

HEALTH CARE PROPERTY INVESTORS INC
Form 10-Q
May 01, 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 March 31, 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 April 24, 2007, there were 206,018,737 shares of \$ 1.00 par value common stock outstanding.

HEALTH CARE PROPERTY INVESTORS, INC.

INDEX

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements: <u>Condensed Consolidated Balance Sheets</u> <u>Condensed Consolidated Statements of Income</u> <u>Condensed Consolidated Statement of Stockholders' Equity</u> <u>Condensed Consolidated Statements of Cash Flows</u> <u>Notes to Condensed Consolidated Financial Statements</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>

PART II. OTHER INFORMATION

<u>Item 1A.</u>	<u>Risk Factors</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
<u>Item 6.</u>	<u>Exhibits</u>
<u>Signatures</u>	

HEALTH CARE PROPERTY INVESTORS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Real estate:		
Buildings and improvements	\$ 6,992,649	\$ 6,597,047
Developments in process	31,008	44,210
Land	868,486	759,275
Less accumulated depreciation and amortization	628,977	578,269
Net real estate	7,263,166	6,822,263
Net investment in direct financing leases	679,956	678,013
Loans receivable, net	199,303	196,480
Investments in and advances to unconsolidated joint ventures	173,689	25,389
Accounts receivable, net of allowance of \$23,515 and \$24,205, respectively	33,960	31,026
Cash and cash equivalents	102,923	60,687
Intangible assets, net	430,011	479,612
Real estate held for sale, net	4,830	102,424
Real estate held for contribution		1,102,016
Other assets, net	503,248	514,839
Total assets	\$ 9,391,086	\$ 10,012,749
LIABILITIES AND STOCKHOLDERS EQUITY		
Bank line of credit and term loan	\$ 190,000	\$ 1,129,093
Senior unsecured notes	3,232,630	2,748,522
Mortgage debt	1,541,877	1,531,086
Mortgage debt on assets held for contribution		685,568
Other debt	108,307	107,746
Intangible liabilities, net	162,211	151,328
Accounts payable and accrued liabilities	166,661	182,810
Deferred revenue	27,281	20,795
Total liabilities	5,428,967	6,556,948
Minority interests:		
Joint venture partners	35,515	34,211
Non-managing member unitholders	306,216	127,554
Total minority interests	341,731	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; 205,987,133 and 198,599,054 shares issued and outstanding, respectively	205,987	198,599
Additional paid-in capital	3,378,858	3,108,908
Cumulative net income	2,083,981	1,938,693
Cumulative dividends	(2,352,123)	(2,255,062)
Accumulated other comprehensive income	18,512	17,725
Total stockholders' equity	3,620,388	3,294,036
Total liabilities and stockholders' equity	\$ 9,391,086	\$ 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 March 31,	
	2007	2006
Revenues and other income:		
Rental and related revenues	\$ 213,000	\$ 106,137
Income from direct financing leases	14,990	
Investment management fee income	6,328	1,054
Interest and other income	16,130	13,693
	250,448	120,884
Costs and expenses:		
Interest	79,590	32,054
Depreciation and amortization	64,033	27,392
Operating	42,401	17,445
General and administrative	20,593	8,490
	206,617	85,381
Operating income	43,831	35,503
Equity income from unconsolidated joint ventures	1,214	3,822
Minority interests share of earnings	(5,235)	(3,777)
Income from continuing operations	39,810	35,548
Discontinued operations:		
Operating income	1,433	13,749
Gain on sales of real estate, net	104,045	8,591
	105,478	22,340
Net income	145,288	57,888
Preferred stock dividends	(5,283)	(5,283)
Net income applicable to common shares	\$ 140,005	\$ 52,605
Basic earnings per common share:		
Continuing operations	\$ 0.17	\$ 0.22
Discontinued operations	0.52	0.17
Net income applicable to common shares	\$ 0.69	\$ 0.39
Diluted earnings per common share:		
Continuing operations	\$ 0.17	\$ 0.22
Discontinued operations	0.51	0.16
Net income applicable to common shares	\$ 0.68	\$ 0.38
Weighted average shares used to calculate earnings per common share:		
Basic	204,000	136,040
Diluted	205,909	136,856
Dividends declared per common share	\$ 0.445	\$ 0.425

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)

	Three Months Ended March 31, 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	7,354
Exercise of stock options	34
Shares at end of period	205,987
Common Stock, \$1.00 Par Value	
Balance at beginning of period	\$ 198,599
Issuance of common stock, net	7,354
Exercise of stock options	34
Balance at end of period	\$ 205,987
Additional Paid-In Capital	
Balance at beginning of period	\$ 3,108,908
Issuance of common stock, net	266,892
Exercise of stock options	580
Amortization of deferred compensation	2,478
Balance at end of period	\$ 3,378,858
Cumulative Net Income	
Balance at beginning of period	\$ 1,938,693
Net income	145,288
Balance at end of period	\$ 2,083,981
Cumulative Dividends	
Balance at beginning of period	\$ (2,255,062)
Common dividend (\$0.445 per share)	(91,778)
Preferred dividends	(5,283)
Balance at end of period	\$ (2,352,123)
Accumulated Other Comprehensive Income	
Balance at beginning of period	\$ 17,725
Net unrealized gains on securities:	
Unrealized gains	1,279
Less reclassification adjustment for gains recognized in net income	(412)
Unrealized losses on cash flow hedges	(105)
Changes in Supplemental Executive Retirement Plan (SERP) obligation	25
Balance at end of period	\$ 18,512
Total Comprehensive Income	
Net income	\$ 145,288
Other comprehensive income	787
Total comprehensive income	\$ 146,075

See accompanying Notes to Condensed Consolidated Financial Statements.

HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 145,288	\$ 57,888
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	64,033	27,392
Discontinued operations	340	3,464
Amortization of above and below market lease intangibles, net	(274)	(359)
Stock-based compensation	2,478	1,843
Debt issuance costs amortization	3,654	896
Recovery of loan losses	(125)	
Interest accretion on direct financing leases and straight-line rents	(9,781)	(2,398)
Equity income from unconsolidated joint ventures	(1,214)	(3,822)
Distributions of earnings from unconsolidated joint ventures	1,011	3,822
Minority interests share of earnings	5,235	3,777
Gain on sales of equity securities, net	(1,012)	
Gain on sales of real estate, net	(104,045)	(8,591)
Changes in:		
Accounts receivable	(2,934)	(383)
Other assets	(7,625)	1,657
Accounts payable, accrued liabilities and deferred revenue	(8,347)	7,025
Net cash provided by operating activities	86,682	92,211
Cash flows from investing activities:		
Acquisition and development of real estate	(222,006)	(190,126)
Lease commissions and tenant and capital improvements	(8,080)	(3,898)
Net proceeds from sales of real estate	170,102	21,395
Distributions from unconsolidated joint ventures, net	276,209	427
Purchase of equity securities		(12,895)
Proceeds from the sale of equity securities	4,454	
Principal repayments on loans receivable	3,832	35,757
Investment in loans receivable and debt securities	(4,843)	(1,570)
Decrease (increase) in restricted cash	7,837	(424)
Net cash provided by (used in) investing activities	227,505	(151,334)
Cash flows from financing activities:		
Net borrowings (repayments) under bank lines of credit	(434,500)	116,400
Repayments of term loan	(504,593)	
Repayments of mortgage debt	(5,295)	(1,470)
Issuance of mortgage debt, net of issuance costs	18,069	22,100
Repayments of senior unsecured notes	(10,000)	(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	271,460	9,564
Dividends paid on common and preferred stock	(97,061)	(63,761)
Distributions to minority interests	(3,396)	(2,701)
Net cash provided by (used in) financing activities	(271,951)	93,738
Net increase in cash and cash equivalents	42,236	34,615
Cash and cash equivalents, beginning of period	60,687	21,342

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Cash and cash equivalents, end of period	\$	102,923	\$	55,957
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See accompanying Notes to Condensed Consolidated Financial Statements.

6

HEALTH CARE PROPERTY INVESTORS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL 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

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 months ended March 31, 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

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

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.

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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

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 \$39.8 million and \$35.6 million, net of allowances, at March 31, 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 March 31, 2007 and December 31, 2006, respectively, the Company had an allowance of \$36.6 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.

Loans Receivable

Loans receivable are classified as held-to-maturity because the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. The Company recognizes interest income on loans, including the amortization of discounts and premiums, using the effective interest method.

Real Estate

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 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 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 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. Other in-place lease intangibles are amortized to expense over the remaining lease term and bargain renewal periods. At March 31, 2007 and December 31, 2006, lease intangible assets were \$430.0 million and \$479.6 million, respectively. At March 31, 2007 and December 31, 2006, lease intangible liabilities were \$162.2 million and \$151.3 million, respectively.

Impairment of Long-Lived Assets and Goodwill

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

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

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.

The Company periodically sells assets or contributes assets into joint ventures based on market conditions and the exercise of purchase options by tenants. The operating results of properties meeting the criteria established in SFAS No. 144 are reported as discontinued operations in the Company's consolidated statements of income. Discontinued operations for the three months ended March 31, 2007 include 35 properties with revenues of \$4.4 million. The Company had 111 properties

classified as discontinued operations for the three months ended March 31, 2006, with revenues of \$17.3 million. During the three months ended March 31, 2007 and 2006, 27 and six properties were sold, respectively, with net gains on real estate dispositions of \$104.0 million and \$8.6 million, respectively. At March 31, 2007 and December 31, 2006, the number of assets held for sale was nine and 36 with carrying amounts of \$4.8 million and \$102.4 million, respectively.

Assets Held for Contribution

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. At December 31, 2006, the Company classified as held for contribution 25 senior housing assets with an aggregate carrying value of \$1.1 billion. There were no assets held for contribution as of March 31, 2007.

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

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

Restricted Cash

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 March 31, 2007 and December 31, 2006, restricted cash amounts were \$30.5 million and \$38.5 million, respectively, and are included in other assets.

Derivatives

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.

Income Taxes

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 three months ended March 31, 2007 and 2006, income taxes related to the Company's TRSs were \$0.5 million, and zero, respectively.

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 March 31, 2007.

Marketable Securities

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. During the three months ended March 31, 2007, the Company realized gains totaling \$1.0 million related to the sale of various equity securities. There were no sales of securities for the three months ended March 31, 2006. At March 31, 2007, the carrying value of debt securities was \$324.7 million, which includes \$24.7 million in unrealized gains and is included in other assets. At December 31, 2006, the carrying value of debt securities was \$322.5 million, which includes \$22.5 million in unrealized gains and is included in other assets.

Capital Raising Issuance Costs

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 in other assets and amortized to interest expense over the remaining term of the related debt.

Segment Reporting

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

Two of the Company's continuing care retirement communities (CCRCs) issued 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 seniors 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

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.

(3) Acquisitions and Dispositions

A summary of acquisitions for the three months ended March 31, 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
Hospitals	81,224	35,205	84,719	191,935	9,213
Other healthcare facilities	1,815		2,092	3,907	
	\$ 207,850	\$ 35,205	\$ 180,698	\$ 404,890	\$ 18,863

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 6), 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 three months ended March 31, 2007, the Company acquired properties aggregating \$424 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 gain 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 medical office buildings, 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 March 31, 2007, the purchase price allocation is preliminary and is pending the receipt of information necessary to complete the valuation of certain intangibles.

On February 28, 2007, the Company acquired three medical office buildings 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%.

During the three months ended March 31, 2007, the Company sold 27 properties for \$170 million and recognized gains of approximately \$104 million.

See discussions of the HCP Ventures II, LLC and HCP Ventures III transactions in Note 6. See Note 17 for a discussion of acquisitions and dispositions subsequent to March 31, 2007.

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

On October 5, 2006, HCP acquired 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.

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. 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 calculation of the aggregate purchase price for CRP and CRC follows (in thousands):

Cash consideration paid for CRP common shares exchanged	\$ 2,948,729
Fair value of HCP common shares issued	720,384
CRP and CRC merger consideration	3,669,113
CRP and CRC merger costs	27,983
Additional cash consideration paid to retire debt at closing, net of cash acquired	348,334
Total consideration, net of assumed liabilities	4,045,430
Fair value of liabilities assumed, including debt and minority interest	1,517,582
Total consideration	\$ 5,563,012

Under the purchase method of accounting, the assets and liabilities of CRP and CRC were recorded at their relative fair values as of the date of the acquisition, with amounts paid in the excess of the fair value of the assets acquired recorded as goodwill. HCP obtained preliminary third-party valuations of the tangible and intangible assets, debt and certain other assets and liabilities. However, as of March 31, 2007, the purchase price allocation is preliminary and is pending the receipt of information necessary to complete the valuation of certain assets and liabilities. When finalized, adjustments to goodwill may result.

The following table summarizes the preliminary estimated fair values of the CRP and CRC assets acquired and liabilities assumed as of the acquisition date (in thousands):

Assets acquired	
Buildings and improvements	\$ 3,820,046
Land	516,254
Direct financing leases	675,500
Restricted cash	34,566
Intangible assets	392,479
Other assets	72,421
Goodwill	51,746
Total assets acquired	\$ 5,563,012
Liabilities assumed	
Mortgages payable and other debt	\$ 1,299,109
Intangible liabilities	137,507
Other liabilities	75,705
Minority interests	5,261
Total liabilities assumed and minority interests	1,517,582
Net assets acquired	\$ 4,045,430

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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 months ended March 31, 2006 (in thousands, except per share amounts):

Revenues	\$224,977
Net income	\$38,338
Basic earnings per common share	\$0.20
Diluted earnings per common share	\$0.20

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) Net Investment in Direct Financing Leases

The components of net investment in DFLs consisted of the following at March 31, 2007 (dollars in thousands):

Minimum lease payments receivable	\$ 1,499,363
Estimated residual values	515,470
Less unearned income	(1,334,877)
Net investment in direct financing leases	\$ 679,956
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.

(6) 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 March 31, 2007 (dollars in thousands):

Entity (1)	Investment(2)	Ownership
HCP Ventures II, LLC	\$ 148,417	35 %
HCP Ventures III, LLC	14,239	26 %
Arborwood Living Center, LLC	862	45 %
Greenleaf Living Centers, LLC	429	45 %
Suburban Properties, LLC	5,552	67 %
Advances to unconsolidated joint ventures	4,190	
	\$ 173,689	
Edgewood Assisted Living Center, LLC(3)	\$ (546)	45 %
Seminole Shores Living Center, LLC(3)	(907)	50 %
	\$ (1,453)	

(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.

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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 formation, the Company received approximately \$36 million in proceeds, including a one-time acquisition fee of \$0.7 million. The Company retained an effective 26% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

15

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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 formation, 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 three months ended March 31, 2007. The Company retained a 35% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

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

	March 31, 2007	December 31, 2006
	(in thousands)	
Real estate, net	\$ 1,179,672	\$ 150,206
Other assets, net	95,331	25,358
Total assets	\$ 1,275,003	\$ 175,564
Notes payable	\$ 800,135	\$ 116,805
Accounts payable	13,501	13,690
Other partners' capital	303,238	32,549
HCP's capital	158,129	12,520
Total liabilities and partners' capital	\$ 1,275,003	\$ 175,564

	Three Months Ended	
	March 31, 2007	2006 (1)
	(In thousands)	
Total revenues	\$ 26,323	\$ 20,052
Net income	\$ 3,136	\$ 11,187
HCP's equity income	\$ 1,214	\$ 3,822
Fees earned by HCP	\$ 6,328	\$ 1,054
Distributions received, net	\$ 277,220	\$ 4,249

(1) The amounts for the three months ended March 31, 2006, include the results of HCP MOP.

As of March 31, 2007, the Company has guaranteed approximately \$7.1 million of a total of \$15.2 million of notes payable for four of these joint ventures.

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 MOBs, 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. HCP obtained third-party valuations of the tangible and intangible assets, debt and certain other assets and liabilities. During the three months ended March 31, 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 three months ended March 31, 2007. As of March 31, 2007, the purchase price allocation is preliminary and is pending information necessary to complete the valuation of certain assets.

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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).

(7) Loans Receivable

Loans receivable consist of the following (in thousands):

	March 31, 2007			December 31, 2006		
	Real Estate Secured	Other	Total	Real Estate Secured	Other	Total
Joint venture partners	\$	\$ 7,055	\$ 7,055	\$	\$ 7,054	\$ 7,054
Others	121,009	72,794	193,803	121,482	69,624	191,106
Loan loss allowance		(1,555)	(1,555)		(1,680)	(1,680)
	\$ 121,009	\$ 78,294	\$ 199,303	\$ 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 interest in partnerships operating surgical facilities in premises leased from a Cirrus affiliate 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 March 31, 2007, the carrying value of this loan is \$71.1 million, including accrued interest of \$3.2 million.

(8) Other Assets

The Company's other assets consisted of the following:

	March 31, 2007 (in thousands)	December 31, 2006
Available for sale debt securities	\$ 324,657	\$ 322,500
Available for sale equity securities	10,296	15,159
Restricted cash	30,490	38,504
Goodwill	51,746	51,746
Straight-line rent assets, net	39,769	35,582
Other	46,290	51,348
Total other assets	\$ 503,248	\$ 514,839

On November 17, 2006, the Company purchased \$300 million senior secured notes issued by HCA Inc. (HCA). These notes accrue interest at 9.625%, mature on November 15, 2016, and are secured by second-priority liens on the assets of HCA and its subsidiary guarantors. At March 31, 2007, the fair value of these senior secured notes was \$325 million and are classified as available for sale. The issuer of these notes may elect to pay interest in cash by increasing the principal amount of the notes for the entire amount of the interest payments, or by paying half of the interest in cash and half in additional notes. The first payment due on May 15, 2007, is only payable in cash. After November 15, 2011, all interest on these notes will be payable in cash. If the issuer elects to pay by adding to the principal amount or with additional notes, the accrual rate is at 10.375%. Through April 30, 2007, the Company sold \$45 million of these notes for proceeds of \$51 million, which includes accrued interest of approximately \$2 million.

(9) Debt*Bank line of credit and term loan.*

At March 31, 2007, borrowings under the Company's \$1.0 billion revolving credit facility were \$190 million with a weighted average interest rate of 6.02%. The revolving credit facility matures on October 2, 2009, and accrues interest at a rate per annum equal to LIBOR plus a margin ranging from 0.475% to 1.10%, 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 0.125% to 0.25%, depending upon its debt ratings. The revolving credit facility contains a negotiated rate option, which is available for up to 50% of borrowings, whereby the lenders participating in the credit facility bid on the interest to be charged and which may result in a reduced interest rate. Based on the Company's debt ratings on March 31, 2007, the margin on the revolving loan facility is 0.70% and the facility fee is 0.15%.

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 70%, (ii) Secured Debt to Consolidated Total Asset Value to 30%, and (iii) beginning January 1, 2007, Unsecured Debt to Consolidated Unencumbered Asset Value to 100%. 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 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 March 31, 2007, the Company was in compliance with each of the restrictions and requirements.

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

Senior unsecured notes. At March 31, 2007, the Company had \$3.2 billion in aggregate principal of senior unsecured notes outstanding. Interest rates on the notes ranged from 4.8% to 7.62% with a weighted average effective rate of 6.10% at March 31, 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 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 March 31, 2007, the Company had \$1.5 billion in mortgage debt secured by 247 healthcare facilities with a carrying amount of \$3.4 billion. Interest rates on the mortgage notes ranged from 3.72% to 9.32% with a weighted average effective rate of 6.14% at March 31, 2007.

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 March 31, 2007, the Company had \$108.3 million of non-interest bearing Life Care Bonds at its two 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 March 31, 2007, \$36.2 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 \$72.1 million of the Life Care Bonds were refundable after the unit has been successfully remarketed to a new resident.

(10) Stockholders Equity*Common Stock*

During the three months ended March 31, 2007 and 2006 the Company issued 304,000 and 210,000 shares, respectively, of common stock under its Dividend Reinvestment and Stock Purchase Plan. The Company issued 34,000 and 287,000 shares upon exercise of stock options during the three months ended March 31, 2007 and 2006, respectively.

During the three months ended March 31, 2007 and 2006, the Company issued 102,000 and 61,000 shares of restricted stock, respectively, under the Company's 2000 Stock Incentive Plan (the "Incentive Plan"). The Company also issued 111,000 and 117,000 shares upon the vesting of performance restricted stock units during the three months ended March 31, 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 January 29, 2007, the Company announced that its Board declared a quarterly cash dividend of \$0.445 per share. The common stock cash dividend was paid on February 21, 2007 to stockholders of record as of the close of business on February 5, 2007.

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 will be paid on May 18, 2007 to stockholders of record as of the close of business on May 7, 2007.

Preferred Stock

On January 29, 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 March 31, 2007 to stockholders of record as of the close of business on March 15, 2007.

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 will be paid on June 29, 2007 to stockholders of record as of the close of business on June 15, 2007.

Accumulated Other Comprehensive Income (AOCI)

	March 31, 2007	December 31, 2006
	(in thousands)	
AOCI unrealized gains on available for sale securities	\$ 25,272	\$ 24,536
AOCI unrealized losses on cash flow hedges, net	(4,571)	(4,596)
Supplemental Executive Retirement Plan (SERP) minimum liability	(2,189)	(2,215)
	\$ 18,512	\$ 17,725

(11) Operator Concentration

Sunrise Senior Living (NYSE:SRZ) (Sunrise) accounted for 14.0% of the Company's revenue for the three months ended March 31, 2007. The carrying amount of the Company's real estate assets and direct financing leases operated by Sunrise was \$2.2 billion at March 31, 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.

(12) 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 is as follows (in thousands):

For the three months ended March 31, 2007:

Segments	Rental and Related Revenues	Income From DFLs	Investment Management Fees	Interest and Other	Total Revenues	NOI(1)
Triple-net leased:						
Hospital	\$ 27,411	\$	\$	\$ 1,625	\$ 29,036	\$ 27,163
Skilled nursing	10,660			579	11,239	10,635
Senior housing	77,898	14,990	6,165	1,708	100,761	73,273
Other healthcare facilities	7,665				7,665	6,172
Total triple-net leased	\$ 123,634	\$ 14,990	\$ 6,165	\$ 3,912	\$ 148,701	\$ 117,243
Medical office building	89,366		163		89,529	53,356
Non-segment revenues				12,218	12,218	
Total	\$ 213,000	\$ 14,990	\$ 6,328	\$ 16,130	\$ 250,448	\$ 170,599

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For the three months ended March 31, 2006:

Segments	Rental and Related Revenues	Investment Management Fees	Interest and Other	Total Revenues	NOI(1)
Triple-net leased:					
Hospital	\$ 19,510	\$	\$ 2,321	\$ 21,831	\$ 19,510
Skilled nursing	10,119		8,501	18,620	10,107
Senior housing	32,548		1,026	33,574	29,533
Other healthcare	5,948			5,948	4,686
Total triple-net leased	\$ 68,125	\$	\$ 11,848	\$ 79,973	\$ 63,836
Medical office building	38,012	1,054		39,066	24,856
Non-segment revenues			1,845	1,845	
Total	\$ 106,137	\$ 1,054	\$ 13,693	\$ 120,884	\$ 88,692

(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.

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

	Three Months Ended March 31,	
	2007	2006
Net operating income from continuing operations	\$ 170,599	\$ 88,692
Income from DFLs	14,990	
Investment management fee income	6,328	1,054
Interest and other income	16,130	13,693
Interest expense	(79,590)	(32,054)
Depreciation and amortization	(64,033)	(27,392)
General and administrative	(20,593)	(8,490)
Equity income from unconsolidated joint ventures	1,214	3,822
Minority interests' share of earnings	(5,235)	(3,777)
Total discontinued operations	105,478	22,340
Net income	\$ 145,288	\$ 57,888

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

Segments	March 31, 2007	December 31, 2006
Triple-net leased facilities:		
Senior housing facilities	\$ 4,642,436	\$ 5,919,517
Hospitals	1,148,748	951,548
Skilled nursing facilities	327,409	336,494
Other healthcare facilities	247,558	264,298
Total triple-net leased assets	\$ 6,366,151	\$ 7,471,857
Medical office building facilities	2,763,748	2,438,607
Gross segment assets	9,129,899	9,910,464
Less accumulated depreciation and amortization	(664,207)	(660,670)

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Net segment assets	8,465,692	9,249,794
Non-segment assets	925,394	762,955
Total assets	\$ 9,391,086	\$ 10,012,749

21

(13) Supplemental Cash Flow

Supplemental Cash Flow Information

	Three Months Ended March 31	
	2007	2006
	(in thousands)	
Interest paid, net of capitalized interest and other	\$ 81,005	\$ 28,718
Taxes paid		
<i>Non-cash transactions:</i>		
Capitalized interest	95	178
Mortgages assumed with real estate acquisitions		11,928
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	102	61
Performance restricted stock units vesting	111	117
Restricted stock cancellations	(23)	(3)
Unrealized gains on available for sale securities and derivatives designated as cash flow hedges	1,279	2,180
Conversion of non-managing member units into common stock	3,315	

(14) 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 2.2 million options to purchase shares of common stock during the three months ended March 31, 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 March 31, 2007, and 6.2 million shares issuable upon conversion of 3.6 million non-managing member units during the three months ended March 31, 2006, were not included because they are not dilutive.

	Three months ended March 31,	
	2007	2006
	(in thousands, except per share data)	
Numerator		
Income from continuing operations	\$ 39,810	\$ 35,548
Preferred stock dividends	(5,283)	(5,283)
Income from continuing operations applicable to common shares	34,527	30,265
Discontinued operations	105,478	22,340
Net income applicable to common shares for basic and diluted earnings per share	\$ 140,005	\$ 52,605
Denominator		
Basic weighted average common shares	204,000	136,040
Dilutive stock options and restricted stock	1,909	816
Diluted weighted average common shares	205,909	136,856
Basic earnings per common share		
Income from continuing operations	\$ 0.17	\$ 0.22
Discontinued operations	0.52	0.17
Net income applicable to common shares	\$ 0.69	\$ 0.39
Diluted earnings per common share		
Income from continuing operations	\$ 0.17	\$ 0.22
Discontinued operations	0.51	0.16
Net income applicable to common shares	\$ 0.68	\$ 0.38

(15) 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 March 31, 2007, was \$0.4 million and is included in other liabilities. For the three months ended March 31, 2007, the Company recognized increased interest expense of \$28,000 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 three months ended March 31, 2007 and 2006, there was no ineffective portion related to these hedges.

(16) Commitments and Contingencies

The Company, from time to time, is party to legal proceedings, lawsuits and other claims in the ordinary course of the Company's business. These claims, even if not meritorious, could force the Company to spend significant financial resources. Except as described below, the Company is not aware of any legal proceedings or claims that it believes will have, individually or taken together, a material adverse effect on its business, prospects, financial condition or results of operations.

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 three months ended March 31, 2007 was \$2.1 million and for the year ended December 31, 2006, was \$10.8 million. The carrying amount was \$73.4 million at March 31, 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 March 31, 2007, the remaining obligation under the master trust agreements for these two properties is \$10 million. The Company's property is released as collateral as the master trust liabilities are extinguished.

Earn-out Obligations. Pursuant to the terms of certain acquisition-related agreements, the Company may be obligated to make additional payments (Earn-outs) upon the achievement of certain criteria. If it is probable at the time of acquisition of the related properties that the Earn-out criteria will be achieved, the Earn-out payments are accrued. Otherwise, the additional purchase consideration is recognized when the performance criteria are achieved.

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.

Other. Following the public announcement on January 15, 2007, that Sunrise Senior Living Real Estate Investment Trust (Sunrise REIT) had agreed to be acquired by Ventas Inc. (Ventas), the Company proposed to acquire Sunrise REIT for a greater price. On February 20, 2007, the Company received a letter from Ventas, alleging that the Company breached an agreement with Sunrise REIT by making its acquisition proposal. The letter stated that Ventas intends to avail itself of all rights to hold the Company fully liable and accountable as a result of the Company's alleged breaches. The Company subsequently withdrew its proposal to acquire Sunrise REIT. On April 26, 2007, Ventas completed its acquisition of Sunrise REIT.

23

(17) Subsequent Events

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On April 27, 2007, in anticipation of the Company's joint venture that closed on April 30, 2007, \$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 reduce borrowings under the Company's credit facility and for other general corporate purposes.

On April 30, 2007, the Company formed a medical office building joint venture 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 formation, the Company received approximately \$196 million in proceeds, which included a one-time acquisition fee of \$3 million. Including the \$122 million of recently placed secured debt discussed above, the Company received \$318 million in total proceeds. The Company retained a 20% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

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, 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; and
- k) The potential impact of existing and future litigation matters.

Executive Summary

We are a real estate investment trust (REIT) that invests 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 March 31, 2007, our real estate portfolio, excluding assets held for sale but including assets held through joint ventures and mortgage loans, consisted of interests in 730 facilities.

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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.

25

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 three months ended March 31, 2007, we made gross investments of \$449 million. These investments had an average first year yield on cost of 8.2%.

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. We sold 27 properties during the three months ended March 31, 2007, for \$170 million and had nine properties with a carrying amount of \$4.8 million classified as held for sale at March 31, 2007.

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, 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 March 31, 2007, 15% 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 April 30, 2007, our senior debt is rated BBB by Standard & Poor's Ratings Group, BBB by Fitch Ratings and Baa3 by Moody's Investors Service.

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

Investment Transactions

During the three months ended March 31, 2007, we acquired interests in properties aggregating \$449 million with an average yield of 8.2%. Our 2007 investments were made in the following healthcare sectors: (i) 54% medical office buildings (MOBs), (ii) 45% hospitals, and (iii) 1% 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 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 medical office buildings, 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 medical office buildings for \$25 million from the Cirrus Group, LLC. The three medical office buildings include approximately 131,000 rentable square feet and have an initial yield of 8.2%.

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During the three months ended March 31, 2007, we sold 27 properties for \$170 million and recognized gains of approximately \$104 million. These sales included nine skilled nursing facilities (SNFs) sold for \$52 million with gains of approximately \$30 million. On or before December 1, 2006, tenants for these nine SNFs exercised rights of first refusal to acquire such facilities.

Joint Venture Transactions

On January 5, 2007, we formed a senior housing joint venture 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 formation, we received approximately \$280 million in proceeds, including a one-time acquisition fee of \$5.4 million. We retained a 35% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

On April 30, 2007, we formed a medical office building joint venture 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 formation, we received approximately \$196 million in proceeds, which included a one-time acquisition fee of \$3 million. Including the \$122 million of recently placed secured debt discussed below, we received \$318 million in total proceeds. We retained a 20% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

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.

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 April 27, 2007, in anticipation of our joint venture that closed on April 30, 2007, \$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.

Other Events

On April 25, 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 May 18, 2007, to stockholders of record as of the close of business on May 7, 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 first three months of 2007 and 2006 are summarized as follows:

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Rental and other revenue. MOB rental revenue increased 135% or \$51.3 million to \$89.4 million for the three months ended March 31, 2007. Approximately \$27.1 million of the increase relates to MOBs acquired in the CRP merger and \$19.3 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 81% or \$55.5 million to \$123.6 million for the three months ended March 31, 2007. Approximately \$41.0 million of the increase relates to properties acquired in the CRP merger. The remaining increase in triple-net lease rental revenue of \$14.5 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 acquisitions for the three months ended March 31,		
	2007 (in thousands)	2006	Change
Senior housing facilities	\$ 6,147	\$ 186	\$ 5,961
Hospitals	4,540		4,540
Other healthcare facilities	899	355	544
Total	\$ 11,586	\$ 541	\$ 11,045

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 \$0.5 million to \$2.8 million for the quarter ended March 31, 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 \$15.0 million relates to 32 leased properties acquired from CRP which are accounted for using the direct financing method. At March 31, 2007, these leased properties had a carrying value of \$680 million and accrue interest at a weighted average rate of 9.0%.

Investment management fee income. Management and other fee income increased by \$5.3 million to \$6.3 million for the three months ended March 31, 2007. The increase is primarily due to the acquisition fee earned from HCP Ventures II of \$5.4 million on January 5, 2007.

Interest and other income. Interest and other income increased by \$2.4 million to \$16.1 million for the three months ended March 31, 2007. The increase was primarily related to \$7.2 million of interest income from a \$300 million investment in senior secured notes receivable purchased on November 17, 2006, which accrue interest at a rate of 9.625%, and \$2.4 million of interest income from a \$68 million loan acquired in the CRP merger, which accrues interest at a rate of 14%. These increases were partially offset by a \$7.3 million prepayment premium received in March 2006.

Interest expense. Interest expense increased \$47.5 million to \$79.6 million for the three months ended March 31, 2007. Approximately \$14.2 million of the increase was due to the assumption of \$1.3 billion of CRP's outstanding debt, and

\$3.6 million from our consolidation of HCP MOP. In January 2007, we accelerated the amortization of approximately \$1.6 million of deferred financing costs in connection with the early repayment of our term loan facility. The remaining increase was due to increased borrowing levels resulting from the issuance of senior notes, issuance of additional mortgages, and increasing interest rates.

28

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The table below sets forth information with respect to our debt as of March 31, 2007 and 2006:

	As of March 31,			
	2007	2006		
	(dollars in thousands)			
Balance:				
Fixed rate	\$ 4,315,568	\$ 1,708,204		
Variable rate	772,088	411,665		
Total	\$ 5,087,676	\$ 2,119,869		
Percent of total debt:				
Fixed rate	85	% 81		
Variable rate	15	% 19		
Total	100	% 100		
Weighted average interest rate at end of period:				
Fixed rate	6.10	% 6.20		
Variable rate	6.16	% 5.42		
Total weighted average rate	6.11	% 6.05		

Depreciation and amortization. Depreciation and amortization expense increased 134% or \$36.6 million to \$64.0 million for the three months ended March 31, 2007. Approximately \$27.8 million of the increase relates to properties acquired in the CRP merger and \$4.9 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 143% or \$25.0 million to \$42.4 million for the three months ended March 31, 2007. Approximately \$10.6 million of the increase relates to properties acquired in the CRP merger and \$9.5 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. Additionally, we contract with third-party property managers for most of our MOB properties. The remaining increase in operating expenses of \$4.9 million primarily relates to the effect of our other property acquisitions in 2007 and 2006, as detailed below:

Property Type	Operating expenses resulting from acquisitions for the three months ended March 31,		
	2007 (in thousands)	2006	Change
Medical office buildings	\$ 3,640	\$ 609	\$ 3,031
Other healthcare facilities	387	48	339
Total	\$ 4,027	\$ 657	\$ 3,370

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 \$0.4 million to \$3.1 million for the three months ended March 31, 2007, was primarily due to an increase in the overall occupancy of such properties.

General and administrative expenses. General and administrative expenses increased 143% or \$12.1 million to \$20.6 million for the three months ended March 31, 2007. The increase is primarily due to higher compensation-related expenses of approximately \$1.4 million resulting from an increase in full-time employees, \$5.7 million in merger and integration-related expenses associated with the CRC and CRP mergers, \$1.2 million in federal, state and franchise taxes, and \$2.9 million from write-offs of acquisitions not consummated. We expect to incur integration costs associated with the CRP merger 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 March 31, 2007, equity income decreased by \$2.6 million to \$1.2 million primarily due to our consolidation of HCP MOP. Equity income from HCP MOP for the three months ended March 31, 2006 was \$3.7 million.

On October 27, 2006, we formed HCP Ventures III, LLC (HCP Ventures III), a 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. In addition, on January 5, 2007, we formed HCP Ventures II, LLC (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. The combined equity income from HCP Ventures II and HCP Ventures III was \$1.4 million for the three months ended March 31, 2007.

Discontinued operations. Income from discontinued operations for the three months ended March 31, 2007, was \$105.5 million compared to \$22.3 million for the comparable period in the prior year. The change is due to an increase in gains on real estate dispositions of \$95.5 million and a decline in operating income from discontinued operations of \$12.3 million. Discontinued operations for the three months ended March 31, 2007, includes the results of 35 properties compared to 111 properties for the three months ended March 31, 2006. During the three months ended March 31, 2007, we sold 27 properties for \$170 million as compared to six properties for \$21 million during the three months ended March 31, 2006.

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 other needs will be satisfied using cash flows generated by operations and provided by financing activities.

We anticipate making future investments dependent 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 April 30, 2007, our senior debt is rated BBB by Standard & Poor's Ratings Group, BBB by Fitch Ratings and Baa3 by Moody's Investors Service.

Net cash provided by operating activities was \$87 million and \$92 million for the three months ended March 31, 2007 and 2006, respectively. Cash flow from operations reflects 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 \$228 million for the three months ended March 31, 2007, and principally reflects the net effect of: (i) \$222 million used to fund acquisitions and construction of real estate, (ii) \$276 million in proceeds associated with the formation of a joint venture, (iii) \$170 million received from the sale of facilities, (iv) \$4 million in principal repayments received on loans, and (iv) \$4 million received from the sale of equity securities. During the three months ended March 31, 2007 and 2006, we used \$8 million and \$4 million to fund lease commissions and tenant and capital improvements, respectively.

Net cash used in financing activities was \$272 million for the three months ended March 31, 2007, and includes cash used for net repayments of our bank line of credit of \$435 million, the repayment of our term loan of \$505 million, repayment of \$10 million of senior notes, and payment of common and preferred dividends aggregating \$97 million. These cash uses were partially offset by proceeds from \$493 million from senior note issuances, \$271 million from common stock issuances, and \$18 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.

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At March 31, 2007, we held approximately \$29.8 million in deposits and \$31.2 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 line of credit and term loan.

At March 31, 2007, borrowings under our \$1.0 billion revolving credit facility were \$190 million with a weighted average interest rate of 6.02%. The revolving credit facility matures on October 2, 2009, and accrues interest at a rate per annum equal to LIBOR plus a margin ranging from 0.475% to 1.10%, 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 0.125% to 0.25%, depending upon our debt ratings. The revolving credit facility contains a negotiated rate option, which is available for up to 50% of borrowings, whereby the lenders participating in the credit facility bid on the interest to be charged and which may result in a reduced interest rate. Based on our debt ratings on March 31, 2007, the margin on the revolving loan facility is 0.70% and the facility fee is 0.15%.

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 70%, (ii) Secured Debt to Consolidated Total Asset Value to 30%, and (iii) beginning January 1, 2007, Unsecured Debt to Consolidated Unencumbered Asset Value to 100%. 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 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 March 31, 2007, we were in compliance with each of the restrictions and requirements.

On January 22, 2007, we repaid all amounts outstanding under the term loan with proceeds from capital market and joint venture transactions.

Senior unsecured notes. At March 31, 2007, we had \$3.2 billion in aggregate principal of senior unsecured notes outstanding. Interest rates on the notes ranged from 4.8% to 7.62% with a weighted average effective rate of 6.10% at March 31, 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 term loan and revolving credit facilities.

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

Mortgage debt. At March 31, 2007, we had \$1.5 billion in mortgage debt secured by 247 healthcare facilities with a carrying amount of \$3.4 billion. Interest rates on the mortgage notes ranged from 3.72% to 9.32% with a weighted average effective rate of 6.14% at March 31, 2007.

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 March 31, 2007, we had \$108.3 million of non-interest bearing Life Care Bonds at our two 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 March 31, 2007, \$36.2 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 \$72.1 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 March 31, 2007 (in thousands):

Year	Amount
2007 (nine months)	\$ 172,828
2008	388,470
2009	457,113
2010	498,555
2011	445,646
Thereafter	3,125,064
	\$ 5,087,676

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 March 31, 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 206.0 million shares of common stock outstanding.

During the three months ended March 31, 2007, we issued approximately 304,000 shares of our common stock under our Dividend Reinvestment and Stock Purchase Plan at an average price per share of \$39.21 for an aggregate amount of \$11.9 million. We also received \$0.6 million in proceeds from stock option exercises. At March 31, 2007, stockholders' equity totaled \$3.6 billion and our equity securities had a market value of \$8.1 billion.

As of March 31, 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 and HCP Ventures III, as described under Note 6 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

The following schedule summarizes our material contractual payment obligations and commitments at March 31, 2007 (in thousands):

	Less than One Year	2008-2009	2010-2011	More than Five Years	Total
Senior unsecured notes and mortgage debt	\$ 64,521	\$ 655,583	\$ 944,201	\$ 3,125,064	\$ 4,789,369
Revolving line of credit		190,000			190,000
Other debt	108,307				108,307
Ground and other operating leases	1,035	2,806	2,862	79,837	86,540
Acquisition and construction commitments	56,646				56,646
Interest	213,574	523,334	431,716	666,760	1,835,384
Total	\$ 444,083	\$ 1,371,723	\$ 1,378,779	\$ 3,871,661	\$ 7,066,246

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 March 31, 2007, we are exposed to market risks related to fluctuations in interest rates on \$257 million of variable rate mortgage notes payable, \$190 million of variable rate line of credit, and \$325 million of variable rate senior unsecured notes. Of the \$257 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 \$5.1 billion at March 31, 2007, excluding the \$45.6 million of variable rate debt where the rates have been hedged to a fixed rate, approximately 15% 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 March 31, 2007, interest expense for 2007 would increase by approximately \$7.7 million, or \$0.4 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 March 31, 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 1A. Risk Factors

Our business is subject to a number of risks and uncertainties which we discussed in detail in Part 1, Item 1A of our 2006 Annual Report on Form 10-K.

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 medical office buildings, 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 March 31, 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 March 31, 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 Programs
January 1-31, 2007	15,940	39.41		
February 1-28, 2007	8,944	41.10		
March 1-31, 2007	29,284	36.75		
Total	54,168	38.25		

(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.

Item 6. Exhibits

- 2.1 Agreement and Plan of Merger, dated May 1, 2006, by and among HCP, CNL Retirement Properties, Inc. and Ocean Acquisition 1, Inc. (incorporated by reference to exhibit 2.1 to HCP's current report on Form 8-K, dated May 1, 2006).
- 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 Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, Gardner Property Holdings, L.C., HCPI/Utah, LLC, the unit holders of HCPI/Utah, LLC and HCP (incorporated by reference to exhibit 4.12 to HCP's annual report on Form 10-K for the year ended December 31, 2005).*
- 4.10 Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, The Boyer Company, L.C., HCPI/Utah, LLC, the unit holders of HCPI/Utah, LLC and HCP (incorporated by reference to exhibit 4.13 to HCP's annual report on Form 10-K for the year ended December 31, 2005).*

- 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 6.5% 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).
- 4.12 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).
- 4.13 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 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).
- 4.14 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).
- 4.15 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).
- 4.16 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).
- 4.17 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).
- 4.18 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).
- 4.19 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).
- 4.20 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).
- 4.21 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).
- 4.22 Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, Gardner Property Holdings, L.C., HCPI/Utah II, LLC, the unit holders of HCPI/Utah II, LLC and HCP (incorporated by reference to exhibit 4.21 to HCP's annual report on Form 10-K for the year ended December 31, 2005).*
- 4.23 Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, The Boyer Company, L.C., HCPI/Utah II, LLC, the unit holders of HCPI/Utah II, LLC and HCP (incorporated by reference to exhibit 4.22 to HCP's annual report on Form 10-K for the year ended December 31, 2005).*

- 4.24 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).
- 4.25 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).
- 4.26 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).
- 4.27 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).
- 4.28 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).
- 4.29 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).
- 4.30 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).
- 4.31 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).
- 4.32 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).
- 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).*

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- 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 Revolving Credit Agreement, dated as of October 26, 2004, among HCP, each of the banks identified on the signature pages hereof, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank, as syndicating agent, Barclays Bank PLC, Wachovia Bank, National Association, and Wells Fargo Bank, N.A., as documentation agents, with Calyon New York Branch, Citicorp, USA, and Key National Association as managing agents, and Banc of America Securities LLC and J.P. Morgan Securities, Inc., as joint lead arrangers and joint book managers (incorporated herein by reference to exhibit 10.1 to HCP's current report on Form 8-K, dated November 1, 2004).
- 10.22 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).*

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- 10.23 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).*
- 10.24 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).*
- 10.25 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).*
- 10.26 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).*
- 10.27 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).*
- 10.28 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).*
- 10.29 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).*
- 10.30 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).*
- 10.31 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).*
- 10.32 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).*
- 10.33 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).*
- 10.34 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).*
- 10.35 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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- 10.36 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).*
- 10.37 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).*
- 10.38 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).*
- 10.39 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).*
- 10.40 Credit Agreement dated as of October 5, 2006 among Health Care Property Investors, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC, as Joint Lead Arranger and Joint Bookrunner, UBS Securities LLC, as Joint Lead Arranger, Joint Bookrunner and Syndication Agent, J.P. Morgan Securities Inc., as Joint Bookrunner, Barclays Capital, as Joint Bookrunner, JPMorgan Chase Bank, N.A., as Co-Documentation Agent, Barclays Bank PLC, as Co-Documentation Agent, Wachovia Bank, National Association, as Co-Documentation Agent, Goldman Sachs Credit Partners L.P., as Co-Documentation Agent, Merrill Lynch Bank USA, as Co-Documentation Agent, Wells Fargo Bank, N.A., as Senior Managing Agent, Citicorp North America, Inc., as Senior Managing Agent, Credit Suisse, Cayman Islands Branch, as Senior Managing Agent, Key Bank National Association, as Senior Managing Agent, SunTrust Bank, as Senior Managing Agent, The Bank of Nova Scotia, as Senior Managing Agent, The Royal Bank of Scotland PLC, as Senior Managing Agent, and the lenders party thereto (incorporated by reference to exhibit 10.2 to HCP's current report on Form 8-K, dated October 5, 2006).
- 10.41 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).*
- 10.42 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).*
- 10.43 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).*
- 10.44 HCP 2006 Performance Incentive Plan, effective as of March 31, 2006 (incorporated by reference to HCP's Proxy Statement regarding HCP's annual meeting of shareholders held May 11, 2006).
- 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: April 30, 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)