited Partners Have Certain Rights* (EITF 04-5), effective June 2005. The issue concludes as to what rights held by the limited partner(s) preclude consolidation in circumstances in which the sole general partner would otherwise consolidate the limited partnership in accordance with GAAP. The assessment of limited partners' rights and their impact on the presumption of control of the limited partnership by the sole general partner should be made when an investor becomes the sole general partner and should be reassessed if (i) there is a change to the terms or in the exercisability of the rights of the limited partners, (ii) the sole general partner increases or decreases its ownership of limited partnership interests, or (iii) there is an increase or decrease in the number of outstanding limited partnership interests.

This EITF also applies to managing members in limited liability companies. The adoption of EITF 04-5 did not have an impact on the Company's consolidated financial position or results of operations. Investments in entities which the Company does not consolidate but for which the Company has the ability to exercise significant influence over operating and financial policies are reported under the equity method. Under the equity method of accounting, the Company's share of the investee's earnings or loss is included in the Company's operating results.

Revenue Recognition

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Rental income from tenants is recognized in accordance with GAAP, including SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104). For leases with minimum scheduled rent increases, the Company recognizes income on a straight-line basis over the lease term when collectibility is reasonably assured. Recognizing rental income on a straight-line basis for leases results in recognized revenue exceeding amounts contractually due from tenants. Such cumulative excess amounts are included in other assets and were \$50.2 million and \$35.6 million, net of allowances, at June 30, 2007 and December 31, 2006, respectively. In the event the Company determines that collectibility of straight-line rents is not reasonably assured, the Company limits future recognition to amounts contractually owed, and, where appropriate, the Company establishes an allowance for estimated losses. Certain leases provide for additional rents based upon a percentage of the facility's revenue in excess of specified base amounts or other thresholds. Such revenue is recognized when the related thresholds are achieved.

The Company monitors the liquidity and creditworthiness of its tenants and borrowers on an ongoing basis. The evaluation considers industry and economic conditions, property performance, security deposits and guarantees, and other matters. The Company establishes provisions and maintains an allowance for estimated losses resulting from the possible inability of its tenants and borrowers to make payments sufficient to recover recognized assets. For straight-line rent amounts, the Company's assessment is based on income recoverable over the term of the lease. At June 30, 2007 and December 31, 2006, respectively, the Company had an allowance of \$37.3 million and \$29.7 million, included in other assets, as a result of the Company's determination that collectibility is not reasonably assured for certain straight-line rent amounts. The results for three and six months ended June 30, 2007, includes income of \$6.0 million resulting from the Company's change in estimate relating to the collectibility of straight-line rents due from Emeritus Corporation.

Loans Receivable

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Loans receivable are classified as held-for-investment based on management's intent and ability to hold the loans for the foreseeable future or to maturity. Loans held for investment are carried at amortized cost reduced by a valuation allowance for estimated credit losses. The Company recognizes interest income on loans, including the amortization of discounts and premiums, using the effective interest method.

Real Estate

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Real estate, consisting of land, buildings, and improvements, is recorded at cost. The Company allocates acquisition costs to the acquired tangible and identified intangible assets and liabilities, primarily lease intangibles, based on their estimated fair values in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141).

The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates, third-party appraisals and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

The Company records acquired above and below market leases at their fair value using a discount rate which reflects the risks associated with the leases acquired, equal to the present value of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term for any below-market fixed rate renewal options for below-market leases. Other intangible assets acquired include amounts for in-place lease values that are based on the Company's evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up

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periods, market conditions, and costs to execute similar leases. In estimating carrying costs, the Company includes estimates of lost rentals at market rates during the hypothetical expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, the Company considers leasing commissions, legal and other related costs.

Developments in process are carried at cost which includes pre-construction costs essential to development of the property, construction costs, capitalized interest, and other costs directly related to the property. Capitalization of interest ceases when the property is ready for service which generally is near the date that a certificate of occupancy is obtained. Expenditures for tenant improvements and leasing commissions are capitalized and amortized over the terms of the respective leases. Repairs and maintenance are expensed as incurred.

The Company computes depreciation on properties using the straight-line method over the assets' estimated useful lives. Depreciation is discontinued when a property is identified as held for sale. Building and improvements are depreciated over useful lives ranging up to 45 years. Above and below market rent intangibles are amortized primarily to revenue over the remaining noncancellable lease terms and bargain renewal periods, if any. Other in-place lease intangibles are amortized to expense over the remaining lease term and bargain renewal periods, if any. At June 30, 2007 and December 31, 2006, lease intangible assets, net were \$328.8 million and \$380.6 million, respectively. At June 30, 2007 and December 31, 2006, lease intangible liabilities, net were \$145.0 million and \$134.1 million, respectively.

Impairment of Long-Lived Assets and Goodwill

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The Company assesses the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets* and, with respect to goodwill, at least annually applying a fair-value-based test in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). If the sum of the expected future net undiscounted cash flows is less than the carrying amount of the long-lived asset, an impairment loss will be recognized by adjusting the asset's carrying amount to its estimated fair value. The determination of the fair value of long-lived assets, including goodwill, involves significant judgment. This judgment is based on the Company's analysis and estimates of the future operating results and resulting cash flows of each long-lived asset whose carrying amount may not be recoverable. The Company's ability to accurately predict future operating results, and resulting cash flows, impact the determination of fair value.

Net Investment in Direct Financing Leases

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The Company uses the direct finance method of accounting to record income from direct financing leases (DFLs). For leases accounted for as DFLs, future minimum lease payments are recorded as a receivable. The difference between the future rents and the estimated residual values less the cost of the properties is recorded as unearned income. Unearned income is deferred and amortized to income over the lease terms to provide a constant yield. Investments in direct financing leases are presented net of unamortized unearned income. DFLs have initial terms that range from 5 to 35 years. Certain leases contain provisions that allow the tenants to elect to purchase the properties during or at the end of the lease terms for the aggregate initial investment amount plus adjustments, if any, as defined in the lease agreements. Certain leases also permit the Company to require the tenants to purchase the properties at the end of the lease terms.

Assets Held for Sale and Discontinued Operations

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Certain long lived assets are classified as discontinued operations in accordance with SFAS No. 144. Long-lived assets to be disposed of are reported at the lower of their carrying amount or their fair value less cost to sell. Further, depreciation of these assets ceases at the time the assets are classified as discontinued operations. Discontinued operations are defined in SFAS No. 144 as a component of an entity that has either been disposed of or is deemed to be held for sale if both the operations and cash flows of the component have been or will be eliminated from ongoing operations as a result of the disposal transaction and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

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Assets Held for Contribution

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Properties classified as held for contribution to joint ventures, in which the Company maintains an ownership interest, qualify as held for sale under SFAS No. 144, but are not included in discontinued operations due to the Company's continuing interest in the ventures.

Stock-Based Compensation

On January 1, 2002, the Company adopted the fair value method of accounting for stock-based compensation in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* (SFAS No. 148). The fair value provisions of SFAS No. 123 were adopted prospectively with the fair value of all new stock option grants recognized as compensation expense beginning January 1, 2002. Since only new grants are accounted for under the fair value method, stock-based compensation expense is less than that which would have been recognized if the fair value method had been applied to all awards. Compensation expense for awards with graded vesting is generally recognized ratably over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional services.

SFAS No. 123R, *Share-Based Payments* (SFAS No. 123R), which is a revision of SFAS No. 123, was issued in December 2004. Generally, the approach in SFAS No. 123R is similar to that in SFAS No. 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. On January 1, 2006, the Company adopted SFAS No. 123R using the modified prospective application transition method which provides for only current and future period stock-based awards to be measured and recognized at fair value. The adoption of SFAS No. 123R did not have a significant impact on the Company's financial position or results of operations since the fair value provisions of SFAS No. 123 were previously adopted.

Cash and Cash Equivalents

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Cash and cash equivalents includes short-term investments with original maturities of three months or less when purchased.

Restricted Cash

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Restricted cash primarily consists of amounts held by mortgage lenders to provide for future real estate tax expenditures and tenant improvements, tenant capital improvement reserves and security deposits. At June 30, 2007 and December 31, 2006, restricted cash amounts were \$22.2 million and \$38.5 million, respectively, and are included in other assets.

Derivatives

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The Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, SFAS No. 138 and SFAS No. 148 (SFAS No. 133). SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires the recognition of all derivative instruments as assets or liabilities in the Company's condensed consolidated balance sheets at fair value. Changes in the fair value of derivative instruments that are not designated as hedges or that do not meet the hedge accounting criteria of SFAS No. 133 are recognized in earnings. For derivatives designated as hedging instruments in qualifying cash flow hedges, the change in fair value of the effective portion of the derivatives is recognized in accumulated other comprehensive income (loss) whereas the change in fair value of the ineffective portion is recognized in earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities in the balance sheet. The Company also assesses and documents, both at the hedging instrument's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows associated with the hedged items. When it is determined that a derivative ceases to be highly effective as a hedge, the Company discontinues hedge accounting prospectively.

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Income Taxes

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The Company has elected and believes it operates so as to qualify as a REIT under Sections 856 to 860 of the Internal Revenue Code of 1986, as amended (the Code). Under the Code, the Company generally is not subject to federal income tax on its taxable income distributed to stockholders if certain distribution, income, asset, and shareholder tests are met. A REIT must distribute at least 90% of its annual taxable income to stockholders.

Certain activities the Company undertakes must be conducted by entities which elect to be treated as taxable REIT subsidiaries (TRSs). TRSs are subject to both federal and state income taxes. For the six months ended June 30 2007, income taxes related to the Company's TRSs were \$1.0 million. Income taxes related to the Company's TRS's were insignificant for the six months ended June 30, 2006.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the highest amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative effect adjustment to the beginning balance of retained earnings. The adoption of FIN 48 on January 1, 2007 did not have a significant impact on the Company's financial position or results of operations.

The Company, its partnerships and its taxable REIT subsidiaries file U.S. federal income tax returns and state income and franchise tax returns in over 40 state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by taxing authorities for years prior to 2003. The Company's policy is to recognize interest relating to unrecognized tax benefits in interest expense and related penalties as additional tax expense. The Company has no unrecognized tax benefits, and there is no associated interest or penalty accrual at June 30, 2007.

Marketable Securities

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The Company classifies its existing marketable equity and debt securities as available-for-sale in accordance with the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Investment*, (SFAS No. 115). These securities are carried at fair market value, with unrealized gains and losses reported in stockholders' equity as a component of accumulated other comprehensive income. Gains or losses on securities sold are based on the specific identification method. At June 30, 2007, the carrying value of equity securities was \$16.4 million, which includes \$0.2 million in unrealized gains and is included in other assets. During the six months ended June 30, 2007, the Company realized gains totaling \$1.0 million related to the sale of various equity securities. At June 30, 2007, the carrying value of debt securities was \$294.3 million, which includes \$19.3 million in unrealized gains and is included in other assets. During the six months ended June 30, 2007, the Company realized gains totaling \$3.9 million related to the sale of \$45.0 million of debt securities. There were no sales of debt or equity securities during the six months ended June 30, 2006.

Capital Raising Issuance Costs

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Costs incurred in connection with the issuance of both common and preferred shares are recorded as a reduction in additional paid-in capital. Costs incurred in connection with the issuance of debt are deferred and included in other assets and amortized to interest expense over the remaining term of the related debt.

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Segment Reporting

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The Company reports its consolidated financial statements in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS No. 131). The Company's segments are based on the Company's method of internal reporting which classifies its operations by leasing activities. The Company's segments include medical office buildings (MOBs) and triple-net leased properties.

Life Care Bonds Payable

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Two of the Company's continuing care retirement communities (CCRCs) issue non-interest bearing life care bonds payable to certain residents of the CCRCs. Generally, the bonds are refundable to the resident or to the resident's estate upon termination or cancellation of the CCRC agreement. One of the Company's other senior housing facilities requires that certain residents of the facility post non-interest bearing occupancy fee deposits that are refundable to the resident or the resident's estate the earlier of the re-letting of the unit or after two years of vacancy. Proceeds from the issuance of new bonds are used to retire existing bonds. As the maturity of these obligations is not determinable, no interest is imputed. These amounts are included in other debt in the Company's consolidated balance sheets.

New Accounting Pronouncements

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In September 2006, the SEC issued Staff Accounting Bulletin (SAB) Topic 1N, *Financial Statements Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). The SEC staff is providing guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. The SEC staff indicates that registrants must quantify the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. If correcting a misstatement in the current year would materially misstate the current year's income statement, the SEC staff indicates that the prior year financial statements should be adjusted. These adjustments to prior year financial statements are necessary even though such adjustments were appropriately viewed as immaterial in the prior year. If the Company determines that an adjustment to prior year financial statements is required upon adoption of SAB 108 and does not elect to restate its previous financial statements, then it must recognize the cumulative effect of applying SAB 108 in fiscal 2007 beginning balances of the affected assets and liabilities with a corresponding adjustment to the fiscal 2007 opening balance in retained earnings. The adoption of SAB 108 did not have a material effect on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurement. SFAS No. 157 requires prospective application for fiscal years ending after November 15, 2007. The Company is evaluating SFAS No. 157 and has not yet determined the impact the adoption will have on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is evaluating SFAS No. 159 and has not yet determined the impact the adoption will have on the Company's financial position or results of operations.

Reclassifications

Certain reclassifications have been made for comparative financial statement presentation.

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(3) Acquisition of Slough Estates USA Inc.

On August 1, 2007, the Company closed its acquisition of Slough Estates USA Inc. (SEUSA) for aggregate consideration of approximately \$2.9 billion, subject to certain adjustments. SEUSA's portfolio is concentrated in the San Francisco Bay Area and San Diego County and comprises 83 existing properties representing approximately 5.2 million square feet of life science/pharma space. In addition to the existing portfolio, SEUSA has an established development infrastructure and a pipeline currently comprised of 3.8 million square feet in the San Francisco Bay Area and San Diego County.

In connection with the Company's acquisition of SEUSA, the Company obtained from a syndicate of banks a bridge loan for \$2.75 billion.

See Note 11 for additional information on the bridge loan.

(4) Mergers with CNL Retirement Properties, Inc. and CNL Retirement Corp.

On October 5, 2006, HCP acquired CNL Retirement Properties, Inc. (CRP). CRP was a REIT that invested primarily in senior housing and medical office buildings located across the United States. This transaction further diversified HCP's portfolio by property type, geographic location and operator, and diversified HCP's sources of revenues across the healthcare industry.

In connection with the CRP Merger, the Company incurred merger integration costs, such as employee transition costs and severance costs for certain former CRP employees.

Under the merger agreement with CRP, each share of CRP common stock was exchanged for \$11.1293 in cash and 0.0865 of a share of HCP's common stock, equivalent to approximately \$2.9 billion in cash, and 22.8 million shares. Fractional shares were paid in cash. The Company financed the cash consideration paid to CRP stockholders and the expenses related to the transaction through a \$1 billion offering of senior unsecured notes and a draw down under new term and bridge loan facilities and a new three-year revolving credit facility. As of January 22, 2007, the term and bridge facilities had been repaid with proceeds from the issuance of senior notes, secured debt and common stock, disposition of certain real estate properties and from real estate joint ventures. Simultaneous with the closing of the merger with CRP, HCP also merged with CNL Retirement Corp. (CRC) for aggregate consideration of approximately \$120 million, which included the issuance of 4.4 million shares of HCP common stock.

The allocation of the purchase price of \$5.6 billion was based upon estimates and assumptions. The current allocations are substantially complete; however, there are certain items that may be subject to revision if additional information becomes available. The Company does not expect future revisions to have a significant impact on its financial position or results of operations.

The following unaudited pro forma consolidated results of operations assume that the acquisitions of CRP and CRC were completed as of January 1 for the three and six months ended June 30, 2006 (in thousands, except per share amounts):

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Revenues	\$ 223,985	\$ 442,074
Net income	\$ 19,271	\$ 57,609
Basic earnings per common share	\$ 0.09	\$ 0.29
Diluted earnings per common share	\$ 0.09	\$ 0.29

Pro forma data may not be indicative of the results that would have been obtained had the acquisitions actually occurred at the beginning of each of the periods presented, nor does it intend to be a projection of future results.

(5) Acquisitions

A summary of acquisitions for the six months ended June 30, 2007, is as follows (in thousands):

Acquisitions (1)	Consideration		DownREIT Units (2)	Assets Acquired	
	Cash Paid	Real Estate		Real Estate	Net Intangibles
Medical office buildings	\$ 124,811	\$	\$ 93,887	\$ 209,048	\$ 9,650
Senior housing facilities	8,071			7,927	144
Hospitals	120,562	35,205	84,719	235,084	5,402
Other healthcare facilities	1,815		2,092	3,907	
	\$ 255,259	\$ 35,205	\$ 180,698	\$ 455,966	\$ 15,196

A summary of acquisitions during 2006, excluding the CRP and CRC acquisitions (Note 4) and consolidation of HCP Medical Office Portfolio, LLC (HCP MOP) (Note 8), is as follows (in thousands):

Acquisitions (1)	Consideration			DownREIT Units (2)	Assets Acquired	
	Cash Paid	Real Estate	Debt Assumed		Real Estate	Net Intangibles
Medical office buildings	\$ 141,449	\$	\$ 11,928	\$ 5,523	\$ 147,522	\$ 11,378
Senior housing facilities	222,275	16,600	68,819		299,970	7,724
Hospitals	41,490				40,661	829
Other healthcare facilities	36,070				33,306	2,764
	\$ 441,284	\$ 16,600	\$ 80,747	\$ 5,523	\$ 521,459	\$ 22,695

- (1) Includes transaction costs, if any.
- (2) Non-managing member LLC units.

During the six months ended June 30, 2007, the Company acquired properties aggregating \$471 million, including the following significant acquisitions:

On January 31, 2007, the Company acquired three long-term acute care hospitals and received proceeds of \$36 million in exchange for 11 skilled nursing facilities (SNFs) valued at approximately \$77 million. The Company recognized a \$47 million gains on the sale of these 11 SNFs. The three acquired properties have an initial lease term of ten years with two ten-year renewal options, and an initial contractual yield of 12% with escalators based on the lessee s revenue growth. The acquired properties are included in a new master lease that contains 14 properties leased to the same operator.

On February 9, 2007, the Company acquired a medical campus that includes two hospital towers, six MOBs, and three parking garages for approximately \$350 million, including non-managing member LLC units (DownREIT units) valued at \$179 million. The initial yield on this campus is 7.2%. As of June 30, 2007, the purchase price allocation is preliminary and is pending the receipt of information necessary to complete the valuation of certain tangible assets.

On February 28, 2007, the Company acquired three MOBs for \$25 million from the Cirrus Group, LLC (Cirrus). The three medical office buildings include approximately 131,000 rentable square feet and have an initial yield of 8.2%.

(6) Dispositions of Real Estate Interests and Discontinued Operations

Dispositions of Real Estate. During the six months ended June 30, 2007, the Company sold 47 properties for \$392 million and recognized gains of approximately \$106 million. During the six months ended June 30, 2006, the Company sold eight properties for proceeds of \$28 million and recognized gains of approximately \$11 million.

Dispositions of Real Estate Interests. On January 5, 2007, the Company formed a senior housing joint venture (HCP Ventures II), which included 25 properties valued at \$1.1 billion. The 25 properties included in this joint venture were acquired in the Company s acquisition of CRP and were classified as held for contribution within three months from

the close of the CRP acquisition. These assets were not depreciated or amortized and the value allocated to these assets was based on the disposition proceeds received. No gain or loss was recognized for the sale of the Company's 65% interest in this joint venture.

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On April 30, 2007, the Company formed an MOB joint venture (HCP Ventures IV), which included 55 properties valued at approximately \$585 million. Upon the disposition of an 80% in this venture, the Company recognized a gain of \$10 million. There were no sales of interests in joint ventures during the six months ended June 30, 2006.

Properties Held for Sale. At June 30, 2007 and December 31, 2006, the number of assets held for sale was 47 and 36 with carrying amounts of \$205 million and \$490 million, respectively.

Properties Held for Contribution. At December 31, 2006, the Company classified as held for contribution 25 senior housing assets and 52 MOB with an aggregate carrying value of \$1.7 billion. There were no assets classified as held for contribution at June 30, 2007.

The following table summarizes income from discontinued operations and the related realized gains on sales of real estate from discontinued operations for the three and six months ended June 30, 2007 and 2006 (in thousands):

	Three months ended		Six months ended	
	June 30, 2007	2006	June 30, 2007	2006
Total revenues	\$ 15,972	\$ 22,570	\$ 30,000	\$ 46,775
Depreciation and amortization	(2,769)	(5,206)	(6,248)	(10,568)
Other costs and expenses	(1,407)	(145)	(4,637)	(387)
Operating income from discontinued operations	\$ 11,796	\$ 17,219	\$ 19,115	\$ 35,820
Gains on sales of real estate, net	\$ 2,071	\$ 2,282	\$ 106,116	\$ 10,873
Impairments		(4,711)		(4,711)
Gains on sales of real estate interest, net of impairments	\$ 2,071	\$ (2,429)	\$ 106,116	\$ 6,162
Number of properties held for sale	47	144	47	144
Number of properties sold	20	2	47	8
Number of properties contributing to operating results from discontinued operations	67	146	94	152

See discussions of the HCP Ventures II and HCP Ventures IV transactions in Note 8.

(7) Net Investment in Direct Financing Leases

The components of net investment in DFLs consisted of the following at June 30, 2007 (dollars in thousands):

Minimum lease payments receivable	\$ 1,486,315
Estimated residual values	515,470
Less unearned income	(1,319,609)
Net investment in direct financing leases	\$ 682,176
Properties subject to direct financing leases	32

The DFLs were acquired in the Company's merger with CRP. CRP determined that these leases were DFLs, and the Company is generally required to carry forward CRP's accounting conclusions after the acquisition date relative to their assessment of these leases. Lease payments due to the Company relating to five land-only direct financing leases with a carrying value of \$106.2 million are subordinate to first mortgage construction loans with third parties entered into by the tenants to fund development costs related to the properties. In addition, the Company's land interest serves as collateral to the first mortgage construction lender.

(8) Investments in and Advances to Unconsolidated Joint Ventures

The Company owns interests in the following entities which are accounted for under the equity method at June 30, 2007 (dollars in thousands):

Entity (1)	Investment(2)	Ownership	
HCP Ventures II	\$ 145,839	35	%
HCP Ventures III, LLC	13,901	26	%
HCP Ventures IV, LLC	47,581	20	%
Arborwood Living Center, LLC(4)	888	45	%
Greenleaf Living Centers, LLC(4)	424	45	%
Suburban Properties, LLC	5,369	67	%
Advances to unconsolidated joint ventures	902		
	\$ 214,904		
Edgewood Assisted Living Center, LLC(3)(4)	\$ (422)	45	%
Seminole Shores Living Center, LLC(3)(4)	(844)	50	%
	\$ (1,266)		

- (1) These joint ventures are not consolidated since the Company does not control, through voting rights or other means, the joint ventures.
- (2) Represents the carrying value of the Company's investment in the unconsolidated joint venture. See Note 2 regarding the Company's policy for accounting for joint venture interests.
- (3) Negative investment amounts are included in accounts payable and accrued liabilities.
- (4) As of June 30, 2007, the Company has guaranteed in the aggregate \$7.1 million of a total of \$15.3 million of notes payable for these four joint ventures.

On October 27, 2006, the Company formed an MOB joint venture, HCP Ventures III, with an institutional capital partner. The joint venture includes 13 properties valued at \$140 million and encumbered by \$92 million of mortgage debt. Upon sale of a 70% interest in the venture, the Company received approximately \$36 million in proceeds, including a one-time acquisition fee of \$0.7 million. An effective 26% interest in the venture was retained, and the Company acts as the managing member, and will receive ongoing asset management fees.

On January 5, 2007, the Company formed a senior housing joint venture, HCP Ventures II, with an institutional capital partner. The joint venture includes 25 properties valued at \$1.1 billion and encumbered by a \$686 million secured debt facility. Upon the sale of a 65% interest in the venture, the Company received approximately \$280 million in proceeds, including a one-time acquisition fee of \$5.4 million. The acquisition fee of \$5.4 million is included in investment management fee income for the six months ended June 30, 2007. The Company acts as the managing member, and will receive ongoing asset management fees.

On April 30, 2007, the Company formed an MOB joint venture, HCP Ventures IV, with an institutional capital partner. The joint venture included 55 properties valued at approximately \$585 million and encumbered by \$344 million of secured debt. Upon the sale of an 80% interest in the venture, the Company received proceeds of \$196 million and recognized a gain of \$10 million. These proceeds include a one-time acquisition fee of \$3 million, which is included in investment management fee income for the three and six months ended June 30, 2007. The Company acts as the managing member and will receive ongoing asset management fees.

On May 31, 2007, this joint venture acquired two MOB's valued at \$23 million and concurrently placed \$15 million of secured debt. This acquisition was funded pro-rata by the Company and its joint venture partner.

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Summarized unaudited condensed combined financial information for the Company's unconsolidated joint ventures follows:

	June 30, 2007	December 31, 2006
	(in thousands)	
Real estate, net	\$ 1,707,585	\$ 150,206
Other assets, net	177,225	25,358
Total assets	\$ 1,884,810	\$ 175,564
Notes payable	\$ 1,155,209	\$ 116,805
Accounts payable	38,036	13,690
Other partners' capital	502,806	32,549
HCP's capital (1)	188,759	12,520
Total liabilities and partners' capital	\$ 1,884,810	\$ 175,564

	Three Months Ended		Six Months Ended	
	June 30, 2007	2006 (2)	June 30, 2007	2006 (2)
	(In thousands)		(In thousands)	
Total revenues	\$ 42,607	\$ 19,220	\$ 85,032	\$ 39,409
Discontinued operations		8,361		18,159
Net income	\$ 2,330	\$ 8,399	\$ 8,466	\$ 19,619
HCP's equity income	\$ 1,302	\$ 2,714	\$ 2,516	\$ 6,536
Fees earned by HCP	\$ 4,220	\$ 943	\$ 10,459	\$ 1,997
Distributions received, net	\$ 200,532	\$ 1,135	\$ 477,752	\$ 5,623

(1) Aggregate basis difference of the Company's investments in these joint ventures of \$24 million is primarily attributable to real estate and related intangible assets.

(2) The amounts for the three and six months ended June 30, 2006, include the results of HCP MOP.

HCP Medical Office Portfolio, LLC

HCP MOP was a joint venture formed in June 2003 between the Company and an affiliate of General Electric Company (GE). HCP MOP was engaged in the acquisition, development and operation of MOB properties. Prior to November 30, 2006, the Company was the managing member and had a 33% ownership interest therein. On November 30, 2006, the Company acquired the interest held by GE for \$141 million, which resulted in the consolidation of HCP MOP beginning on that date. The Company is now the sole owner of the venture and its 59 MOB's, which have approximately four million rentable square feet. Under the purchase method of accounting, the cost of the HCP MOP acquisition was allocated based on the relative fair values as of the date that the Company acquired each of its interests in HCP MOP. During the six months ended June 30, 2007, the Company revised its initial purchase price allocation of its acquired interest in HCP MOP, which resulted in the Company allocating an additional \$43.0 million to land and reducing intangible assets by the same amount from its preliminary allocation at December 31, 2006. The changes from the Company's initial purchase price allocation did not have a significant impact in the Company's results of operations during the six months ended June 30, 2007.

Prior to November 30, 2006, the Company accounted for its investment in HCP MOP using the equity method of accounting because it exercised significant influence through voting rights and its position as managing member. However, the Company did not consolidate HCP MOP until November 30, 2006, since it did not control, through voting rights or other means, the joint venture as GE had substantive participating decision making rights and had the majority of the economic interest. The accounting policies of HCP MOP prior to November 30, 2006, are the same as those described in the summary of significant accounting policies (see Note 2).

(9) Loans Receivable

Loans receivable, net consist of the following (in thousands):

	June 30, 2007			December 31, 2006		
	Real Estate Secured	Other	Total	Real Estate Secured	Other	Total
Joint venture partners	\$	\$ 7,053	\$ 7,053	\$	\$ 7,054	\$ 7,054
Others	122,829	73,682	196,511	121,482	69,624	191,106
Loan loss allowance		(417)	(417)		(1,680)	(1,680)
	\$ 122,829	\$ 80,318	\$ 203,147	\$ 121,482	\$ 74,998	\$ 196,480

Through the Company's merger with CRP, it assumed an agreement to provide an affiliate of the Cirrus Group, LLC with an interest only, five-year, senior secured term loan under which up to \$85.0 million may be borrowed to finance the acquisition, development, syndication and operation of new and existing surgical partnerships. Certain of these surgical partnerships are tenants in the MOB's CRP acquired from Cirrus.

During the first 48 months of the term, which began in August 2005, interest will accrue at a rate of 14.0%, of which 9.5% will be payable monthly and the balance of 4.5% will be deferred; thereafter, interest at the greater of 14.0% or LIBOR plus 9.0% will be payable monthly. The loan is subject to equity contribution requirements and borrower financial covenants that will dictate the draw down availability. The loan is collateralized by all of the assets of the borrower (comprised primarily of interests in partnerships operating surgical facilities in premises leased from a Cirrus affiliate, HCP Ventures IV or the Company) and is guaranteed up to \$50.0 million through a combination of (i) a personal guarantee of up to \$13.0 million by a principal of Cirrus and (ii) a guarantee of the balance by other principals of Cirrus under arrangements for recourse limited only to their interests in certain entities owning real estate. At June 30, 2007, the carrying value of this loan is \$73.2 million, including accrued interest of \$5.2 million.

(10) Other Assets

The Company's other assets consisted of the following:

	June 30, 2007 (in thousands)	December 31, 2006
Available for sale debt securities	\$ 294,286	\$ 322,500
Available for sale equity securities	16,425	15,159
Restricted cash	22,249	38,504
Goodwill	51,746	51,746
Straight-line rent assets, net	50,214	35,582
Other	39,431	51,348
Total other assets	\$ 474,351	\$ 514,839

At December 31, 2006, the Company had \$300 million senior secured notes from a healthcare provider. These notes accrue interest at 9.625%, mature on November 15, 2016, and are secured by second-priority liens on the assets of the issuer and its subsidiary guarantors. During the three months ended June 30, 2007, the Company sold notes with a par value of \$45 million for proceeds of \$49 million, which resulted in a gain of approximately \$4 million. At June 30, 2007, the notes are classified as available for sale with the fair value of the remaining senior secured notes of \$274.3 million.

In April 2007, the Company purchased \$20 million of senior secured notes from a different healthcare provider. These notes accrue interest at 9.25% and mature on April 15, 2017. At June 30, 2007, the notes are classified as available for sale with a fair value of \$20.0 million.

(11) Debt

Bank lines of credit, bridge and term loans. As of June 30, 2007, all amounts outstanding under the Company's \$1.0 billion, three-year line of credit facility were repaid. In connection with the completion of the SEUSA acquisition, on August 1, 2007, the Company terminated its \$1.0 billion line of credit facility and closed on a \$2.75 billion bridge loan and a \$1.5 billion revolving credit facility with a syndicate of banks. In connection with the termination of the Company's previous revolving credit facility, \$6.2 million of unamortized deferred financing costs were written-off in August 2007.

The Company's \$1.5 billion revolving line of credit matures on August 1, 2011, and accrues interest at a rate per annum equal to LIBOR plus a margin ranging from 0.325% to 1.00%, depending upon the Company's non-credit enhanced senior unsecured long-term debt ratings (debt ratings). The Company pays a facility fee on the entire revolving commitment ranging from 0.10% to 0.25%, depending upon its debt ratings. The revolving credit facility contains a negotiated rate option, whereby the lenders participating in the credit facility bid on the interest to be charged and which may result in a reduced interest rate, is available for up to 50% of borrowings. Based on the Company's debt ratings on August 1, 2007 the margin on the revolving loan facility is 0.55% and the facility fee is 0.15%.

The Company's bridge loan for \$2.75 billion matures on July 31, 2008 and accrues interest at a rate per annum equal to LIBOR plus a margin ranging from 0.425% to 1.25%, depending upon the Company's debt ratings. Based on the Company's debt ratings on August 1, 2007, the margin on the bridge loan facility is 0.70%. The bridge loan facility includes two 6-month extensions.

The revolving credit agreement contains certain financial restrictions and other customary requirements. Among other things, these covenants, using terms defined in the agreement, initially limit (i) Consolidated Total Indebtedness to Consolidated Total Asset Value to 75%, (ii) Secured Debt to Consolidated Total Asset Value to 30%, and (iii) Unsecured Debt to Consolidated Unencumbered Asset Value to 90%. The agreement also requires that the Company maintains (i) a Fixed Charge Coverage ratio, as defined, of 1.50 times and (ii) a formula-determined Minimum Consolidated Tangible Net Worth. These financial covenants become more restrictive over a period of approximately two years and ultimately (i) limit Consolidated Total Indebtedness to Consolidated Total Asset Value to 60%, (ii) limit Unsecured Debt to Consolidated Unencumbered Asset Value to 65%, and (iii) require a Fixed Charge Coverage ratio, as defined, of 1.75 times. As of June 30, 2007, the Company was in compliance with each of the restrictions and requirements of its former revolving credit facility.

On January 22, 2007, the Company repaid all amounts outstanding under a former \$1.7 billion term loan with proceeds from capital market and joint venture transactions.

Senior unsecured notes. At June 30, 2007, the Company had \$3.2 billion in aggregate principal of senior unsecured notes outstanding. Interest rates on the notes ranged from 4.88% to 7.07% with a weighted average effective rate of 6.10% at June 30, 2007. Discounts and premiums are amortized to interest expense over the term of the related debt.

On January 22, 2007, the Company issued \$500 million of 6.00% senior unsecured notes due in 2017. The notes were priced at 99.323% of the principal amount for an effective yield of 6.09%. The Company received net proceeds of \$493 million, which were used to repay its former term loan facility and reduce borrowings under its revolving credit facility.

The senior unsecured notes contain certain covenants including limitations on debt and other customary terms.

Mortgage debt. At June 30, 2007, the Company had \$1.3 billion in mortgage debt secured by 194 healthcare facilities with a carrying amount of \$2.8 billion. Interest rates on the mortgage notes ranged from 3.80% to 8.42% with a weighted average effective rate of 6.10% at June 30, 2007.

On April 27, 2007, in anticipation of the formation of HCP Ventures IV, \$122 million of 10-year term mortgage notes were placed with an interest rate of 5.53%. The proceeds from the placement of these notes were used to repay borrowings under the Company's revolving credit facility and for other general corporate purposes.

The instruments encumbering the properties restrict title transfer of the respective properties subject to the terms of the mortgage, prohibit additional liens, restrict prepayment, require payment of real estate taxes, maintenance of the properties in good condition, maintenance of insurance on the properties and include a requirement to obtain lender consent to enter into material tenant leases.

Other debt. At June 30, 2007, the Company had \$108.5 million of non-interest bearing Life Care Bonds at two of its CCRCs and non-interest bearing occupancy fee deposits at another of its senior housing facilities, all of which were payable to certain residents of the facilities (collectively *Life Care Bonds*). At June 30, 2007, \$36.6 million of the Life Care Bonds were refundable to the residents upon the resident moving out or to a resident's estate upon the resident's death, and \$71.9 million of the Life Care Bonds were refundable after the unit has been successfully remarketed to a new resident.

(12) Stockholders' Equity

Common Stock

During the six months ended June 30, 2007 and 2006, the Company issued 656,000 and 395,000 shares, respectively, of common stock under its Dividend Reinvestment and Stock Purchase Plan. The Company issued 37,000 and 287,000 shares upon exercise of stock options during the six months ended June 30, 2007 and 2006, respectively.

During the six months ended June 30, 2007 and 2006, the Company issued 138,000 and 100,000 shares of restricted stock, respectively, under the Company's 2000 Stock Incentive Plan (the *Incentive Plan*). The Company also issued 109,000 and 117,000 shares upon the vesting of performance restricted stock units during the six months ended June 30, 2007 and 2006, respectively.

On January 19, 2007, the Company issued 6.8 million shares of its common stock and received net proceeds of approximately \$261 million, which were used to repay borrowings under the Company's term loan and revolving credit facilities.

On April 25, 2007, the Company announced that its Board of Directors declared a quarterly cash dividend of \$0.445 per share of common stock. The common stock cash dividend was paid on May 18, 2007 to stockholders of record as of the close of business on May 7, 2007.

On July 26, 2007, the Company announced that its Board of Directors declared a quarterly cash dividend of \$0.445 per share of common stock. The common stock cash dividend will be paid on August 21, 2007 to stockholders of record as of the close of business on August 6, 2007.

Preferred Stock

On April 25, 2007, the Company announced that its Board of Directors declared a quarterly cash dividend of \$0.45313 per share on its Series E cumulative redeemable preferred stock and \$0.44375 per share on its Series F cumulative redeemable preferred stock. These dividends were paid on June 29, 2007 to stockholders of record as of the close of business on June 15, 2007.

On July 26, 2007, the Company announced that its Board of Directors declared a quarterly cash dividend of \$0.45313 per share on its Series E cumulative redeemable preferred stock and \$0.44375 per share on its Series F cumulative redeemable preferred stock. These dividends will be paid on September 28, 2007 to stockholders of record as of the close of business on September 14, 2007.

Accumulated Other Comprehensive Income (AOCI)

	June 30, 2007	December 31, 2006
	(in thousands)	
AOCI unrealized gains on available for sale securities	\$ 19,481	\$ 24,536
AOCI unrealized losses on cash flow hedges, net	(2,999)	(4,596)
Supplemental Executive Retirement Plan (SERP) minimum liability	(2,164)	(2,215)
	\$ 14,318	\$ 17,725

(13) Operator Concentration

Sunrise Senior Living (NYSE:SRZ) (Sunrise) accounted for 14.8% of the Company's revenue for the six months ended June 30, 2007. The carrying amount of the Company's real estate assets and direct financing leases operated by Sunrise was \$2.2 billion at June 30, 2007. Prior to the Company's merger with CRP on October 5, 2006, Sunrise was not an operator of any of the Company's properties.

Sunrise is publicly traded and is subject to the informational filing requirements of the Securities and Exchange Act of 1934, as amended. Accordingly, it is required to file periodic reports on Form 10-K and Form 10-Q with the Securities and Exchange Commission.

Certain operators of the Company's properties are experiencing financial, legal and regulatory difficulties. The loss of a significant operator or a combination of smaller operators could have a material impact on the Company's financial position or results of operations.

(14) Impairments

During the three and six months ended June 30, 2007, no properties were deemed to be impaired. During the three months ended June 30, 2006, three properties were deemed impaired resulting in impairment charges of \$4.7 million. Impairment charges principally arose as a result of an assessment of the planned near-term disposition of two properties and a decrease in expected cash flows from a third property.

(15) Segment Disclosures

The Company's business consists of financing and leasing healthcare-related real estate. The Company evaluates its business and makes resource allocations on its two business segments triple-net leased and medical office building segments. Under the triple-net leased segment, the Company invests in healthcare-related real estate through acquisition and secured financing of primarily single tenant properties. Properties acquired are primarily leased under triple-net leases. Under the medical office building segment, the Company invests in medical office buildings that are primarily leased under gross or modified gross leases, generally to multiple tenants, and generally require a greater level of property management. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2). There are no intersegment sales or transfers. The Company evaluates performance based upon property net operating income from continuing operations (NOI) of the combined properties in each segment.

Non-segment revenue consists mainly of interest on unsecured loans, gains on sales of securities and other income. Non-segment assets consist of corporate assets including cash, restricted cash, accounts receivable, net, debt and equity securities and deferred financing costs. Interest expense, depreciation and amortization, and other non-property specific revenues and expenses are not allocated to individual segments in determining the Company's performance measure.

Summary information for the reportable segments follows (in thousands):

For the three months ended June 30, 2007:

Segments	Rental and Related Revenues	Income From DFLs	Investment Management Fees	Interest and Other	Total Revenues	NOI(1)
Triple-net leased:						
Hospital	\$ 35,166	\$	\$	\$ 1,625	\$ 36,791	\$ 35,166
Skilled nursing	10,968			558	11,526	10,944
Senior housing	69,886	15,215	799	564	86,464	66,920
Other healthcare facilities	6,639				6,639	5,157
Total triple-net leased	\$ 122,659	\$ 15,215	\$ 799	\$ 2,747	\$ 141,420	\$ 118,187
Medical office building	81,921		3,421		85,342	47,444
Non-segment revenues				15,985	15,985	
Total	\$ 204,580	\$ 15,215	\$ 4,220	\$ 18,732	\$ 242,747	\$ 165,631

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For the three months ended June 30, 2006:

Segments	Rental and Related Revenues	Investment Management Fees	Interest and Other	Total Revenues	NOI(1)
Triple-net leased:					
Hospital	\$ 24,887	\$	\$ 1,596	\$ 26,483	\$ 24,887
Skilled nursing	10,187		567	10,754	10,182
Senior housing	27,180		528	27,708	24,498
Other healthcare	6,442			6,442	5,089
Total triple-net leased	\$ 68,696	\$	\$ 2,691	\$ 71,387	\$ 64,656
Medical office building	41,198	943		42,141	26,095
Non-segment revenues			2,704	2,704	
Total	\$ 109,894	\$ 943	\$ 5,395	\$ 116,232	\$ 90,751

For the six months ended June 30, 2007:

Segments	Rental and Related Revenues	Income From DFLs	Investment Management Fees	Interest and Other	Total Revenues	NOI(1)
Triple-net leased:						
Hospital	\$ 62,579	\$	\$	\$ 3,251	\$ 65,830	\$ 62,449
Skilled nursing	21,547			1,118	22,665	21,497
Senior housing	138,225	30,205	6,964	1,145	176,539	130,645
Other healthcare facilities	14,304				14,304	11,178
Total triple-net leased	\$ 236,655	\$ 30,205	\$ 6,964	\$ 5,514	\$ 279,338	\$ 225,769
Medical office building	171,291		3,495		174,786	100,827
Non-segment revenues				29,433	29,433	
Total	\$ 407,946	\$ 30,205	\$ 10,459	\$ 34,947	\$ 483,557	\$ 326,596

For the six months ended June 30, 2006:

Segments	Rental and Related Revenues	Investment Management Fees	Interest and Other	Total Revenues	NOI(1)
Triple-net leased:					
Hospital	\$ 44,397	\$	\$ 3,295	\$ 47,692	\$ 44,397
Skilled nursing	20,225		1,136	21,361	20,209
Senior housing	52,924		1,022	53,946	47,230
Other healthcare	12,391			12,391	9,774
Total triple-net leased	\$ 129,937	\$	\$ 5,453	\$ 135,390	\$ 121,610
Medical office building	79,210	1,997		81,207	50,948
Non-segment revenues			13,631	13,631	
Total	\$ 209,147	\$ 1,997	\$ 19,084	\$ 230,228	\$ 172,558

(1) NOI is a non-GAAP supplemental financial measure used to evaluate the operating performance of real estate properties. The Company defines NOI as rental revenues, including tenant reimbursements, less property-level operating expenses, which exclude depreciation and amortization, general and administrative expenses, impairments, interest expense and discontinued operations. The Company believes NOI provides investors relevant and useful information because it measures the operating performance of the Company's real estate at the property level on an unleveraged basis. The Company uses NOI to make decisions about resource allocations and assess property-level performance. The Company believes that net income is the most directly comparable GAAP measure to NOI. NOI should not be viewed as an alternative measure of operating performance to net income as defined by GAAP since it does not reflect the aforementioned excluded items. Further, NOI may not be comparable to that of other real estate investment trusts, as they may use different methodologies for calculating NOI.

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The following is a reconciliation from NOI to reported net income, a financial measure under GAAP (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net operating income from continuing operations	\$ 165,631	\$ 90,751	\$ 326,596	\$ 172,558
Income from DFLs	15,215		30,205	
Investment management fee income	4,220	943	10,459	1,997
Interest and other income	18,732	5,395	34,947	19,084
Interest expense	(72,359)	(33,485)	(151,337)	(65,418)
Depreciation and amortization	(60,434)	(26,975)	(121,328)	(52,469)
General and administrative	(18,292)	(8,396)	(38,884)	(16,868)
Equity income from unconsolidated joint ventures	1,302	2,714	2,516	6,536
Gains on sale of real estate interest, net	10,141		10,141	
Minority interests share of earnings	(6,739)	(4,170)	(11,974)	(7,947)
Total discontinued operations	13,867	14,790	125,231	41,982
Net income	\$ 71,284	\$ 41,567	\$ 216,572	\$ 99,455

The Company's total assets by segment were (in thousands):

Segments	June 30, 2007	December 31, 2006
Triple-net leased facilities:		
Senior housing facilities	\$ 4,359,987	\$ 5,919,517
Hospitals	1,120,776	951,548
Skilled nursing facilities	324,918	336,494
Other healthcare facilities	224,705	264,298
Total triple-net leased assets	\$ 6,030,386	\$ 7,471,857
Medical office building facilities	2,185,784	2,438,607
Gross segment assets	8,216,170	9,910,464
Accumulated depreciation and amortization	(701,576)	(660,670)
Net segment assets	7,514,594	9,249,794
Non-segment assets	1,364,732	762,955
Total assets	\$ 8,879,326	\$ 10,012,749

(16) Supplemental Cash Flow

Supplemental Cash Flow Information

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	Six Months Ended June 30	
	2007	2006
	(in thousands)	
Interest paid, net of capitalized interest and other	\$ 141,131	\$ 65,267
Taxes paid	219	11
<i>Non-cash transactions:</i>		
Capitalized interest	173	361
Mortgages assumed with real estate acquisitions		73,321
Real estate exchanged in real estate acquisitions	35,205	
Non-managing member units issued in connection with acquisitions	180,698	5,523
Restricted stock issued	138	100
Performance restricted stock units vesting	109	117
Restricted stock cancellations	(25)	(27)
Unrealized gains on available for sale securities and derivatives designated as cash flow hedges	738	1,162
Conversion of non-managing member units into common stock	3,477	135

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(17) Earnings Per Share of Common Stock

The Company computes earnings per share in accordance with SFAS No. 128, *Earnings Per Share*. Basic earnings per common share is computed by dividing net income applicable to common shares by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is calculated including the effect of dilutive securities. Approximately 0.6 million and 2.1 million options to purchase shares of common stock during the three months ended June 30, 2007 and 2006, respectively, were not included because they are not dilutive. Additionally, 10.1 million shares issuable upon conversion of 7.6 million non-managing member units during the three months ended June 30, 2007, and 6.1 million shares issuable upon conversion of 3.6 million non-managing member units during the three months ended June 30, 2006, were not included because they are not dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands, except per share data)		(in thousands, except per share data)	
Numerator				
Income from continuing operations	\$ 57,417	\$ 26,777	\$ 91,341	\$ 57,473
Preferred stock dividends	(5,283)	(5,283)	(10,566)	(10,566)
Income from continuing operations applicable to common shares	52,134	21,494	80,775	46,907
Discontinued operations	13,867	14,790	125,231	41,982
Net income applicable to common shares for basic and diluted earnings per share	\$ 66,001	\$ 36,284	\$ 206,006	\$ 88,889
Denominator				
Basic weighted average common shares	205,755	136,484	204,882	136,262
Dilutive stock options and restricted stock	1,269	708	1,588	762
Diluted weighted average common shares	207,024	137,192	206,470	137,024
Basic earnings per common share				
Income from continuing operations	\$ 0.25	\$ 0.16	\$ 0.39	\$ 0.34
Discontinued operations	0.07	0.11	0.62	0.31
Net income applicable to common shares	\$ 0.32	\$ 0.27	\$ 1.01	\$ 0.65
Diluted earnings per common share				
Income from continuing operations	\$ 0.25	\$ 0.16	\$ 0.39	\$ 0.34
Discontinued operations	0.07	0.10	0.61	0.31
Net income applicable to common shares	\$ 0.32	\$ 0.26	\$ 1.00	\$ 0.65

(18) Derivative Financial Instruments

In July 2005, the Company entered into three interest-rate swap contracts that are designated as hedging the variability in expected cash flows for variable rate debt assumed in connection with the acquisition of a portfolio of real estate assets in July 2005. The cash flow hedges have a notional amount of \$45.6 million and expire in July 2020. The fair value of these contracts at June 30, 2007, was \$1.0 million and is included in other assets. For the six months ended June 30, 2007, the Company recognized increased interest expense of \$33,000 attributable to the contracts. The Company determined that these swap agreements were highly effective in offsetting future variable-interest cash flows related to the assumed mortgages. The effective portion of gains and losses on these contracts is recognized in accumulated other comprehensive income (loss) whereas the ineffective portion is recognized in earnings. During the six months ended June 30, 2007 and 2006, there was no ineffective portion related to these hedges.

(19) Commitments and Contingencies

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From time to time, the Company is a party to legal proceedings, lawsuits and other claims that arise in the ordinary course of the Company's business. Regardless of their merits, these matters may force the Company to expend significant financial resources. Except as described below, the Company is not aware of any legal proceedings or claims that it believes may have, individually or taken together, a material adverse effect on the Company's business, prospects, financial condition or results of operations. The Company's policy is to accrue legal expenses as they are incurred.

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On May 3, 2007, Ventas, Inc. filed a complaint against the Company in the United States District Court for the Western District of Kentucky, asserting claims of tortious interference with contract and tortious interference with prospective business advantage. The complaint alleges, among other things, that the Company interfered with Ventas' purchase agreement with Sunrise Senior Living Real Estate Investment Trust (Sunrise REIT); that the Company interfered with Ventas' prospective business advantage in connection with the Sunrise REIT transaction; and that the Company's actions caused Ventas to suffer damages, including the payment of over \$100 million in additional consideration to acquire the Sunrise REIT assets. Ventas is seeking monetary relief, including compensatory and punitive damages, against the Company. On July 2, 2007, the Company filed its answer to Ventas' complaint and a motion to dismiss the complaint in its entirety. The Company believes that Ventas' claims are without merit and intends to vigorously defend against Ventas' lawsuit. The Company expects that defending its interests in this matter will require it to expend significant funds. The Company is unable to estimate the ultimate aggregate amount of monetary liability or financial impact with respect to this matter as of June 30, 2007.

State of California Senate Bill 1953. One of the Company's properties located in Tarzana, California is affected by State of California Senate Bill 1953 (SB 1953), which requires certain seismic safety building standards for acute care hospital facilities. This hospital is operated by Tenet under a lease expiring in February 2009. The Company is currently reviewing the SB 1953 compliance of this hospital, multiple plans of action to cause such compliance, the estimated time for completing the same, and the cost of performing necessary retrofitting of the property. HCP cannot currently estimate the retrofitting costs that will need to be incurred prior to 2013 in order to make the facility SB 1953-compliant through 2030, and the final allocation of any retrofitting costs between the Company and Tenet. Rent on the hospital for the six months ended June 30, 2007 was \$4.4 million and for the year ended December 31, 2006, was \$10.8 million. The carrying amount was \$72.8 million at June 30, 2007.

Master Trust Liabilities. Certain residents of two of the Company's senior housing facilities have entered into a master trust agreement with the operator of the facilities whereby amounts paid upfront by such residents were deposited into a trust account. These funds were then made available to the senior housing operator in the form of a non-interest bearing loan to provide permanent financing for the related communities. The operator of the senior housing facility is the borrower under these arrangements; however, two of the Company's properties are collateral under the master trust agreements. As of June 30, 2007, the remaining obligation under the master trust agreements for these two properties is \$14.6 million. The Company's property is released as collateral as the master trust liabilities are extinguished.

Credit Enhancement Guarantee. Certain of the Company's senior housing facilities are collateral for \$142 million of debt (maturing May 1, 2025) that is owed by a previous owner of the facilities. The Company's obligation under such indebtedness is guaranteed by the debtor who has an investment grade credit rating. These senior housing facilities, which are classified as DFLs, were acquired in the Company's merger with CRP. As of June 30, 2007, the facilities have a carrying value of \$341 million.

General Uninsured Losses. The Company obtains various types of insurance to mitigate the impact of property, business interruption, liability, flood, earthquake and terrorism related losses. The Company attempts to obtain appropriate policy terms, conditions, limits and deductibles considering the relative risk of loss, the cost of such coverage and current industry practice. There are, however, certain types of extraordinary losses, such as those due to acts of war or other events that may be either uninsurable or not economically insurable. Although the Company has obtained coverage to mitigate the impact of various casualty losses, with policy specifications and insured limits that it believes are commercially reasonable, there can be no assurance that the Company will be able to collect under such policies or that the policies will provide adequate coverage. Should an uninsured loss occur at a property, the Company's assets may become impaired and the Company may not be able to operate its business at the property for an extended period of time.

(20) Subsequent Events

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On July 12, 2007, the Company received \$44 million in proceeds, including \$4 million in excess of the carrying value, upon the early repayment of a secured loan receivable due December 28, 2015. This loan was secured by a hospital in Texas and carried an interest rate of 8.75% per annum.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Language Regarding Forward-looking Statements

Statements in this Quarterly Report that are not historical factual statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements include, among other things, statements regarding the intent, belief or expectations of Health Care Property Investors, Inc. and its officers and can be identified by the use of terminology such as may, will, expect, believe, intend, plan, estimate, should and other comparable terms or the negative thereof. In addition, we, through our senior management, from time to time make forward-looking oral and written public statements concerning our expected future operations and other developments. Readers are cautioned that, while forward-looking statements reflect our good faith belief and best judgment based upon current information, they are not guarantees of future performance and are subject to known and unknown risks and uncertainties. Actual results may differ materially from the expectations contained in the forward-looking statements as a result of various factors. In addition to the factors set forth under Part I, Item 1A - Risk Factors in the Company's Annual Report and under Part II, Item 1A - Risk Factors in this Quarterly Report, readers should consider the following:

- a) Legislative, regulatory, or other changes in the healthcare industry at the local, state or federal level which increase the costs of, or otherwise affect the operations of, our tenants and borrowers;
- b) Changes in the reimbursement available to our tenants and borrowers by governmental or private payors, including changes in Medicare and Medicaid payment levels and the availability and cost of third party insurance coverage;
- c) Competition for tenants and borrowers, including with respect to new leases and mortgages and the renewal or rollover of existing leases;
- d) Availability of suitable healthcare facilities to acquire at favorable prices and the competition for such acquisition and financing of healthcare facilities;
- e) The ability of our tenants and borrowers to operate our properties in a manner sufficient to maintain or increase revenues and to generate sufficient income to make rent and loan payments;
- f) The financial weakness of some operators, including potential bankruptcies, which results in uncertainties regarding our ability to continue to realize the full benefit of such operators' leases;
- g) Changes in national or regional economic conditions, including changes in interest rates and the availability and cost of capital;
- h) The risk that we will not be able to sell or lease facilities that are currently vacant;
- i) The potential costs of SB 1953 compliance with respect to our hospital in Tarzana, California;
- j) The financial, legal and regulatory difficulties of significant operators of our properties, including Sunrise Senior Living; and
- k) The potential impact of existing and future litigation matters.

Readers should consider that many of these risks and uncertainties are also applicable to Slough Estates USA Inc. (SEUSA) and its business and any forward-looking statements made by or with respect to SEUSA or its business. We acquired SEUSA on August 1, 2007. Additional risks and uncertainties to which our forward-looking statements are subject include our ability to integrate the SEUSA business and to achieve expected synergies, operating efficiencies and other benefits within expected time-frames or at all, or within expected cost projections, and to preserve the goodwill of the acquired businesses, as well as our ability to obtain financing necessary to consummate the acquisition on favorable terms.

Executive Summary

Health Care Property Investors, Inc. is a real estate investment trust (REIT) that, together with its consolidated entities, invests directly, or through joint ventures and mortgage loans, in healthcare related properties primarily located throughout the United States.

We develop, acquire, and manage healthcare real estate and provide mortgage financing to healthcare providers. We invest directly, often structuring sale-leaseback transactions, and through joint ventures. At June 30, 2007, our real estate portfolio, excluding assets held for sale but including assets held through joint ventures and mortgage loans, consisted of interests in 675 facilities.

Our business strategy is based on three principles: (i) opportunistic investing, (ii) portfolio diversification and (iii) conservative financing. We actively redeploy capital from investments with lower return potential into assets with higher return potential, and recycle capital from shorter-term to longer-term investments. We make investments where the expected risk-adjusted return exceeds our cost of capital and strive to leverage our operator and other business relationships.

Our strategy contemplates acquiring and developing properties on favorable terms. We attempt to structure transactions that are tax-advantaged and mitigate risks in our underwriting process. Generally, we prefer larger, more complex private transactions that leverage our management team's experience and our infrastructure. During the six months ended June 30, 2007, we made gross investments of \$547 million. These investments had an average first year yield on cost of 8.3%.

We follow a disciplined approach to enhancing the value of our existing portfolio, including the ongoing evaluation of properties that no longer fit our strategy for potential disposition. During the six months ended June 30, 2007, we sold 47 properties for \$392 million and debt and equity securities for \$53 million. At June 30, 2007, we had 47 properties with a carrying amount of \$205 million classified as held for sale.

We primarily generate revenue by leasing healthcare-related properties under long-term operating leases. Most of our rents are received under triple-net leases; however, Medical Office Building (MOB) rents are typically structured as gross or modified gross leases. Accordingly, for MOBs we incur certain property operating expenses, such as real estate taxes, repairs and maintenance, property management fees, utilities and insurance. Our growth depends, in part, on our ability to (i) increase rental income by increasing occupancy levels and rental rates, (ii) maximize tenant recoveries given underlying lease structures, and (iii) control operating and other expenses. Our operations are impacted by property-specific, market-specific, general economic and other conditions.

Access to external capital on favorable terms is critical to the success of our strategy. We attempt to match the long-term duration of our leases with long-term fixed rate financing. At June 30, 2007, 11% of our consolidated debt is at variable interest rates. We intend to maintain an investment grade rating on our fixed income securities and manage various capital ratios and amounts within appropriate parameters. As of July 30, 2007, our senior debt is rated BBB by Fitch Ratings, Baa3 by Moody's Investors Service, and BBB by Standard & Poor's Ratings Group.

Capital market access impacts our cost of capital and our ability to refinance existing indebtedness as it matures, as well as to fund future acquisitions and development through the issuance of additional securities. Our ability to access capital on favorable terms is dependent on various factors, including general market conditions, interest rates, credit ratings on our securities, perception of our potential future earnings and cash distributions, and the market price of our capital stock.

2007 Overview

Acquisition of Slough Estates USA Inc.

On August 1, 2007, we closed our acquisition of Slough Estates USA, Inc. (SEUSA) for aggregate consideration of approximately \$2.9 billion, subject to certain adjustments. SEUSA's portfolio is concentrated in the San Francisco Bay Area and San Diego County and comprises 83 existing properties representing approximately 5.2 million square feet of life science/pharma space. In addition to the existing portfolio, SEUSA has an established development infrastructure and a pipeline currently comprised of 3.8 million square feet in the San Francisco Bay Area and San Diego County.

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Investment Transactions

During the three months ended June 30, 2007, we made investments of \$98 million with an average yield of 8.5%, which included \$72 million of real estate interests and \$26 million of debt and equity securities. Our investments for the six months ended June 30, 2007, aggregated to \$547 million with an average yield of 8.3%, and were made in the following healthcare sectors: (i) 48% MOBs, (ii) 48% hospitals, (iii) 2% senior housing and (iv) 2% other healthcare facilities, including the following:

- On January 31, 2007, we acquired three long-term acute care hospitals and received proceeds of \$36 million in exchange for 11 skilled nursing facilities valued at \$77 million. We recognized a \$47 million gain on the sale of these 11 Skilled Nursing Facilities (SNFs). The three acquired properties have an initial lease term of ten years, with two ten-year renewal options, and an initial contractual yield of 12% with escalators based on the lessee's revenue growth. The acquired properties are included in a new master lease that contains 14 properties leased to the same operator.
- On February 9, 2007, we acquired the Medical City Dallas campus, which includes two hospital towers, six MOBs, and three parking garages, for approximately \$350 million, including non-managing member LLC units (DownREIT units) valued at \$179 million. The initial yield on this campus is approximately 7.2%.
- On February 28, 2007, we acquired three MOBs for \$25 million from the Cirrus Group, LLC. The three MOBs include approximately 131,000 rentable square feet and have an initial yield of 8.2%.

During the three months ended June 30, 2007, we sold investments valued at \$236 million, which included the sale of 20 properties for \$187 million and the sale of debt securities for \$49 million. Our sales for the six months ended June 30, 2007, aggregated \$445 million, and were made from the following healthcare sectors: (i) 53% senior housing, (ii) 29% skilled nursing facilities, (iii) 11% hospitals, and (iii) 7% other healthcare facilities.

For the three and six months ended June 30, 2007, we recognized gains from sales of real estate of \$2 million and \$106 million, respectively. For the three and six months ended June 30, 2007, we recognized gains from sales of debt and equity securities of \$4 million and \$5 million, respectively.

Joint Venture Transactions

On January 5, 2007, we formed a senior housing joint venture, HCP Ventures II, with an institutional capital partner. The joint venture includes 25 properties valued at \$1.1 billion and encumbered by a \$686 million secured debt facility. Upon the sale of a 65% interest, we received approximately \$280 million in proceeds, including a one-time acquisition fee of \$5.4 million. We act as the managing member, and receive ongoing asset management fees.

On April 27, 2007, in anticipation of the formation of HCP Ventures IV, LLC (HCP Ventures IV), we placed \$122 million of 10-year term mortgage notes with an interest rate of 5.53%. The proceeds these notes were used to repay borrowings under our revolving credit facility and for other general corporate purposes.

On April 30, 2007, we formed an MOB joint venture, HCP Ventures IV, with an institutional capital partner. The joint venture includes 55 properties valued at approximately \$585 million and encumbered by \$344 million of secured debt. Upon the sale of an 80% interest in the venture, we received proceeds of \$196 million and recognized a gain of \$10 million. These proceeds include a one-time acquisition fee of \$3 million. We act as the managing member and will receive ongoing asset management fees.

On May 31, 2007, HCP Ventures IV acquired two MOBs valued at \$23 million and concurrently placed \$15 million of secured debt. This acquisition was funded pro-rata by us and our joint venture partner.

Capital Market Transactions

On January 19, 2007, we issued 6.8 million shares of common stock. We received net proceeds of approximately \$261 million, which were used to repay borrowings under our term loan facility.

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On January 22, 2007, we issued \$500 million of 6.00% senior unsecured notes due in 2017. The notes were priced at 99.323% of the principal amount for an effective yield of 6.09%. We received net proceeds of \$493 million, which were used to repay our term loan facility and reduce borrowings under our revolving credit facility.

On August 1, 2007, in connection with the completion of the SEUSA acquisition, we closed on a 364-day \$2.75 billion bridge loan and a four-year \$1.5 billion revolving credit facility with a syndicate of banks. The facilities contain covenants similar to those contained in our previous revolving credit agreement, including leverage ratios, a secured debt ratio, an unsecured debt ratio, a fixed charge coverage ratio and a minimum net worth test.

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Other Events

On July 26, 2007, our Board of Directors declared a quarterly common stock cash dividend of \$0.445 per share. The common stock dividend will be paid on August 21, 2007, to stockholders of record as of the close of business on August 6, 2007.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base estimates on our experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in a different presentation of our financial statements. From time to time, we re-evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. The critical accounting policies used in the preparation of our financial statements are described in our 2006 Annual Report on Form 10-K.

Results of Operations

We completed our acquisition of CNL Retirement Properties, Inc. (CRP) on October 5, 2006 and the interest held by an affiliate of General Electric in HCP Medical Office Properties (HCP MOP) on November 30, 2006. The results of operations resulting from these acquisitions are reflected in our consolidated financial statements from those dates. Our financial results for the three and six months ended 2007 and 2006 are summarized as follows:

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Rental and other revenue. MOB rental revenue increased 99% or \$40.7 million to \$81.9 million for the three months ended June 30, 2007. Approximately \$17.2 million of the increase relates to MOBs acquired in the CRP merger and \$19.9 million relates to the consolidation of HCP MOP. The remaining increase in MOB rental income primarily relates to the additive effect of our MOB acquisitions in 2007 and 2006.

Triple-net leased rental revenues increased 79% or \$54.0 million to \$122.7 million for the three months ended June 30, 2007. Approximately \$38.4 million of the increase relates to properties acquired in the CRP merger. The remaining increase in triple-net lease rental revenue of \$15.6 million primarily relates to rent escalations and resets, and the additive effect of our other acquisitions in 2007 and 2006, as detailed below:

Property Type	Triple-net lease rental revenue resulting from 2006 and 2007 acquisitions for the three months ended June 30,		
	2007 (in thousands)	2006	Change
Senior housing facilities	\$ 6,341	\$ 1,194	\$ 5,147
Hospitals	8,837		8,837
Other healthcare facilities	1,538	740	798
Total	\$ 16,716	\$ 1,934	\$ 14,782

Additionally, included in triple-net lease rental revenues are facility-level operating revenues for five senior housing properties that were previously leased on a triple-net basis. Periodically tenants default on their leases, which cause us to take temporary possession of the operations of the facility. We contract with third-party managers to manage these properties until a replacement tenant can be identified or the property can be sold. The operating revenues and expenses for these properties are included in triple-net lease rental revenues and operating expenses, respectively. The increase in reported revenues for these facilities of \$0.6 million to \$2.8 million for the quarter ended June 30, 2007, was primarily due to an increase in overall occupancy of such properties.

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Earned income from direct financing leases. Earned income from direct financing leases of \$15.2 million relates to 32 leased properties acquired from CRP, which are accounted for using the direct financing method. At June 30, 2007, these leased properties had a carrying value of \$682 million and accrue interest at a weighted average rate of 9.0%.

Investment management fee income. Investment management fee income increased by \$3.3 million to \$4.2 million for the three months ended June 30, 2007. The increase is primarily due to the acquisition fee earned from HCP Ventures IV of \$3.0 million on April 30, 2007.

Interest and other income. Interest and other income increased \$13.3 million to \$18.7 million for the three months ended June 30, 2007. The increase was primarily related to \$6.9 million of interest income from \$275 million investments in senior secured notes receivable, which accrue interest at a rate ranging from 9.25% to 9.625%, and \$2.6 million of interest income from a \$68 million loan acquired in the CRP merger, which accrues interest at a rate of 14%.

Interest expense. Interest expense increased \$38.9 million to \$72.4 million for the three months ended June 30, 2007. Approximately \$11.5 million of the increase was due to the assumption of CRP's outstanding debt on October 5, 2006, and \$29.2 million from the issuance of an aggregate of \$1.9 billion of senior unsecured notes in September 2006, December 2006 and January 2007. The increases were offset by repayment of the outstanding balance under our revolving line of credit and the repayment of \$120 million of senior unsecured notes in October 2006.

The table below sets forth information with respect to our debt as of June 30, 2007 and 2006:

	As of June 30,			
	2007		2006	
	(dollars in thousands)			
Balance:				
Fixed rate	\$	4,085,852	\$	1,894,991
Variable rate		519,649		301,500
Total	\$	4,605,501	\$	2,196,491
Percent of total debt:				
Fixed rate	89	%	86	%
Variable rate	11	%	14	%
Total	100	%	100	%
Weighted average interest rate at end of period:				
Fixed rate	6.12	%	6.10	%
Variable rate	5.98	%	5.75	%
Total weighted average rate	6.10	%	6.06	%

Depreciation and amortization. Depreciation and amortization expense increased \$33.5 million to \$60.4 million for the three months ended June 30, 2007. Approximately \$23.3 million of the increase relates to properties acquired in the CRP merger and \$5.0 million relates to the consolidation of HCP MOP. The remaining increase in depreciation and amortization primarily relates to the additive effect of our other acquisitions in 2007 and 2006.

Operating expenses. Operating costs increased \$19.8 million to \$38.9 million for the three months ended June 30, 2007. Approximately \$7.0 million of the increase relates to properties acquired in the CRP merger and \$9.3 million relates to the consolidation of HCP MOP. Operating costs are predominantly related to MOB properties that are leased under gross or modified gross lease agreements where we share certain costs with tenants. Accordingly, the number of properties in our MOB portfolio directly impacts operating costs. The remaining increase in operating expenses of \$3.5 million primarily relates to the effect of our other property acquisitions in 2007 and 2006.

Additionally, included in operating expenses are facility-level operating expenses for five senior housing properties that were previously leased on a triple-net basis. Periodically tenants default on their leases, which cause us to take temporary possession of the operations of the facility. We contract with third-party managers to manage these properties until a replacement tenant can be identified or the property can be sold. The

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operating revenues and expenses for these properties are included in triple-net lease rental revenues and operating expenses, respectively. The increase in reported operating expenses for these facilities of \$0.3 million to \$2.9 million for the three months ended June 30, 2007, was primarily due to an increase in the overall occupancy of such properties.

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General and administrative expenses. General and administrative expenses increased \$9.9 million to \$18.3 million for the three months ended June 30, 2007. The increase is primarily due to higher compensation-related expenses of approximately \$3.8 million resulting from an increase in the number of full-time employees, \$1.7 million in merger and integration-related expenses associated with the CNL Retirement Corp. (CRC) and CRP mergers, \$0.4 million in federal and state taxes, and various other items including legal expenses. We expect to incur integration costs associated with the CRP merger and our acquisition of SEUSA through the remainder of 2007.

The presentation of expenses as general and administrative or operating expenses is based on the underlying nature of the expense. Periodically, we review the classification of expenses between categories and make revisions based on changes in the underlying nature of the expense.

Equity income. For the three months ended June 30, 2007, equity income decreased by \$1.4 million to \$1.3 million. This decrease is primarily due to our consolidation of HCP MOP partially offset by equity income from Ventures II, III, and IV as described below. Equity income from HCP MOP for the three months ended June 30, 2006 was \$2.7 million.

On October 27, 2006, we formed HCP Ventures III, LLC (HCP Ventures III), an MOB joint venture with an institutional capital partner, with 13 of our previously 85% owned properties. Beginning on October 27, 2006, HCP Ventures III, in which we retained an effective 26% interest, has been accounted for as an equity method investment. On January 5, 2007, we formed HCP Ventures II a senior housing joint venture with an institutional capital partner. The joint venture includes 25 properties and we retained a 35% interest in the venture. Beginning on January 5, 2007, HCP Ventures II has been accounted for as an equity method investment.

On April 30, 2007, we formed HCP Ventures IV, LLC (HCP Ventures IV) a MOB joint venture with an institutional capital partner, with 55 properties. Beginning on April 30, 2007, HCP Ventures IV, in which we retained a 20% interest, has been accounted for as an equity method investment. The combined equity income from HCP Ventures II, III and IV was \$1.2 million for the three months ended June 30, 2007.

Gain on sale of real estate interests, net. On April 30, 2007, we sold an 80% interest in HCP Ventures IV, which resulted in a gain of \$10 million. There were no interests in joint ventures sold during the three months ended June 30, 2006.

Discontinued operations. Income from discontinued operations for the three months ended June 30, 2007, was \$13.9 million compared to \$14.8 million for the comparable period in the prior year. The decrease is primarily due the number of properties included in discontinued operations. Discontinued operations for the three months ended June 30, 2007, includes the results of 67 properties compared to 146 properties for the three months ended June 30, 2006. Included in operating income during the three months ended June 30, 2007, was \$6.0 million of rental income we recognized, resulting from a change in estimate related to the collectibility of straight-line rental income from Emeritus Corporation.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Rental and other revenue. MOB rental revenue increased 116% or \$92.1 million to \$171.3 million for the six months ended June 30, 2007. Approximately \$44.6 million of the increase relates to MOB acquisitions in the CRP merger and \$39.2 million relates to the consolidation of HCP MOP. The remaining increase in MOB rental income primarily relates to the additive effect of our MOB acquisitions in 2007 and 2006.

Triple-net leased rental revenues increased 82% or \$106.7 million to \$236.7 million for the six months ended June 30, 2007. Approximately \$76.8 million of the increase relates to properties acquired in the CRP merger. The remaining increase in triple-net lease rental revenue of \$29.9 million primarily relates to rent escalations and resets, and the additive effect of our other acquisitions in 2007 and 2006, as detailed below:

Property Type	Triple-net lease rental revenue resulting from 2006 and 2007 acquisitions for the six months ended June 30,		Change
	2007	2006	

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	(in thousands)		
Senior housing facilities	\$ 12,544	\$ 1,380	\$ 11,164
Hospitals	13,479		13,479
Other healthcare facilities	3,358	1,095	2,263
Total	\$ 29,381	\$ 2,475	\$ 26,906

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Additionally, included in triple-net lease rental revenues are facility-level operating revenues for five senior housing properties that were previously leased on a triple-net basis. Periodically tenants default on their leases, which cause us to take temporary possession of the operations of the facility. We contract with third-party managers to manage these properties until a replacement tenant can be identified or the property can be sold. The operating revenues and expenses for these properties are included in triple-net lease rental revenues and operating expenses, respectively. The increase in reported revenues for these facilities of \$1.1 million to \$5.6 million for the six months ended June 30, 2007, was primarily due to an increase in overall occupancy of such properties.

Earned income from direct financing leases. Earned income from direct financing leases of \$30.2 million relates to 32 leased properties acquired from CRP, which are accounted for using the direct financing method. At June 30, 2007, these leased properties had a carrying value of \$682 million and accrue interest at a weighted average rate of 9.0%.

Investment management fee income. Management and other fee income increased \$8.5 million to \$10.5 million for the six months ended June 30, 2007. The increase is primarily due to the acquisition fee earned from HCP Ventures II of \$5.4 million on January 5, 2007 and HCP Ventures IV of \$3.0 million on April 30, 2007.

Interest and other income. Interest and other income increased 83% or \$15.9 million to \$34.9 million for the six months ended June 30, 2007. The increase was primarily related to \$14.1 million of interest income from an aggregate investment of \$275 million in senior secured notes receivable, which accrue interest at a rate ranging from 9.25% to 9.625%, and \$5.0 million of interest income from a \$68 million loan acquired in the CRP merger, which accrues interest at a rate of 14%.

Interest expense. Interest expense increased 131% or \$85.9 million to \$151.3 million for the six months ended June 30, 2007. Approximately \$25.1 million of the increase was due to the assumption of \$1.3 billion of CRP's outstanding debt on October 5, 2006, and \$56.5 million from the issuance of an aggregate of \$1.9 billion of senior unsecured notes in September 2006, December 2006 and January 2007. The increases were offset by repayment of the outstanding balance under our revolving line of credit and the repayment of \$255 million of senior unsecured notes in February and October 2006.

The table below sets forth information with respect to our debt as of June 30, 2007 and 2006:

	As of June 30,			
	2007		2006	
	(dollars in thousands)			
Balance:				
Fixed rate	\$ 4,085,852		\$ 1,894,991	
Variable rate	519,649		301,500	
Total	\$ 4,605,501		\$ 2,196,491	
Percent of total debt:				
Fixed rate	89	%	86	%
Variable rate	11	%	14	%
Total	100	%	100	%
Weighted average interest rate at end of period:				
Fixed rate	6.12	%	6.10	%
Variable rate	5.98	%	5.75	%
Total weighted average rate	6.10	%	6.06	%

Depreciation and amortization. Depreciation and amortization expense increased 131% or \$68.9 million to \$121.3 million for the six months ended June 30, 2007. Approximately \$49.9 million of the increase relates to properties acquired in the CRP merger and \$10.0 million relates to the consolidation of HCP MOP. The remaining increase in depreciation and amortization primarily relates to the additive effect of our other acquisitions in 2007 and 2006.

Operating expenses. Operating costs increased 122% or \$44.8 million to \$81.4 million for the six months ended June 30, 2007. Approximately \$17.4 million of the increase relates to properties acquired in the CRP merger and \$18.8 million relates to the consolidation of HCP MOP. Operating costs are predominantly related to MOB properties that are leased under gross or modified gross lease agreements where we share certain costs with tenants. Accordingly, the number of properties in our MOB portfolio directly impacts operating costs. The remaining increase in operating expenses of \$8.6 million primarily relates to the effect of our other property acquisitions in 2007 and 2006.

Additionally, included in operating expenses are facility-level operating expenses for five senior housing properties that were previously leased on a triple-net basis. Periodically tenants default on their leases, which cause us to take temporary possession of the operations of the facility. We contract with third-party managers to manage these properties until a replacement tenant can be identified or the property can be sold. The operating revenues and expenses for these properties are included in triple-net lease rental revenues and operating expenses, respectively. The increase in reported operating expenses for these facilities of \$0.7 million to \$6.0 million for the six months ended June 30, 2007, was primarily due to an increase in the overall occupancy of such properties.

General and administrative expenses. General and administrative expenses increased 131% or \$22.0 million to \$38.9 million for the six months ended June 30, 2007. The increase is primarily due to higher compensation-related expenses of approximately \$11.4 million resulting from an increase in full-time employees, \$7.4 million in merger and integration-related expenses associated with the CRC and CRP mergers, \$0.9 million in federal and state taxes, and various other items including legal expenses. We expect to incur integration costs associated with the CRP merger and our acquisition of SEUSA through the remainder of 2007.

The presentation of expenses as general and administrative or operating expenses is based on the underlying nature of the expense. Periodically, we review the classification of expenses between categories and make revisions based on changes in the underlying nature of the expense.

Equity income. For the six months ended June 30, 2007, equity income decreased by \$4.0 million to \$2.5 million. This decrease is primarily due to our consolidation of HCP MOP partially offset by equity income from Ventures II, III, and IV. Equity income from HCP MOP for the six months ended June 30, 2006 was \$6.4 million.

Gain on sale of real estate interests, net. On April 30, 2007, we sold an 80% interest in HCP Ventures IV, which resulted in a gain of \$10 million. There were no interests in joint ventures sold during the six months ended June 30, 2006.

Discontinued operations. Income from discontinued operations for the six months ended June 30, 2007, was \$125 million compared to \$42 million for the comparable period in the prior year. The increase is primarily due to an increase in gains on real estate dispositions of \$95 million. During the six months ended June 30, 2007, we sold 47 properties for \$392 million as compared to eight properties for \$28 million in the year ago period. Included in operating income during the six months ended June 30, 2007, was \$6.0 million of rental income we recognized, resulting from a change in estimate related to the collectibility of straight-line rental income from Emeritus Corporation.

Liquidity and Capital Resources

Our principal liquidity needs are to (i) fund normal operating expenses, (ii) meet debt service requirements, (iii) fund capital expenditures, including tenant improvements and leasing costs, (iv) fund acquisition and development activities, and (v) make minimum distributions required to maintain our REIT qualification under the Internal Revenue Code, as amended. We believe these needs will be satisfied using cash flows generated by operations and provided by financing activities.

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We intend to repay a portion of the SEUSA acquisition related borrowings with proceeds from future security offerings, sales of real estate and real estate interests.

Our ability to make future investments will depend on the availability of cost-effective sources of capital. We intend to use our revolving credit facility, and the public debt and equity markets as our principal sources of financing. As of July 31, 2007, our senior debt is rated BBB by Fitch Ratings, Baa3 by Moody's Investors Service, and BBB by Standard & Poor's Ratings Group.

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Net cash provided by operating activities was \$214.7 million and \$173.9 million for the six months ended June 30, 2007 and 2006, respectively. Cash flow from operations reflects higher revenues partially offset by higher costs and expenses, and changes in receivables, payables, accruals, and deferred revenue. Our cash flows from operations are dependent upon the occupancy level of multi-tenant buildings, rental rates on leases, our tenants' performance on their lease obligations, the level of operating expenses, and other factors.

Net cash provided by investing activities was \$579.7 million for the six months ended June 30, 2007, and principally reflects the net effect of: (i) \$274.5 million used to fund acquisitions and construction of real estate, (ii) \$475.7 million in proceeds associated with the formation of a joint venture, (iii) \$356.6 million received from the sale of properties, and (iv) \$53.3 million received from the sale of equity securities. During the six months ended June 30, 2007 and 2006, we used \$14.4 million and \$8.1 million to fund lease commissions and tenant and capital improvements, respectively.

Net cash used in financing activities was \$503.8 million for the six months ended June 30, 2007, and includes cash used for net repayments of our bank line of credit of \$624.5 million, the repayment of our term loan of \$505 million, repayment of \$20.0 million of senior notes, and payment of common and preferred dividends aggregating \$194.3 million. These cash uses were partially offset by proceeds of \$493.4 million from senior note issuances, \$282.1 million from common stock issuances, and \$141.8 million from mortgage debt issuances. In order to qualify as a REIT for federal income tax purposes, we must distribute at least 90% of our taxable income to our shareholders. Accordingly, we intend to continue to make regular quarterly distributions to holders of our common and preferred stock.

At June 30, 2007, we held \$29 million in deposits and \$38 million in irrevocable letters of credit from commercial banks securing tenants' lease obligations and borrowers' loan obligations. We may draw upon the letters of credit or depository accounts if there are defaults under the related leases or loans. Amounts available under letters of credit could change based upon facility operating conditions and other factors, and such changes may be material.

Debt

Bank lines of credit, bridge and term loans. As of June 30, 2007, all amounts outstanding under our \$1.0 billion, three-year line of credit facility were repaid. In connection with the completion of the SEUSA acquisition, on August 1, 2007, we terminated our \$1.0 billion line of credit facility and closed on a \$2.75 billion bridge loan and a \$1.5 billion revolving credit facility with a syndicate of banks. In connection with the termination of our previous revolving credit facility, \$6.2 million of unamortized deferred financing costs were written-off in August 2007.

Our \$1.5 billion revolving line of credit matures on August 1, 2011, and accrues interest at a rate per annum equal to LIBOR plus a margin ranging from 0.325% to 1.00%, depending upon our non-credit enhanced senior unsecured long-term debt ratings (*debt ratings*). We pay a facility fee on the entire revolving commitment ranging from 0.10% to 0.25%, depending upon our debt ratings. The revolving credit facility contains a negotiated rate option, whereby the lenders participating in the credit facility bid on the interest to be charged and which may result in a reduced interest rate, is available for up to 50% of borrowings. Based on our debt ratings on August 1, 2007 the margin on the revolving loan facility is 0.55% and the facility fee is 0.15%.

Our bridge loan for \$2.75 billion matures on July 31, 2008, and accrues interest at a rate per annum equal to LIBOR plus a margin ranging from 0.425% to 1.25%, depending upon our debt ratings. Based on our debt ratings on August 1, 2007, the margin on the bridge loan facility is 0.70%. The bridge loan facility includes two 6-month extensions.

The revolving credit agreement contains certain financial restrictions and other customary requirements. Among other things, these covenants, using terms defined in the agreement, initially limit (i) Consolidated Total Indebtedness to Consolidated Total Asset Value to 75%, (ii) Secured Debt to Consolidated Total Asset Value to 30%, and (iii) Unsecured Debt to Consolidated Unencumbered Asset Value to 90%. The agreement also requires that we maintain (i) a Fixed Charge Coverage ratio, as defined, of 1.50 times and (ii) a formula-determined Minimum Consolidated Tangible Net Worth. These financial covenants become more restrictive over a period of approximately two years and ultimately (i) limit Consolidated Total Indebtedness to Consolidated Total Asset Value to 60%, (ii) limit Unsecured Debt to Consolidated Unencumbered Asset Value to 65%, and (iii) require a Fixed Charge Coverage ratio, as defined, of 1.75 times. As of June 30, 2007, we were in compliance with each of the restrictions and requirements of our former credit revolving credit facility.

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Senior unsecured notes. At June 30, 2007, we had \$3.2 billion in aggregate principal of senior unsecured notes outstanding. Interest rates on the notes ranged from 4.88% to 7.07% with a weighted average effective rate of 6.10% at June 30, 2007. Discounts and premiums are amortized to interest expense over the term of the related debt.

On January 22, 2007, we issued \$500 million of 6.00% senior unsecured notes due in 2017. The notes were priced at 99.323% of the principal amount for an effective yield of 6.09%. We received net proceeds of \$493 million, which were used to repay borrowings under our former term loan and revolving credit facilities.

The senior unsecured notes contain certain covenants including limitations on debt and other customary terms.

Mortgage debt. At June 30, 2007, we had \$1.3 billion in mortgage debt secured by 194 healthcare facilities with a carrying amount of \$2.8 billion. Interest rates on the mortgage notes ranged from 3.80% to 8.42% with a weighted average effective rate of 6.10% at June 30, 2007.

On April 27, 2007, in anticipation of closing HCP Ventures IV, \$122 million of 10-year term mortgage notes were placed with an interest rate of 5.53%. The proceeds from the placement of these notes were used to repay borrowings under our revolving credit facility and for other general corporate purposes.

The instruments encumbering the properties restrict title transfer of the respective properties subject to the terms of the mortgage, prohibit additional liens, restrict prepayment, require payment of real estate taxes, maintenance of the properties in good condition, maintenance of insurance on the properties, and include a requirement to obtain lender consent to enter into material tenant leases.

Other debt. At June 30, 2007, we had \$108.5 million of non-interest bearing Life Care Bonds at two of our CCRCs and non-interest bearing occupancy fee deposits at another of our senior housing facilities, all of which were payable to certain residents of the facilities (collectively Life Care Bonds). At June 30, 2007, \$36.6 million of the Life Care Bonds were refundable to the residents upon the resident moving out or to a resident's estate upon the resident's death, and \$71.9 million of the Life Care Bonds were refundable after the unit has been successfully remarketed to a new resident.

Debt Maturities

The following table summarizes our stated debt maturities and scheduled principal repayments at June 30, 2007 (in thousands):

Year	Amount
2007 (six months)	\$ 25,476
2008	386,931
2009	267,069
2010	496,771
2011	424,720
Thereafter	2,896,037
	\$ 4,497,004

Equity

On January 19, 2007, we issued 6.8 million shares of our common stock. We received net proceeds of approximately \$261 million, which were used to repay borrowings under our term loan and revolving credit facilities.

At June 30, 2007, we had 4.0 million shares of 7.25% Series E cumulative redeemable preferred stock, 7.8 million shares of 7.10% Series F cumulative redeemable preferred stock, and 206.4 million shares of common stock outstanding.

During the six months ended June 30, 2007, we issued approximately 656,000 shares of our common stock under our Dividend Reinvestment and Stock Purchase Plan at an average price per share of \$34.89 for an aggregate amount of \$22.9 million. We also received \$0.7 million in proceeds from stock option exercises. At June 30, 2007, stockholders' equity totaled \$3.6 billion and our equity securities had a market value of

\$6.6 billion.

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As of June 30, 2007, there were a total of 7.6 million DownREIT units outstanding in seven limited liability companies in which we are the managing member: (i) HCPI/Tennessee, LLC; (ii) HCPI/Utah, LLC; (iii) HCPI/Utah II, LLC; (iv) HCPI/Indiana, LLC; (v) HCP DR California, LLC; (vi) HCP DR Alabama, LLC and (vii) HCP DR MDC, LLC. The DownREIT units are redeemable for an amount of cash approximating the then-current market value of shares of our common stock or, at our option, shares of our common stock (subject to certain adjustments, such as stock splits and reclassifications).

Off-Balance Sheet Arrangements

We own interests in certain unconsolidated joint ventures, including HCP Ventures II, HCP Ventures III and HCP Ventures IV, as described under Note 8 to the Consolidated Financial Statements. Except in limited circumstances, our risk of loss is limited to our investment carrying amount and any outstanding loans receivable. We have no other material off-balance sheet arrangements that we expect to materially affect our liquidity and capital resources except those described under Contractual Obligations.

Contractual Obligations(1)

The following schedule summarizes our material contractual payment obligations and commitments at June 30, 2007 (in thousands):

	Less than One Year	2008-2009	2010-2011	More than Five Years	Total
Senior unsecured notes and mortgage debt	\$ 25,476	\$ 654,000	\$ 921,491	\$ 2,896,037	\$ 4,497,004
Other debt	108,497				108,497
Ground and other operating leases	690	2,806	2,862	79,837	86,195
Acquisition and construction commitments	20,704				20,704
Interest	140,180	504,668	410,285	661,462	1,716,595
Total	\$ 295,547	\$ 1,161,474	\$ 1,334,638	\$ 3,637,336	\$ 6,428,995

(1) Does not include the obligations assumed and the debt issued of \$2.8 billion in our acquisition of SEUSA, which closed August 1, 2007.

Inflation

Our leases often provide for either fixed increases in base rents or indexed escalators, based on the Consumer Price Index or other measures, and/or additional rent based on increases in our tenants' operating revenues. Substantially all of our MOB leases require the tenant to pay a share of property operating costs such as real estate taxes, insurance, utilities, etc. We believe that inflationary increases in expenses will be offset, in part, by the tenant expense reimbursements and contractual rent increases described above.

New Accounting Pronouncements

See Note 2 to the Condensed Consolidated Financial Statements for the impact of new accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

At June 30, 2007, we are exposed to market risks related to fluctuations in interest rates on \$194.6 million of variable rate mortgage notes payable and \$325.0 million of variable rate senior unsecured notes. Of the \$194.6 million of variable rate mortgage notes payable outstanding, \$45.6 million has been hedged through interest rate swap contracts. We do not have, and do not plan to enter into, derivative financial instruments for trading or speculative purposes. Of our consolidated debt of \$4.6 billion at June 30, 2007, excluding the \$45.6 million of variable rate debt where the rates have been hedged to a fixed rate, approximately 11% is at variable interest rates.

Fluctuation in the interest rates will not affect our future earnings and cash flows on our fixed rate debt until that debt must be replaced or refinanced. However, interest rate changes will affect the fair value of our fixed rate instruments and our hedge contracts. Conversely, changes in interest rates on variable rate debt would change our future earnings and cash flows, but not affect the fair value of those instruments. Assuming a one percentage point increase in the interest rate related to the variable-rate debt and related swap contracts, and assuming no change in the outstanding balance as of June 30, 2007, interest expense for 2007 would increase by approximately \$5.2 million, or \$0.03 per common share on a diluted basis.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Also, we have investments in certain unconsolidated entities. Our disclosure controls and procedures with respect to such entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As required by Rule 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2007. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under Note 19 of Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report, is incorporated herein by reference.

Item 1A. Risk Factors

The following risks related to our acquisition of SEUSA supplement the risks discussed in Part 1, Item 1A of our 2006 Annual Report on Form 10-K and the litigation risks set forth under Note 19 of Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report:

If we are unable to successfully integrate the operations of SEUSA, our business and earnings may be negatively affected.

The acquisition of SEUSA will involve significant integration efforts. Successful integration of the operations of SEUSA will depend primarily on our ability to consolidate operations, systems, procedures, properties and personnel. The acquisition will also pose other risks commonly associated with similar transactions, including unanticipated liabilities, unexpected costs and the diversion of management's attention to the integration of the operations of us and SEUSA. We cannot assure you that we will be able to integrate SEUSA's operations without encountering difficulties, including, but not limited to, the loss of key employees, the disruption of its respective ongoing businesses or possible inconsistencies in standards, controls, procedures and policies. Estimated cost savings are projected to come from various areas that our management has identified through the due diligence and integration planning process. If we have difficulties with the integration, we might not achieve the economic benefits we expect to result from the acquisition, and this may hurt our business and earnings. In addition, we may experience greater than expected costs or difficulties relating to the integration of the business of SEUSA and may not realize expected cost savings from the acquisition within the expected time frame, if at all.

We incurred substantial costs in connection with the acquisition, which could result in our not realizing some of the anticipated benefits of the acquisition.

We incurred costs of approximately \$17 million in connection with the acquisition. These costs include investment banking, legal and accounting fees and other related charges. Completion of the acquisition also required the payment of fees under certain of SEUSA's existing debt. We also expect to incur costs related to the integration of SEUSA, which cannot be estimated at this time. There can be no assurance that the costs incurred by us and SEUSA in connection with the SEUSA acquisition will not be higher than expected or that we will not incur additional unanticipated costs and expenses in connection with the acquisition.

Our indebtedness following the completion of the acquisition is higher than our previous indebtedness. This increased level of indebtedness could adversely affect us in many ways, including by reducing funds available for other business purposes, reducing our flexibility and subjecting us to variations in interest rates.

Our indebtedness as of June 30, 2007 was approximately \$4.6 billion. Our indebtedness after giving effect to the acquisition and taking into account our debt financings in connection with the acquisition, is approximately \$7.4 billion. In addition, it is expected that we will continue to incur debt in the future. As a result of the increase in debt, demands on our cash resources will increase after the acquisition. The increased levels of debt could reduce funds available to us to pay dividends, or make capital expenditures and acquisitions or create competitive disadvantages for us compared to other companies with lower debt levels. As a result, our flexibility could be significantly limited, including our ability to finance or refinance our properties, contribute properties to joint ventures or sell properties as needed.

At June 30, 2007, approximately 11% of our debt was subject to variable interest rates. A substantive portion of the new debt incurred or assumed in connection with the acquisition is also subject to variable interest rates, and a higher percentage of our debt overall is subject to variable interest rates. If interest rates increase, our interest costs will also increase, which could harm our cash flow and our ability to service debt. An increase in market interest rates may also lead investors to demand a higher annual distribution rate, which could adversely affect the market price of our common stock.

As a result of the acquisition of SEUSA, HCP Life Science REIT may have inherited tax liabilities and attributes from SEUSA.

We acquired the stock of SEUSA through HCP Life Science REIT, Inc. (HCP Life Science REIT), a subsidiary of the Company that will elect to be treated as a REIT commencing with its initial taxable year ending December 31, 2007.

For federal income tax purposes, SEUSA was deemed to liquidate into HCP Life Science REIT in a tax-free liquidation immediately after the acquisition of its stock. As a result of this liquidation, HCP Life Science REIT succeeded to the tax attributes, including tax basis, and earnings and profits, if any, of SEUSA. To qualify as a REIT, HCP Life Science REIT must distribute such non-REIT earnings and profits by the close of its 2007 taxable year. While we expect to cause HCP Life Science REIT to satisfy this distribution requirement, any adjustments to SEUSA's income for taxable years ending on or before the acquisition, including as a result of an examination of SEUSA's tax returns by the Internal Revenue Service, could affect the calculation of SEUSA's earnings and profits. If the Internal Revenue Service were to determine that HCP Life Science REIT acquired non-REIT earnings and profits from SEUSA that it failed to distribute prior to the end of its 2007 taxable year, HCP Life Science REIT could nonetheless avoid disqualification as a REIT by using deficiency dividend procedures. Under these procedures, HCP Life Science REIT generally would be required to distribute any such earnings and profits to its stockholders within 90 days of the determination and pay a statutory interest charge at a specified rate to the Internal Revenue Service.

Because SEUSA's tax basis in the assets transferred in the deemed liquidation carried over to HCP Life Science REIT, many of the properties formerly owned by SEUSA have fair market values in excess of their tax bases. This lower tax basis causes HCP Life Science REIT to have lower depreciation deductions than would be the case if we had directly purchased SEUSA's assets instead of its stock. In addition, if any of these properties were to be later sold in a taxable transaction, the gain would exceed that which would have been recognized if we had directly purchased SEUSA's assets instead of its stock.

Additionally, if HCP Life Science REIT recognizes gain on the disposition of any properties formerly owned by SEUSA during the ten-year period beginning on the date on which it acquired the SEUSA stock, it will be required to pay tax at the highest regular corporate tax rate on such gain to the extent of the excess of (a) the fair market value of the asset over (b) its adjusted basis in the asset, in each case determined as of the date on which it acquired the SEUSA stock. Any taxes paid by HCP Life Science REIT would reduce the amount available for distribution by HCP Life Science REIT to us.

Loss of our tax status as a REIT would have significant adverse consequences to us.

We currently operate and have operated commencing with our taxable year ended December 31, 1985 in a manner that is intended to allow us to qualify as a REIT for federal income tax purposes under the Internal Revenue Code of 1986, as amended. In addition, as described above, we own the stock of HCP Life Science REIT which will elect to be treated as a REIT commencing with its initial taxable year ending December 31, 2007.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability and the ability of HCP Life Science REIT to qualify as a REIT. If HCP Life Science REIT were to fail to qualify as a REIT, we also would fail to qualify as a REIT unless we (or HCP Life Science REIT) could make use of certain relief provisions. To qualify as a REIT, we and HCP Life Science REIT must satisfy a number of asset, income, organizational, distribution, stockholder ownership and other requirements. For example, to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must make distributions to our stockholders aggregating annually at least 90% of our REIT taxable income, excluding capital gains. In addition, new legislation, treasury regulations, administrative interpretations or court decisions may adversely affect our investors if such future events affected our ability to qualify as a REIT for tax purposes. Although we believe that we and HCP Life Science REIT have been organized and have operated in such manner, we can give no assurance that we or HCP Life Science REIT have qualified or will continue to qualify as a REIT for tax purposes.

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If we lose our REIT status, we will face serious tax consequences that will substantially reduce the funds available to make payments of principal and interest on the debt securities we issue and to make distributions to our stockholders. If we fail to qualify as a REIT:

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

In addition, if we fail to qualify as a REIT, all distributions to stockholders would be subject to tax as regular corporate dividends to the extent of our current and accumulated earnings and profits and we would not be required to make distributions to stockholders.

As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could adversely affect the value of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a)

HCP DR MCD, LLC. On February 9, 2007, we completed the acquisition of a managing member interest in HCP DR MCD, LLC, a Delaware limited liability company (*HCP DR MCD, LLC*), in exchange for the contribution of approximately \$171.5 million in cash. In connection with the formation of the LLC, several parties contributed a portfolio of certain property interests in two hospital towers, six MOBs, and three parking garages with an aggregate equity value of approximately \$140 million. In exchange for this capital contribution, the contributors received 4,246,857 non-managing member units of HCP DR MCD, LLC.

The Amended and Restated Limited Liability Company Agreement of HCP DR MCD, LLC provides that only we are authorized to act on behalf of HCP DR MCD, LLC and that we have responsibility for the management of its business.

Each non-managing member unit of HCP DR MCD, LLC is exchangeable for an amount of cash approximating the then-current market value of one share of our common stock or, at our option, one share of our common stock (subject to certain adjustments, such as stock splits and reclassifications). HCP DR MCD, LLC relied on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, in connection with the issuance and sale of the non-managing member units. As of June 30, 2007, we have not registered any shares of our common stock for issuance in exchange for non-managing member units of HCP DR MCD, LLC.

(b)

None.

(c)

The table below sets forth the information with respect to purchases of our common stock made by us or on our behalf during the quarter ended June 30, 2007.

Period Covered	Total Number Of Shares Purchased(1)	Average Price Paid Per Share	Total Number Of Shares (Or Units) Purchased As Part Of Publicly Announced Plans Or Programs	Maximum Number (Or Approximate Dollar Value) Of Shares (Or Units) That May Yet Be Purchased Under The Plans Or
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				Programs
April 1-30, 2007	444	\$	35.98	
May 1-31, 2007	3,082		34.27	
June 1-30, 2007	774		34.19	
Total	4,300	\$	34.43	

(1) Represents restricted shares withheld under our Amended and Restated 2000 Stock Incentive Plan, as amended, and our 2006 Performance Incentive Plan (the Incentive Plans), to offset tax withholding obligations that occur upon vesting of restricted shares. Our Incentive Plans provide that the value of the shares withheld shall be the closing price of our common stock on the date the relevant transaction occurs.

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Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on May 10, 2007. At the Annual Meeting, there were present in person or by proxy 185,574,488 shares of our common stock, representing approximately 90% of the total outstanding eligible votes. The proposals considered at the Annual Meeting were voted on as follows:

1. The following directors were elected to one year terms of office expiring at the 2008 Annual Meeting of Stockholders and until their successors are duly elected and qualified and received the number of votes set forth opposite their names. There were no broker non-votes.

Directors	Affirmative Votes	Against or Withheld
Mary A. Cirillo-Goldberg	183,432,320	2,143,168
Robert R. Fanning, Jr.	183,235,888	2,338,600
James F. Flaherty III	183,181,540	2,392,948
David B. Henry	182,043,950	3,530,538
Michael D. McKee	144,233,794	41,340,694
Harold M. Messmer, Jr.	160,618,610	24,995,878
Peter L. Rhein	183,257,485	2,317,003
Kenneth B. Roath	183,164,837	2,409,651
Richard M. Rosenberg	183,390,283	2,184,205
Joseph P. Sullivan	183,548,861	2,025,627

2. A proposal to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007 was approved by the Company's stockholders. The proposal received 184,458,054 votes in favor and 671,558 votes against. There were 444,876 abstentions and no broker non-votes.

3. A stockholder proposal regarding executive compensation was rejected by the Company's stockholders. The proposal received 48,557,480 votes in favor and 88,751,470 votes against. There were 1,334,522 abstentions and no broker non-votes.

Item 6. Exhibits

- 2.2 Share Purchase Agreement, dated June 3, 2007, by and between HCP and SEGRO plc (incorporated by reference to exhibit 2.1 to HCP's current report on Form 8-K, dated June 3, 2007).]
- 3.1 Articles of Restatement of HCP (incorporated by reference to exhibit 3.1 to HCP's quarterly report on Form 10-Q for the period ended June 30, 2004).
- 3.2 Fourth Amended and Restated Bylaws of HCP (incorporated by reference to exhibit 3.1 to HCP's current report on Form 8-K dated September 25, 2006).
- 4.1 Indenture, dated as of September 1, 1993, between HCP and The Bank of New York, as Trustee (incorporated by reference to exhibit 4.1 to HCP's registration statement on Form S-3 dated September 9, 1993).
- 4.2 Form of Fixed Rate Note (incorporated by reference to exhibit 4.2 to HCP's registration statement on Form S-3 dated March 20, 1989).
- 4.3 Form of Floating Rate Note (incorporated by reference to exhibit 4.3 to HCP's registration statement on Form S-3 dated March 20, 1989).
- 4.4 Registration Rights Agreement dated November 20, 1998 between HCP and James D. Bremner (incorporated by reference to exhibit 4.8 to HCP's annual report on Form 10-K for the year ended December 31, 1999). This exhibit is identical in all material respects to two other documents except the parties thereto. The parties to these other documents, other than HCP, were James P. Revel and Michael F. Wiley.
- 4.5 Registration Rights Agreement dated January 20, 1999 between HCP and Boyer Castle Dale Medical Clinic, L.L.C. (incorporated by reference to exhibit 4.9 to HCP's annual report on Form 10-K for the year ended December 31, 1999). This exhibit is identical in all material respects to 13 other documents except the parties thereto. The parties to these other documents, other than HCP, were

- Boyer Centerville Clinic Company, L.C., Boyer Elko, L.C., Boyer Desert Springs, L.C., Boyer Grantsville Medical, L.C., Boyer-Ogden Medical Associates, LTD., Boyer Ogden Medical Associates No. 2, LTD., Boyer Salt Lake Industrial Clinic Associates, LTD., Boyer-St. Mark's Medical Associates, LTD., Boyer McKay-Dee Associates, LTD., Boyer St. Mark's Medical Associates #2, LTD., Boyer Iomega, L.C., Boyer Springville, L.C., and Boyer Primary Care Clinic Associates, LTD. #2.
- 4.6 Indenture, dated as of January 15, 1997, between American Health Properties, Inc. and The Bank of New York, as trustee (incorporated by reference to exhibit 4.1 to American Health Properties, Inc.'s current report on Form 8-K, dated January 21, 1997).
- 4.7 First Supplemental Indenture, dated as of November 4, 1999, between HCP and The Bank of New York, as trustee (incorporated by reference to HCP's quarterly report on Form 10-Q for the period ended September 30, 1999).
- 4.8 Registration Rights Agreement dated August 17, 2001 between HCP, Boyer Old Mill II, L.C., Boyer-Research Park Associates, LTD., Boyer Research Park Associates VII, L.C., Chimney Ridge, L.C., Boyer-Foothill Associates, LTD., Boyer Research Park Associates VI, L.C., Boyer Stansbury II, L.C., Boyer Rancho Vistoso, L.C., Boyer-Alta View Associates, LTD., Boyer Kaysville Associates, L.C., Boyer Tatum Highlands Dental Clinic, L.C., Amarillo Bell Associates, Boyer Evanston, L.C., Boyer Denver Medical, L.C., Boyer Northwest Medical Center Two, L.C., and Boyer Caldwell Medical, L.C. (incorporated by reference to exhibit 4.12 to HCP's annual report on Form 10-K for the year ended December 31, 2001).
- 4.9 Officers' Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 6.5% Senior Notes due February 15, 2006 (incorporated by reference to exhibit 4.1 to HCP's current report on Form 8-K, dated February 21, 1996).
- 4.10 Officers' Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 6⁷/₈% Mandatory Par Put Remarketed Securities due June 8, 2015 (incorporated by reference to exhibit 4.1 to HCP's current report on Form 8-K, dated June 3, 1998).
- 4.11 Officers' Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 6.45% Senior Notes due June 25, 2012 (incorporated by reference to exhibit 4.1 to HCP's current report on Form 8-K, dated June 19, 2002).
- 4.12 Officers' Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between HCP and the Bank of New York, as Trustee, establishing a series of securities entitled 6.00% Senior Notes due March 1, 2015 (incorporated by reference to exhibit 3.1 to HCP's current report on Form 8-K (file no. 001-08895), dated February 25, 2003).
- 4.13 Officers' Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5⁵/₈% Senior Notes due May 1, 2017 (incorporated by reference to exhibit 4.2 to HCP's current report on Form 8-K, dated April 22, 2005).
- 4.14 Registration Rights Agreement dated October 1, 2003 between HCP, Charles Crews, Charles A. Elcan, Thomas W. Hulme, Thomas M. Klaritch, R. Wayne Price, Glenn T. Preston, Janet Reynolds, Angela M. Playle, James A. Croy, John Klaritch as Trustee of the 2002 Trust F/B/O Erica Ann Klaritch, John Klaritch as Trustee of the 2002 Trust F/B/O Adam Joseph Klaritch, John Klaritch as Trustee of the 2002 Trust F/B/O Thomas Michael Klaritch, Jr. and John Klaritch as Trustee of the 2002 Trust F/B/O Nicholas James Klaritch (incorporated by reference to exhibit 4.16 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2003).
- 4.15 Amended and Restated Dividend Reinvestment and Stock Purchase Plan, dated October 23, 2003 (incorporated by reference to HCP's registration statement on Form S-3 dated December 5, 2003, registration number 333-110939).
- 4.16 Specimen of Stock Certificate representing the Series E Cumulative Redeemable Preferred Stock, par value \$1.00 per share (incorporated herein by reference to exhibit 4.1 of HCP's 8-A12B filed on September 12, 2003).

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- 4.17 Specimen of Stock Certificate representing the Series F Cumulative Redeemable Preferred Stock, par value \$1.00 per share (incorporated herein by reference to exhibit 4.1 of HCP's 8-A12B filed on December 2, 2003).
- 4.18 Form of Floating Rate Note (incorporated by reference to exhibit 4.3 to HCP's current report on Form 8-K, dated November 19, 2003).
- 4.19 Form of Fixed Rate Note (incorporated by reference to exhibit 4.4 to HCP's current report on Form 8-K, dated November 19, 2003).
- 4.20 Registration Rights Agreement dated July 22, 2005 between HCP, William P. Gallaher, Trustee for the William P. & Cynthia J. Gallaher Trust, Dwayne J. Clark, Patrick R. Gallaher, Trustee for the Patrick R. & Cynthia M. Gallaher Trust, Jeffrey D. Civian, Trustee for the Jeffrey D. Civian Trust dated August 8, 1986, Jeffrey Meyer, Steven L. Gallaher, Richard Coombs, Larry L. Wasem, Joseph H. Ward, Jr., Trustee for the Joseph H. Ward, Jr. and Pamela K. Ward Trust, Borue H. O'Brien, William R. Mabry, Charles N. Elsbree, Trustee for the Charles N. Elsbree Jr. Living Trust dated February 14, 2002, Gary A. Robinson, Thomas H. Persons, Trustee for the Persons Family Revocable Trust under trust dated February 15, 2005, Glen Hammel, Marilyn E. Montero, Joseph G. Lin, Trustee for the Lin Revocable Living Trust, Ned B. Stein, John Gladstein, Trustee for the John & Andrea Gladstein Family Trust dated February 11, 2003, John Gladstein, Trustee for the John & Andrea Gladstein Family Trust dated February 11, 2003, Francis Connelly, Trustee for the The Francis J & Shannon A Connelly Trust, Al Coppin, Trustee for the Al Coppin Trust, Stephen B. McCullagh, Trustee for the Stephen B. & Pamela McCullagh Trust dated October 22, 2001, and Larry L. Wasem SEP IRA (incorporated by reference to exhibit 4.24 to HCP's quarterly report on Form 10-Q for the period ended June 30, 2005).
- 4.21 Officers' Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between HCP and The Bank of New York, as trustee, setting forth the terms of HCP's Fixed Rate Medium-Term Notes and Floating Rate Medium-Term Notes (incorporated by reference to exhibit 4.2 to HCP's current report on Form 8-K, dated February 17, 2006).
- 4.22 Form of Fixed Rate Medium-Term Note (incorporated by reference to exhibit 4.3 to HCP's current report on Form 8-K, dated February 17, 2006).
- 4.23 Form of Floating Rate Medium-Term Note (incorporated by reference to exhibit 4.4 to HCP's current report on Form 8-K, dated February 17, 2006).
- 4.24 Form of Floating Rate Notes Due 2008 (incorporated by reference to exhibit 4.1 to HCP's current report on Form 8-K, dated September 12, 2006).
- 4.25 Form of 5.95% Notes Due 2011 (incorporated by reference to exhibit 4.2 to HCP's current report on Form 8-K, dated September 12, 2006).
- 4.26 Form of 6.30% Notes Due 2016 (incorporated by reference to exhibit 4.3 to HCP's current report on Form 8-K, dated September 12, 2006).
- 4.27 Form of Senior Notes Due 2013 (incorporated by reference to exhibit 4.1 to HCP's current report on Form 8-K, dated November 29, 2006).
- 4.28 Form of 6.00% Senior Notes Due 2017 (incorporated by reference to exhibit 4.1 to HCP's current report on Form 8-K, dated January 17, 2007).
- 4.29 Acknowledgment and Consent dated as of May 11, 2007 by and among Zions First National Bank, KC Gardner Company, L.C., HCPI/Utah, LLC, Gardner Property Holdings, L.C. and HCP.
- 4.30 Acknowledgment and Consent dated as of May 11, 2007 by and among Zions First National Bank, KC Gardner Company, L.C., HCPI/Utah II, LLC, Gardner Property Holdings, L.C. and HCP.
- 10.1 Amendment No. 1, dated as of May 30, 1985, to Partnership Agreement of Health Care Property Partners, a California general partnership, the general partners of which consist of HCP and certain affiliates of Tenet (incorporated by reference to exhibit 10.1 to HCP's annual report on Form 10-K for the year ended December 31, 1985).
- 10.2 HCP Second Amended and Restated Directors Stock Incentive Plan (incorporated by reference to exhibit 10.43 to HCP's quarterly report on Form 10-Q for the period ended March 31, 1997).*
- 10.2.1 First Amendment to Second Amended and Restated Directors Stock Incentive Plan, effective as of November 3, 1999 (incorporated by reference to exhibit 10.1 to HCP's quarterly report on Form 10-Q for the period ended September 30, 1999).*

- 10.2.2 Second Amendment to Second Amended and Restated Directors Stock Incentive Plan, effective as of January 4, 2000 (incorporated by reference to exhibit 10.15 to HCP's annual report on Form 10-K for the year ended December 31, 1999).*
- 10.3 HCP Second Amended and Restated Stock Incentive Plan (incorporated by reference to exhibit 10.44 to HCP's quarterly report on Form 10-Q for the period ended March 31, 1997).*
- 10.3.1 First Amendment to Second Amended and Restated Stock Incentive Plan effective as of November 3, 1999 (incorporated by reference to exhibit 10.3 to HCP's quarterly report on Form 10-Q for the period ended September 30, 1999).*
- 10.4 HCP 2000 Stock Incentive Plan, effective as of May 7, 2003 (incorporated by reference to HCP's Proxy Statement regarding HCP's annual meeting of shareholders held May 7, 2003).*
- 10.4.1 Amendment to the Company's Amended and Restated 2000 Stock Incentive Plan (effective as of May 7, 2003) (incorporated herein by reference to exhibit 10.1 to HCP's current report on Form 8-K, dated January 28, 2005).*
- 10.5 HCP Second Amended and Restated Directors Deferred Compensation Plan (incorporated by reference to exhibit 10.45 to HCP's quarterly report on Form 10-Q for the period ended September 30, 1997).*
- 10.5.1 First Amendment to Second Amended and Restated Directors Deferred Compensation Plan, effective as of April 11, 1997 (incorporated by reference to exhibit 10.5.1 to HCP's quarterly report on Form 10-Q for the period ended March 31, 2005).*
- 10.5.2 Second Amendment to Second Amended and Restated Directors Deferred Compensation Plan, effective as of July 17, 1997 (incorporated by reference to exhibit 10.5.2 to HCP's quarterly report on Form 10-Q for the period ended March 31, 2005).*
- 10.5.3 Third Amendment to Second Amended and Restated Directors Deferred Compensation Plan, effective as of November 3, 1999 (incorporated by reference to exhibit 10.2 to HCP's quarterly report on Form 10-Q for the period ended September 30, 1999).*
- 10.5.4 Fourth Amendment to Second Amended and Restated Director Deferred Compensation Plan, effective as of January 4, 2000 (incorporated by reference to exhibit 10.19 to HCP's annual report on Form 10-K for the year ended December 31, 1999).*
- 10.6 Various letter agreements, each dated as of October 16, 2000, among HCP and certain key employees of the Company (incorporated by reference to exhibit 10.12 to HCP's annual report on Form 10-K for the year ended December 31, 2000).*
- 10.7 HCP Amended and Restated Executive Retirement Plan (incorporated by reference to exhibit 10.13 to HCP's annual report on Form 10-K for the year ended December 31, 2001).*
- 10.8 Amended and Restated Limited Liability Company Agreement dated November 20, 1998 of HCPI/Indiana, LLC (incorporated by reference to exhibit 10.15 to HCP's annual report on Form 10-K for the year ended December 31, 1998).
- 10.9 Amended and Restated Limited Liability Company Agreement dated January 20, 1999 of HCPI/Utah, LLC (incorporated by reference to exhibit 10.16 to HCP's annual report on Form 10-K for the year ended December 31, 1998).
- 10.10 Cross-Collateralization, Cross-Contribution and Cross-Default Agreement, dated as of July 20, 2000, by HCP Medical Office Buildings II, LLC, and Texas HCP Medical Office Buildings, L.P., for the benefit of First Union National Bank (incorporated by reference to exhibit 10.20 to HCP's annual report on Form 10-K for the year ended December 31, 2000).
- 10.11 Cross-Collateralization, Cross-Contribution and Cross-Default Agreement, dated as of August 31, 2000, by HCP Medical Office Buildings I, LLC, and Meadowdome, LLC, for the benefit of First Union National Bank (incorporated by reference to exhibit 10.21 to HCP's annual report on Form 10-K for the year ended December 31, 2000).
- 10.12 Amended and Restated Limited Liability Company Agreement dated August 17, 2001 of HCPI/Utah II, LLC (incorporated by reference to exhibit 10.21 to HCP's annual report on Form 10-K for the year ended December 31, 2001).

- 10.12.1 First Amendment to Amended and Restated Limited Liability Company Agreement dated October 30, 2001 of HCPI/Utah II, LLC (incorporated by reference to exhibit 10.22 to HCP's annual report on Form 10-K for the year ended December 31, 2001).
- 10.13 Employment Agreement dated October 26, 2005 between HCP and James F. Flaherty III (incorporated by reference to exhibit 10.13 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2005).*
- 10.14 Amended and Restated Limited Liability Company Agreement dated as of October 2, 2003 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.28 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2003).
- 10.14.1 Amendment No.1 to Amended and Restated Limited Liability Company Agreement dated September 29, 2004 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.37 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2004).
- 10.14.2 Amendment No.2 to Amended and Restated Limited Liability Company Agreement dated October 29, 2004 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.43 to HCP's annual report on Form 10-K for the year ended December 31, 2005).
- 10.14.3 Amendment No.3 to Amended and Restated Limited Liability Company Agreement and New Member Joinder Agreement dated October 19, 2005 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.14.3 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2005).
- 10.15 Employment Agreement dated October 1, 2003 between HCP and Charles A. Elcan (incorporated by reference to exhibit 10.29 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2003).*
- 10.15.1 Amendment No.1 to the Employment Agreement dated October 1, 2003 between HCP and Charles A. Elcan (incorporated herein by reference to exhibit 10.5 to HCP's current report on Form 8-K, dated January 28, 2005).*
- 10.16 Form of Restricted Stock Agreement for employees and consultants effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.30 to HCP's annual report on Form 10-K for the year ended December 31, 2003).*
- 10.17 Form of Restricted Stock Agreement for directors effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.31 to HCP's annual report on Form 10-K for the year ended December 31, 2003).*
- 10.18 Form of Performance Award Letter for employees effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.32 to HCP's annual report on Form 10-K for the year ended December 31, 2003).*
- 10.19 Form of Stock Option Agreement for eligible participants effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.33 to HCP's annual report on Form 10-K for the year ended December 31, 2003).*
- 10.20 Amended and Restated Executive Retirement Plan effective as of May 7, 2003 (incorporated by reference to exhibit 10.34 to HCP's annual report on Form 10-K for the year ended December 31, 2003).*
- 10.21 Form of CEO Performance Restricted Stock Unit Agreement with five year installment vesting effective as of March 15, 2004, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.34 to HCP's annual report on Form 10-K, dated March 15, 2005).*

- 10.22 Form of CEO Performance Restricted Stock Unit Agreement with three year cliff vesting effective as of March 15, 2004, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.35 to HCP's annual report on Form 10-K, dated March 15, 2005).*
- 10.23 Form of employee Performance Restricted Stock Unit Agreement with five year installment vesting effective as of March 15, 2004, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.36 to HCP's annual report on Form 10-K, dated March 15, 2005).*
- 10.24 Form of employee Performance Restricted Stock Unit Agreement with three year cliff vesting effective as of March 15, 2004, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.37 to HCP's annual report on Form 10-K, dated March 15, 2005).*
- 10.25 Form of CEO Performance Restricted Stock Unit Agreement with five year installment vesting effective as of March 15, 2004, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.4 to HCP's current report on Form 8-K, dated January 28, 2005).*
- 10.26 Form of CEO Performance Restricted Stock Unit Agreement with three year cliff vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.2 to HCP's current report on Form 8-K, dated January 28, 2005).*
- 10.27 Form of employee Performance Restricted Stock Unit Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.3 to HCP's current report on Form 8-K, dated January 28, 2005).*
- 10.28 CEO Performance Restricted Stock Unit Agreement, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.29 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2005).*
- 10.29 Form of directors and officers Indemnification Agreement as approved by the Board of Directors of the Company (incorporated by reference to exhibit 10.30 to HCP's quarterly report on Form 10-Q for the period ended September 30, 2005).*
- 10.30 Various letter agreements, each dated as of October 16, 2000, among HCP and certain key employees of the Company (incorporated herein by reference to exhibit 10.12 to HCP's annual report on Form 10-K, dated March 9, 2001).*
- 10.31 Form of employee Performance Restricted Stock Unit Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.33 to HCP's quarterly report on Form 10-Q for the period ended March 31, 2006).*
- 10.32 Form of CEO Performance Restricted Stock Unit Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.34 to HCP's quarterly report on Form 10-Q for the period ended March 31, 2006).*
- 10.33 Form of CEO Performance Restricted Stock Unit Agreement with three year cliff vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.35 to HCP's quarterly report on Form 10-Q for the period ended March 31, 2006).*
- 10.34 Form of employee Restricted Stock Award Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's 2006 Performance Incentive Plan (incorporated by reference to exhibit 10.36 to HCP's quarterly report on Form 10-Q for the period ended June 30, 2006).*

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- 10.35 Form of employee Nonqualified Stock Option Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's 2006 Performance Incentive Plan (incorporated by reference to exhibit 10.37 to HCP's quarterly report on Form 10-Q for the period ended June 30, 2006).*
- 10.36 Form of director Restricted Stock Award Agreement with five year installment vesting, as approved by the Board of Directors of the Company, relating to the Company's 2006 Performance Incentive Plan (incorporated by reference to exhibit 10.38 to HCP's quarterly report on Form 10-Q for the period ended June 30, 2006).*
- 10.37 Form of Non-Employee Directors Stock-For-Fees Program, as approved by the Board of Directors of the Company, relating to the Company's 2006 Performance Incentive Plan. (incorporated by reference to exhibit 10.1 to HCP's current report on Form 8-K, dated July 27, 2006).*
- 10.38 Stock Unit Award Agreement, dated August 14, 2006, by and between the Company and James F. Flaherty III (incorporated by reference to exhibit 10.1 to HCP's current report on Form 8-K, dated August 14, 2006).*
- 10.39 Form of employee Performance Restricted Stock Unit Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's 2006 Performance Incentive Plan (incorporated herein by reference to exhibit 10.41 to HCP's annual report on Form 10-K, dated February 13, 2007).*
- 10.40 Form of CEO Performance Restricted Stock Unit Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's 2006 Performance Incentive Plan (incorporated herein by reference to exhibit 10.42 to HCP's annual report on Form 10-K, dated February 13, 2007).*
- 10.41 Form of CEO Performance Restricted Stock Unit Agreement with three year cliff vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company's 2006 Performance Incentive Plan (incorporated herein by reference to exhibit 10.43 to HCP's annual report on Form 10-K, dated February 13, 2007).*
- 10.42 \$2,750,000,000 Credit Agreement dated as of August 1, 2007 among HCP, the lenders party thereto and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to exhibit 10.1 to HCP's current report on Form 8-K, dated August 1, 2007).
- 10.43 \$1,500,000,000 Credit Agreement dated as of August 1, 2007 among HCP, the lenders party thereto and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to exhibit 10.2 to HCP's current report on Form 8-K, dated August 1, 2007).
- 10.44 HCP Change in Central Severance Plan (incorporated herein by reference to exhibit 10.1 to HCP's current report on Form 8-K, dated July 26, 2007).*
- 31.1 Certification by James F. Flaherty III, the Company's Principal Executive Officer, Pursuant to Securities Exchange Act Rule 13a-14(a).
- 31.2 Certification by Mark A. Wallace, the Company's Principal Financial Officer, Pursuant to Securities Exchange Act Rule 13a-14(a).
- 32.1 Certification by James F. Flaherty III, the Company's Principal Executive Officer, Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
- 32.2 Certification by Mark A. Wallace, the Company's Principal Financial Officer, Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.

* Management Contract or Compensatory Plan or Arrangement.

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statement on Form S-8 Nos. 33-28483 and 333-90353 filed May 11, 1989 and November 5, 1999, respectively, Form S-8 Nos. 333-54786 and 333-54784 each filed February 1, 2001, and Form S-8 No. 333-108838 filed September 16, 2003.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 3, 2007

HEALTH CARE PROPERTY INVESTORS, INC.

(Registrant)

/s/ Mark A. Wallace
Mark A. Wallace
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ George P. Doyle
George P. Doyle
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)