

HCP, INC.  
Form DEF 14A  
March 10, 2009

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**HCP, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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## HCP, Inc.

3760 Kilroy Airport Way, Suite 300  
Long Beach, CA 90806

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### NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on April 23, 2009

NOTICE IS HEREBY GIVEN that the 2009 annual meeting of stockholders (the "Annual Meeting") of HCP, Inc. (the "Company") will be held at the Long Beach Marriott, 4700 Airport Plaza Drive, Long Beach, CA 90815, on Thursday, April 23, 2009, at 9:30 a.m., California time, for the following purposes:

- (1) To elect to the Board of Directors the eleven (11) nominees named in the attached Proxy Statement to serve until the Company's 2010 annual meeting of stockholders and until their successors are duly elected and qualified;
- (2) To approve amendments to the Company's 2006 Performance Incentive Plan;
- (3) To ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2009; and
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only holders of record of the Company's common stock, par value \$0.01 per share, as of the close of business on March 3, 2009, are entitled to notice of, and to vote at, the Annual Meeting and any postponements or adjournments thereof.

You are cordially invited to attend the meeting in person. **Your vote is important to us. Whether or not you expect to attend the Annual Meeting, please submit your proxy as soon as possible. If you attend the Annual Meeting and vote in person, your proxy will not be used.**

By Order of the Board of Directors

Edward J. Henning  
*Corporate Secretary*

Long Beach, California  
March 9, 2009

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**HCP, Inc.**

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**PROXY STATEMENT  
2009 Annual Meeting of Stockholders  
To Be Held on April 23, 2009**

This Proxy Statement is being furnished by HCP, Inc. to our stockholders in connection with our Board of Directors' solicitation of proxies for use at our 2009 annual meeting of stockholders to be held on April 23, 2009, and at any and all adjournments or postponements thereof (the "Annual Meeting"). References in this Proxy Statement, unless the context requires otherwise, to "HCP," the "Company," "we," "our," "ours" and "us" refer to HCP, Inc. and our consolidated subsidiaries. Our principal executive offices are located at 3760 Kilroy Airport Way, Suite 300, Long Beach, CA 90806. The approximate date on which these proxy materials are first being sent or made available to our stockholders is March 13, 2009.

**IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS**

This Proxy Statement and our 2008 Annual Report on Form 10-K are available on the Internet at [www.ematerials.com/hcp](http://www.ematerials.com/hcp) if you are a stockholder of record and at [www.proxyvote.com](http://www.proxyvote.com) if you are a beneficial owner of shares held through a broker, bank or other nominee.

**QUESTIONS AND ANSWERS ABOUT THE MEETING**

**Q: What is the Notice of Internet Availability of Proxy Materials that I received in the mail this year instead of a full set of proxy materials?**

A:

In accordance with rules adopted by the Securities and Exchange Commission (SEC), we may furnish proxy materials, including this Proxy Statement and HCP's 2008 Annual Report to Stockholders, by providing access to these documents on the Internet instead of mailing a printed copy of our proxy materials to our stockholders. Based on this practice, most of our stockholders have already received a Notice of Internet Availability of Proxy Materials (the "Notice"), which provided instructions for accessing our proxy materials, including this Proxy Statement, at the website address referred to in the Notice or to request to receive printed copies of the proxy materials by mail or electronically by email.

If you would like to receive a paper or email copy of our proxy materials for our Annual Meeting or for all future meetings, you should follow the instructions for requesting such materials included in the Notice. We believe the delivery options that we have chosen this year will allow us to provide our stockholders with the proxy materials they need, while lowering the cost of the delivery of the materials and reducing the environmental impact of printing and mailing printed copies.

**Q: What is being voted on?**

A:

At the Annual Meeting, stockholders will be asked to vote on:

the election to the Board of Directors of the eleven (11) nominees named in this Proxy Statement to serve until the 2010 annual meeting of stockholders or until their successors are duly elected and qualified;

certain amendments to our 2006 Performance Incentive Plan; and

the ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2009.

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We will also consider any other business that properly comes before the Annual Meeting or any adjournments or postponements thereof. See "**How will voting on any other business be conducted?**" below.

**Q: How does the Board recommend I vote on these proposals?**

A:

The Board of Directors recommends a vote:

FOR the election of the following eleven nominees to the Board of Directors: Robert R. Fanning, Jr., James F. Flaherty III, Christine N. Garvey, David B. Henry, Lauralee E. Martin, Michael D. McKee, Harold M. Messmer, Jr., Peter L. Rhein, Kenneth B. Roath, Richard M. Rosenberg and Joseph P. Sullivan;

FOR the amendments to our 2006 Performance Incentive Plan; and

FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2009.

**Q: Who is entitled to vote?**

A:

The record date for the Annual Meeting is March 3, 2009. Holders of record of HCP's common stock as of the close of business on that date are entitled to vote at the Annual Meeting.

**Q: How can stockholders vote?**

A:

If your shares are registered directly in your name, you are considered the "stockholder of record" with respect to those shares. As a stockholder of record:

*You may vote via the Internet.* You can vote by proxy over the Internet by following the instructions provided in the Notice or on the separate proxy card if you have received a printed set of the proxy materials.

*You may vote via the telephone.* You can submit your vote by proxy over the telephone by following the instructions provided on the separate proxy card if you received a printed set of the proxy materials.

*You may vote by mail.* If you received a printed set of the proxy materials, you can submit your vote by completing, signing and returning the separate proxy card in the prepaid and addressed envelope.

*You may vote in person at the meeting.* All stockholders of record may vote in person at the Annual Meeting. Written ballots will be passed out to anyone who wants to vote at the meeting.

If, like most stockholders, your shares are held by a bank or broker as nominee (that is, in "street name"), you are considered the beneficial owner of your shares and you should refer to the instructions provided by your bank, broker or nominee regarding how to vote. In addition, because a beneficial owner is not the stockholder of record, you may not vote shares held by a bank or broker in street name at the Annual Meeting unless you obtain a "legal proxy" from the bank or broker that holds your shares, giving you the right to vote the shares at the meeting.

*Even if you plan to attend the Annual Meeting, we recommend that you submit a proxy in advance to vote your shares so that your vote will be counted if you later are unable to attend the Annual Meeting.*

**Q: Can I revoke my proxy?**

A:

Yes. Any stockholder of record has the power to revoke his or her proxy at any time before it is voted by:

filing with our Corporate Secretary, at or before the voting at the Annual Meeting, a written notice of revocation bearing a later date than the proxy;

properly submitting a proxy on a later date prior to the date of the Annual Meeting, unless an earlier deadline is specified in the Notice or proxy card you received (only the latest proxy submitted by a stockholder by Internet, telephone or mail will be counted); or

attending the Annual Meeting and voting in person; attendance at the Annual Meeting will not by itself constitute a revocation of a proxy.

For shares held in street name, you may revoke a proxy by submitting new voting instructions to the bank or broker or, if you have obtained a legal proxy from the bank or broker giving you the right to vote the shares at the Annual Meeting, by attending the meeting and voting in person.

**Q: How many shares are eligible to vote at the Annual Meeting?**

A:

As of the close of business on the record date of March 3, 2009, there were 253,957,892 shares of HCP common stock outstanding and eligible to vote at the Annual Meeting. There is no other class of voting securities outstanding. Each share of common stock entitles its holder to one vote at the Annual Meeting.

**Q: How is a quorum determined?**

A:

A quorum refers to the number of shares that must be in attendance at an annual meeting of stockholders to lawfully conduct business. The representation, in person or by properly executed proxy, of the holders of a majority of the shares of HCP common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the meeting. The inspector of elections will treat shares held by brokers or nominees as present even if instructions have not been received from the beneficial owner of the shares and the broker or nominee does not have discretionary power to vote on a particular matter (such shares are commonly referred to as "broker non-votes"). Abstentions will be counted as present for quorum purposes.

**Q: What is required to approve each proposal?**

A:

Once a quorum has been established, directors are elected by a plurality of the votes cast by holders of shares entitled to vote on the election of directors at the Annual Meeting. This means that the individuals who receive the largest number of votes are selected as directors up to the maximum number of directors to be elected at the meeting. For the purposes of the election of directors, abstentions will have no effect on the outcome of the vote. Stockholders are not permitted to cumulate their shares for the purpose of electing directors or otherwise. HCP has adopted a policy whereby any nominee for director who receives a greater number of "withhold" votes than votes "for" his or her election will tender his or her resignation for consideration by our Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will recommend to our Board of Directors the action to be taken with respect to such offer of resignation.

The affirmative vote of a majority of the votes cast on the proposal is required to approve the amendments to the 2006 Performance Incentive Plan, provided that the total votes cast

on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. Under the New York Stock Exchange ("NYSE") rules, for purposes of the vote to approve the amendments to the 2006 Performance Incentive Plan, an abstention is considered a vote cast on the proposal but a broker non-vote is not considered a vote cast on the proposal. If holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, a broker non-vote will not have any effect on the vote, while an abstention will have the same effect as a vote against the proposal.

The affirmative vote of a majority of all of the votes cast at a meeting at which a quorum is present is required for the ratification of the selection of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2009. Abstentions as to this proposal will have no effect on the outcome of the vote.

**Q: How will shares be voted if a stockholder does not give specific voting instructions?**

A:

If a stockholder of record properly submits a proxy and does not indicate how the stockholder wants to vote, the inspector of elections will count that proxy as a vote FOR each of the director nominees named in this Proxy Statement, FOR the amendments to our 2006 Performance Incentive Plan and FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2009.

If you are a street name holder and do not give specific voting instructions to your bank or broker, the organization that holds your shares may generally vote your shares with respect to "discretionary" items, but not with respect to "non-discretionary" items. Discretionary items are proposals considered routine under the rules of the NYSE on which your bank or broker may vote shares held in street name in the absence of your voting instructions. On non-discretionary items for which you do not give your bank or broker specific voting instructions, the shares will be treated as "broker non-votes." As described above, broker non-votes will be counted for purposes of determining whether a quorum is present; however, broker non-votes will not otherwise be considered a vote cast on a proposal. We believe that the proposals discussed in this Proxy Statement, other than the proposal to amend our 2006 Performance Incentive Plan, are considered routine and therefore may be voted upon in the discretion of your bank or broker if you do not give specific instructions to your bank or broker.

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

A:

Although the Board of Directors does not know of any business to be considered at the Annual Meeting other than the proposals described in this Proxy Statement, if any other business comes before the Annual Meeting, a stockholder's properly submitted proxy gives authority to the proxy holders to vote on those matters at their discretion.

**Q: How will the votes be counted?**

A:

Votes cast by proxy or in person at the Annual Meeting will be counted by Wells Fargo Shareowner Services, HCP's appointed inspector of elections for the meeting.

**Q: Who will bear the costs of this solicitation?**

A:

The costs of the solicitation of proxies will be borne by HCP. In addition to solicitation by mail, directors and officers of HCP, without receiving any additional compensation, may solicit proxies personally or by telephone. HCP will request brokerage houses, banks and other custodians or nominees holding stock in their names for others to forward proxy materials to their customers or principals who are the beneficial owners of shares of our common stock and will reimburse them for their expenses in doing so. HCP has retained the services of Georgeson Inc., for a fee of \$9,000 plus reasonable out-of-pocket expenses, to assist in the solicitation of proxies.



**PRINCIPAL STOCKHOLDERS**

Based on filings made under Section 13(d) and Section 13(g) of the Securities Exchange Act of 1934, as amended, the only persons known by us to beneficially own more than 5% of our common stock were as follows:

| Name of Beneficial Owner            | Address of Beneficial Owner                  | Shares Beneficially Owned                 |                  |
|-------------------------------------|--|---|------------------|
|                                     |  | Amount and Nature Of Beneficial Ownership | Percent of Class |
| The Vanguard Group, Inc.            | 100 Vanguard Blvd.<br>Malvern, PA 19355      | 21,821,856(1)                             | 8.6%             |
| Barclays Global Investors, NA       | 400 Howard Street<br>San Francisco, CA 94105 | 17,914,936(2)                             | 7.1%             |
| State Street Bank and Trust Company | One Lincoln Street<br>Boston, MA 02111       | 15,783,670(3)                             | 6.2%             |

- (1) Share and beneficial ownership information for The Vanguard Group, Inc. ("Vanguard") is given as of December 31, 2008, and was obtained from a Schedule 13G/A filed on February 13, 2009 with the Securities and Exchange Commission. Vanguard has sole voting power over 294,483 shares and sole dispositive power over 21,821,856 shares of our common stock. Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of Vanguard, is the beneficial owner of 294,483 shares as a result of serving as investment manager of collective trust accounts. VFTC directs the voting of these shares.
- (2) Share and beneficial ownership information for Barclays Global Investors, NA ("Barclays") is given as of December 31, 2008, and was obtained from a Schedule 13G filed on February 5, 2009 with the Securities and Exchange Commission. According to the Schedule 13G, Barclays has sole voting power over 6,309,858 shares and sole dispositive power over 7,590,022 shares; Barclays Global Fund Advisors has sole voting power over 8,462,971 shares and sole dispositive power over 8,478,795 shares; Barclays Global Investors, Ltd. has sole voting power over 1,113,550 shares and sole dispositive power over 1,203,645 shares; Barclays Global Investors Japan Limited has sole voting and dispositive power over 502,642 shares; and Barclays Global Investors Canada Limited has sole voting and dispositive power over 139,832 shares. In each case, the shares are held by the company in trust accounts for the economic benefit of the beneficiaries of those accounts.
- (3) Share and beneficial ownership information for State Street Bank and Trust Company ("State Street") is given as of December 31, 2008, and was obtained from a Schedule 13G filed on February 13, 2009 with the Securities and Exchange Commission. State Street has sole voting power and shared dispositive power over 15,783,670 shares of our common stock.

**BOARD OF DIRECTORS AND EXECUTIVE OFFICERS**

**Directors of the Company**

Set forth below is information regarding the principal occupation for at least the past five years of each of our nominees for election as directors, all of whom currently serve as directors.

**Robert R. Fanning, Jr.** Mr. Fanning, 66, was, from 2004 through December 2005, a Director of Speltz & Weis LLC, a firm specializing in interim management of financially challenged hospitals and healthcare systems. Mr. Fanning served as the Chief Operating Officer of Saint Vincent Catholic Medical Centers in New York City from April 2004, when Speltz & Weis was engaged by the hospital system, until December 2005. Huron Consulting Group acquired Speltz & Weis in May 2005. Mr. Fanning retired from Huron Consulting Group in December 2005.

**James F. Flaherty III.** Mr. Flaherty, 51, has been Chairman of our Board of Directors since May 2005, our Chief Executive Officer since May 2003, and our President and a member of our Board of Directors since joining us in October 2002. Prior to joining HCP, Mr. Flaherty was affiliated with Merrill Lynch & Co. for 19 years, serving in a variety of investment banking, capital markets and private equity functions in New York, London and Los Angeles and was head of Merrill Lynch's Global Health Care Group. Mr. Flaherty is a member of the Board of Trustees of the University of Notre Dame and sits on the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT").

**Christine N. Garvey.** Ms. Garvey, 63, was the Global Head of Corporate Real Estate Services at Deutsche Bank AG from 2001 to 2004, where she continues to provide consulting services since her departure. Prior to that, she served as Vice President, Worldwide Real Estate and Workplace Resources at Cisco Systems, Inc. and as Group Executive Vice President at Bank of America. Ms. Garvey has served as a member of the Board of Trustees of ProLogis (NYSE:PLD) since September 2005 when Catellus Development Corporation, where she had been a member of the Board since 1995, merged into a subsidiary of ProLogis. She is also a member of the Board of Directors of UnionBanCal Corporation (NYSE:UB) and Maguire Properties, Inc. (NYSE:MPG) and served on the Board of Directors of Hilton Hotels Corporation through October 2007.

**David B. Henry.** Mr. Henry, 60, has been Vice Chairman of the Board of Directors and Chief Investment Officer of Kimco Realty Corporation (NYSE:KIM), a real estate investment trust, since May 2001. Mr. Henry also became President of Kimco Realty Corporation in November 2008. Mr. Henry joined Kimco Realty Corporation after 23 years at General Electric where he was Chief Investment Officer and Senior Vice President of GE Capital Real Estate and Chairman of GE Capital Investment Advisors. Mr. Henry also serves on the Board of Directors of TRI, Inc., an affiliated company of Local Initiatives Support Corporation.

**Lauralee E. Martin.** Ms. Martin, 58, has been the Chief Operating and Financial Officer and on the Board of Directors of Jones Lang LaSalle Incorporated (NYSE:JLL), the world's leading real estate services and money management firm, since 2005. Ms. Martin joined Jones Lang LaSalle in 2002 as Chief Financial Officer after 15 years with Heller Financial, Inc. where she was Chief Financial Officer and President of the Real Estate Finance Division. Since 2004, Ms. Martin has served as a director of KeyCorp (NYSE:KEY), one of the nation's largest bank-based financial services companies, and also served on the Board of Directors of Gables Residential Trust from 1994 through 2005.

**Michael D. McKee.** Mr. McKee, 63, retired in September 2008 as the Chief Executive Officer and Vice Chairman of the Board of Directors of The Irvine Company, a privately-held real estate development and investment company. Mr. McKee had been an executive officer of The Irvine Company since 1994. Prior to that, he was a partner with the law firm of Latham & Watkins LLP from 1986 to 1994. Mr. McKee is a Director of Realty Income Corporation (NYSE:O) and serves on the Board of Directors of the Tiger Woods Foundation.

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**Harold M. Messmer, Jr.** Mr. Messmer, 63, has been Chairman and Chief Executive Officer of the global staffing firm Robert Half International Inc. (NYSE:RHI) since 1986. In addition to its professional staffing services, RHI is the parent company of Protiviti, a leading internal audit and business risk consulting firm. Mr. Messmer also is a member of the Executive Council of the Medical Center of UCSF (University of California San Francisco) and serves on the Board of Governors of the UCSF Foundation.

**Peter L. Rhein.** Mr. Rhein, 67, has been a general partner of Sarlot and Rhein, a real estate investment partnership, since 1967 and a co-managing member of BBC Properties, LLC, a real estate investment and development company, since October 2001. From 1970 until 1984, he was employed in various capacities by Wells Fargo Realty Advisors and its affiliates. Since 2004, Mr. Rhein has served as a director of Cohen & Steers, Inc. (NYSE:CNS), one of the nation's largest managers of real estate mutual funds. Mr. Rhein also serves on the Board of Governors of the Fulfillment Fund, a non-profit organization which supports education for disadvantaged students. Mr. Rhein is a certified public accountant.

**Kenneth B. Roath.** Mr. Roath, 73, has been our Chairman Emeritus since May 2005, and was previously Chairman of our Board of Directors since 1988. Mr. Roath joined HCP at its inception in March 1985, as President and Chief Operating Officer, prior to its becoming a public company. From 1988 until May 2003, he was also our Chief Executive Officer. Prior to being acquired in August 2007, Mr. Roath served on the Board of Directors of Spirit Finance Corporation (NYSE:SPC), a real estate investment trust. He is a past Chairman of NAREIT.

**Richard M. Rosenberg.** Mr. Rosenberg, 78, served as Chairman and Chief Executive Officer of BankAmerica Corp. from 1990 until his retirement in 1996. Prior to joining BankAmerica Corp. in 1987, Mr. Rosenberg served as President and Chief Operating Officer of Seattle-First National Bank and Seafirst Corp. He served as Vice Chairman and Director of Wells Fargo Bank and was with that organization for 22 years. Mr. Rosenberg serves on the Board of Directors of several non-profit organizations, including the San Francisco Symphony. He is also Chairman of the Board of Governors of the UCSF Foundation, a member of the Board of Governors of the Buck Institute for Age Research and serves as a Trustee of the California Institute of Technology.

**Joseph P. Sullivan.** Mr. Sullivan, 66, is Chairman of the Board of Advisors of RAND Health and Chairman of the Board of Advisors of the UCLA Medical Center. From March 2000 through March 2003, he served as Chairman of the Board and Chief Executive Officer of Protocare, Inc., a healthcare clinical trials and consulting organization. Mr. Sullivan was Chairman of the Board, Chief Executive Officer and President of American Health Properties, Inc. from 1993 until HCP's acquisition of American Health Properties in 1999. He is a Director of Amylin Pharmaceuticals, Inc. (NASDAQ:AMLN), a biopharmaceutical company, AutoGenomics, an early stage private company developing a fully automatic laboratory machine for proteomic and genetic testing, and Cymetrix, Inc., a provider of customized revenue cycle solutions to hospitals and healthcare networks. He served as a director of Covenant Care, Inc., a provider of long term care services, from 2000 until March 2006.

### Executive Officers of the Company

The following sets forth biographical information regarding our executive officers, other than Mr. Flaherty, whose biographical information is set forth above.

**George Doyle.** Mr. Doyle, 39, became our Senior Vice President Chief Accounting Officer in January 2007 and was previously our Vice President Chief Accounting Officer since 2004. On March 2, 2009, Mr. Doyle was appointed our interim principal financial officer for the period from March 31, 2009 until May 1, 2009. Prior to joining HCP in 2004, Mr. Doyle was a senior manager with the accounting firm KPMG LLP.

**Paul F. Gallagher.** Mr. Gallagher, 48, became our Executive Vice President Chief Investment Officer in May 2006 after joining us as Executive Vice President Portfolio Strategy in October 2003. From 1988

until he joined HCP, Mr. Gallagher was employed by General Electric Commercial Finance, including most recently as Managing Director of its Strategic Ventures department.

**Edward J. Henning.** Mr. Henning, 56, became our Executive Vice President, General Counsel and Corporate Secretary in January 2007. In addition, he became our Chief Administrative Officer in January 2008. From 1995 until January 2007, Mr. Henning served as our Senior Vice President, General Counsel and Corporate Secretary. He joined us in 1994 as Vice President, Senior Legal Counsel and Corporate Secretary.

**Thomas D. Kirby.** Mr. Kirby, 62, became our Executive Vice President Acquisitions and Valuations in February 2009. Mr. Kirby previously served as our Senior Vice President Acquisitions and Valuations. He joined us in 1998 after 20 years with a healthcare oriented national valuation firm.

**Thomas M. Klaritch.** Mr. Klaritch, 51, is Executive Vice President Medical Office Properties. From October 2003 through April 2008, he served as our Senior Vice President Medical Office Properties. Prior to that, he was a founding member and Chief Financial Officer of MedCap Properties LLC, a real estate company located in Nashville, TN that owned, operated and developed real estate in the healthcare field. (HCP acquired MedCap Properties LLC in October 2003.) He is a certified public accountant.

**Timothy M. Schoen.** Mr. Schoen, 41, became our Executive Vice President Life Science and Investment Management in February 2009 and was previously our Senior Vice President, Investment Management since 2007. From 1997 until he joined HCP, Mr. Schoen was employed by Kilroy Realty Corporation (NYSE: KRC), a real estate investment trust that owned, developed and operated office and industrial buildings, and most recently served as its Vice President, Corporate Finance.

**Susan M. Tate.** Ms. Tate, 48, became our Executive Vice President Asset Management and Senior Housing in February 2009 after joining us as Senior Vice President Asset Management in February 2007. Prior to joining us, she spent 19 years at JPMorgan and its predecessor institutions in both healthcare and real estate lending positions, including most recently as Vice President, Real Estate Corporate Banking.

**Mark A. Wallace.** Mr. Wallace, 51, became our Executive Vice President and Chief Financial Officer in January 2007. On February 28, 2009, Mr. Wallace tendered his resignation as an executive officer of HCP effective March 31, 2009. Mr. Wallace joined us in March 2004 as Senior Vice President and Chief Financial Officer. In addition, he became our Treasurer in September 2006. Prior to joining us, from August 2003 through November 2003, Mr. Wallace served as Chief Financial Officer of Atrix Laboratories, a specialty pharmaceutical company. He served as Executive Vice President and Chief Financial Officer of Titanium Metal Corporation (NYSE:TIE), a titanium manufacturer, from 2000 to 2002. In addition, he served as Vice President and CFO of Tremont Corporation, a metal products production company, from 2000 to 2002. He is a certified public accountant.

There are no family relationships among any of our directors or executive officers.

#### **Board Meeting Attendance**

During 2008, our Board of Directors held nine meetings. During that period, each of our directors attended at least 75% of the meetings of the Board and each of its committees on which he or she served. Our policy is that directors should make every effort to attend in person the four regularly scheduled quarterly meetings of the Board and the annual stockholders meeting, as well as the associated meetings of committees of which they are members and all other scheduled meetings of the Board and meetings of committees of which they are members. Members may attend such meetings by telephone or video conference, if necessary, to mitigate conflicts. All of our current Board members attended the 2008 annual meeting of stockholders in person.

## Board Independence

To be considered independent under the NYSE rules, the Board must affirmatively determine that a director does not have any direct or indirect material relationship with HCP or its subsidiaries. Our Board has established and employs categorical standards to assist in determining whether a relationship between any director and HCP is material and thus would disqualify such director from being independent. These categorical standards are included in Section II of HCP's Corporate Governance Guidelines, which are posted on the Investor Relations Corporate Governance section of our website at [www.hcpi.com](http://www.hcpi.com) and may also be obtained in print, without charge, by any stockholder upon request to our Corporate Secretary. The full text of these categorical standards is also attached as Annex 1 to this Proxy Statement.

The Board has determined, in accordance with the categorical standards discussed above and the NYSE rules, that each of Ms. Garvey, Ms. Martin and Messrs. Fanning, Henry, McKee, Messmer, Rhein, Roath, Rosenberg and Sullivan is independent within the meaning of the rules of the NYSE. The Board further determined that Mr. Flaherty is not independent due to his present employment with HCP.

In making its determination that each of our directors (other than Mr. Flaherty) is independent, the Board considered Mr. Rhein's service as a non-employee director of Cohen & Steers, Inc. whose wholly owned subsidiary, Cohen & Steers Capital Management, Inc., manages mutual funds that in the aggregate, owned approximately 2.0% of the Company's common stock as of January 12, 2009. The Board affirmatively determined that, because of the nature of Mr. Rhein's relationship with the entity and the amount involved, he does not have a material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

## Committees of the Board and Corporate Governance Guidelines

Our Board of Directors has a standing Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Finance and Risk Management Committee. Current copies of the charters for each of these committees as well as our Corporate Governance Guidelines are posted on the Investor Relations Corporate Governance section of our website at [www.hcpi.com](http://www.hcpi.com), and may be obtained in print, without charge, by any stockholder upon request to our Corporate Secretary.

*Audit Committee.* The Audit Committee currently consists of Mr. Fanning, Ms. Garvey (Chair), Ms. Martin and Mr. Sullivan and, prior to April 2008, the members of the Audit Committee were Messrs. Fanning, Henry, Rhein (Chair) and Sullivan. The Audit Committee held five meetings during 2008. Our Board has determined that each director that served on our Audit Committee is, or at the relevant time was, "independent" within the meanings of NYSE and SEC rules and financially literate under NYSE rules. The Board has determined that each of Ms. Martin and Mr. Sullivan is an audit committee financial expert within the meaning of applicable SEC rules and has accounting or related financial management expertise.

Our Audit Committee operates pursuant to a written charter. The primary purpose of our Audit Committee is to assist the Board with its oversight responsibilities regarding:

integrity of HCP's financial statements and internal control over financial reporting;

HCP's compliance with legal and regulatory requirements;

the independent auditor's qualifications and independence; and

the performance of HCP's independent auditor and internal audit function.

In addition, our Audit Committee is responsible for preparing the Audit Committee Report required to be prepared pursuant to SEC rules for inclusion in our annual proxy statement.

Our Audit Committee generally meets with our independent auditors at least four times a year. To ensure independence of the audit, our Audit Committee consults separately and jointly with the independent

auditors and management. The Audit Committee Report is included in this Proxy Statement under "Audit Committee Report to Stockholders."

*Compensation Committee.* The Compensation Committee currently consists of Messrs. Henry, McKee (Chair), Messmer and Rhein and, prior to April 2008, the members of the Compensation Committee were Ms. Cirillo-Goldberg and Messrs. McKee (Chair) and Messmer. The Compensation Committee held five meetings during 2008. Our Board has determined that each director that served on our Compensation Committee is, or at the relevant time was, independent under NYSE rules. Our Compensation Committee operates pursuant to a written charter. Pursuant to its charter, our Compensation Committee's responsibilities include the following:

evaluating and approving HCP's compensation plans, policies and programs;

reviewing HCP's compensation philosophy;

reviewing and approving HCP's corporate goals and objectives relating to the compensation of our Chief Executive Officer ("CEO"), evaluating the performance of the CEO in light of those goals and objectives, and determining and approving the CEO's compensation based on such evaluation;

reviewing and approving, annually, the compensation levels for any executive vice president and other Section 16 officer of HCP;

reviewing and approving any employment agreements, executive retirement plans and severance arrangements for Senior Vice Presidents and above;

managing and reviewing HCP's bonus, long-term incentive compensation, stock option, employee pension and deferred compensation plans;

reviewing and approving HCP's policies concerning perquisite benefits;

determining HCP's policy with respect to change of control or "parachute" payments; and

managing and reviewing HCP's director and officer indemnification matters.

Our Compensation Committee also reviews and makes recommendations regarding the compensation paid to members of the Board who are not also employed by HCP ("Non-Employee Directors"). However, our full Board determines the compensation for our Non-Employee Directors.

Our Compensation Committee may form subcommittees and delegate to its subcommittees such powers and authority as it deems appropriate, except that our Compensation Committee may not delegate to a subcommittee (i) its authority to approve compensation levels and award grants for senior executive officers and other high-level employees, or (ii) any other power or authority required by applicable law or regulation to be exercised by the committee as a whole. Our Compensation Committee has delegated to the Stock Award Subcommittee the authority to make restricted stock grants to certain of our employees of up to an annual aggregate limit of 75,000 shares of our common stock each year. Mr. Flaherty is currently the sole member of the Stock Award Subcommittee. The Stock Award Subcommittee may only make these grants to Vice Presidents and more junior officers and employees of HCP. Other than the authority delegated to the Stock Award Subcommittee, our Compensation Committee has no current intention to delegate any of its authority to any other committee or subcommittee. Our executive officers, including the Named Executive Officers, do not have any role in determining the form or amount of compensation paid to our Named Executive Officers. However, our Chief Executive Officer does make recommendations to the Compensation Committee with respect to compensation paid to the other executive officers.

Pursuant to its charter, our Compensation Committee is authorized to retain such independent counsel, compensation and benefits consultants and other outside experts or advisors as it believes to be necessary or appropriate to carry out its duties. Prior to November 2008, our

Compensation Committee retained the firm of Semler Brossy Consulting Group, LLC ("Semler Brossy") as independent compensation

consultants to assist it in determining the compensation levels for our senior executive officers. In November 2008, the Compensation Committee retained the firm of FPL Associates, L.P. ("FPL Associates") as independent compensation consultants. The Compensation Committee made its 2008 compensation decisions, including decisions with respect to the Named Executive Officers' compensation, after consulting with its compensation consultants. For 2008, the consultants advised the Compensation Committee with respect to trends in executive compensation, determination of pay programs, assessment of competitive pay levels and mix (*e.g.*, proportion of fixed pay to incentive pay, proportion of annual cash pay to long-term incentive pay) and setting compensation levels. The compensation consultants also reviewed comparable equity REITs and other real estate companies for 2008 and helped the Compensation Committee obtain and evaluate current executive compensation data for these companies. All compensation decisions were made solely by our Compensation Committee or Board of Directors.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee currently consists of Ms. Martin and Messrs. Henry, Messmer and Rosenberg (Chair) and, prior to April 2008, the members of the Nominating and Corporate Governance Committee were Ms. Cirillo-Goldberg and Messrs. Henry, Messmer and Rosenberg (Chair). The Nominating and Corporate Governance Committee held two meetings in 2008. Our Board has determined that each member of our Nominating and Corporate Governance Committee is "independent" under NYSE rules. Our Nominating and Corporate Governance Committee acts pursuant to a written charter. Pursuant to its charter, our Nominating and Corporate Governance Committee's responsibilities include: identifying qualified candidates to become Board members, recommending to our Board director nominees for election by the stockholders, selecting candidates to fill any vacancies on our Board, developing and recommending to our Board a set of corporate governance guidelines and principles applicable to the Company and overseeing the evaluation of the Board.

*Finance and Risk Management Committee.* The Finance and Risk Management Committee, which was named the Finance Committee prior to January 2009, currently consists of Messrs. Henry, Rosenberg, and Sullivan (Chair). Messrs. Henry, Rosenberg, and Sullivan served as members of the committee for all of 2008. The Finance Committee held five meetings in 2008. Our Board has determined that each member of the committee is "independent" under NYSE rules. The committee was initially formed in order to facilitate the offer, issuance and sale of shares of HCP's common stock, the classification or reclassification, offer, issuance and sale of shares of separate classes or series of HCP's preferred stock and the offer, issuance and sale of HCP's debt securities on an expedited basis, as well as HCP's entry into credit facilities, and loan, hedging and other financing transactions. In January 2009, the Finance Committee was renamed the Finance and Risk Management Committee and the responsibilities of the committee were expanded to include: overseeing the enterprise risk management activities of HCP, including reviewing and discussing with management and the independent auditors any significant risks or exposures of HCP, the steps management has taken to identify, minimize, monitor or control such risks or exposures, and HCP's underlying policies with respect to risk assessment and risk management.

*Corporate Governance Guidelines.* Our Board has adopted Corporate Governance Guidelines, which direct our Board's actions with respect to, among other things, Board composition, Board meetings, the Board's standing committees and procedures for appointing members of these committees, stockholder communications with the Board, expectations for directors, succession planning and self-evaluation.

*Director Nominees.* Our Nominating and Corporate Governance Committee does not set specific, minimum qualifications that nominees must meet in order to be recommended as a candidate for election to the Board of Directors. Rather, the Nominating and Corporate Governance Committee considers a number of factors when reviewing potential nominees for the Board, including, but not limited to: (i) personal and professional integrity, ethics and values; (ii) experience in corporate management, such as serving as an officer or former officer of a publicly held company; (iii) experience in our industry; (iv) experience with relevant social policy concerns; (v) experience as a board member of another publicly held company; (vi) the ability and willingness to commit adequate time to our Board and its committee



matters; (vii) the fit of the individual's skills with those of the other members (and potential members) of our Board in building a board that is effective, collegial and responsive to HCP's needs; (viii) academic expertise in an area of HCP's operations; and (ix) practical and mature business judgment. In addition to the criteria set forth above, the Nominating and Corporate Governance Committee strives to create diversity in perspective, background and experience in the Board as a whole.

In identifying, evaluating and selecting potential director nominees for election at each annual meeting of stockholders, and nominees for directors to be elected by the Board to fill vacancies and newly created directorships, the Nominating and Corporate Governance Committee engages in a selection process. The Nominating and Corporate Governance Committee will consider as potential director nominees candidates recommended by various sources, including any member of the Board, any stockholder of the Company or senior management. The Nominating and Corporate Governance Committee may also hire a search firm, if deemed appropriate. All potential director nominees will be initially reviewed by the Chairman of the Nominating and Corporate Governance Committee, or in the Chairman's absence, any other member of the committee delegated to initially review director candidates. The reviewing committee member will make an initial determination in his or her own independent business judgment as to the qualifications and fit of such director candidates based on the criteria set forth above. If the reviewing committee member determines that it is appropriate to proceed, the Chief Executive Officer and at least one member of the Nominating and Corporate Governance Committee will interview the prospective director candidates. Other Board members may also interview the prospective candidates. The Nominating and Corporate Governance Committee will provide informal progress updates to the Board and will meet to consider and recommend final director candidates to the entire Board. The Board determines which candidates are nominated or elected to fill a vacancy.

As described above, the Nominating and Corporate Governance Committee will consider candidates recommended by stockholders. Properly communicated stockholder recommendations will be considered in the same manner as recommendations received from other sources. Such director recommendations will be considered properly communicated if submitted in writing to the Chairman of the Nominating and Corporate Governance Committee of the Board of Directors, c/o HCP, Inc., 3760 Kilroy Airport Way, Suite 300, Long Beach, CA 90806, together with appropriate biographical information and descriptions of the candidate's qualifications and the relationship, if any, to the stockholder.

All of our director nominees are currently directors of HCP and all director nominees were previously elected to serve on our Board by our stockholders.

#### **Meetings of Independent Directors**

In addition to the meetings of the committees of the Board described above, in connection with the Board meetings, our independent directors met in executive session without management present four times during fiscal 2008. Mr. Rosenberg has been elected as our Board's Lead Director, and presides at the executive sessions of the independent directors.

#### **Stockholder Communications with the Board**

Stockholders who wish to contact members of our Board may send written correspondence to the Board of Directors of HCP, Inc. at the mailing address for our executive offices at 3760 Kilroy Airport Way, Suite 300, Long Beach, CA 90806. Stockholders should provide proof of share ownership with their correspondence. It is suggested that stockholders also include their contact information. All communications from verified stockholders will be received and processed by us and then directed to the appropriate member(s) of our Board.

In addition, any interested party who wishes to communicate directly with our Lead Director, or with our independent directors as a group, may contact our Corporate Secretary at the mailing address for our executive offices at 3760 Kilroy Airport Way, Suite 300, Long Beach, CA 90806. All communications will be received and processed by us and then directed to our Lead Director.

**DIRECTOR COMPENSATION 2008**

The following table presents information regarding the compensation paid for 2008 to each of our Non-Employee Directors. The compensation paid to Mr. Flaherty, who is also one of our employees, is presented below in the Summary Compensation Table and the related explanatory tables. Mr. Flaherty is not entitled to receive additional compensation for his service as a director.

| Name                           | Fees<br>Earned<br>or<br>Paid in<br>Cash<br>(\$) | Stock<br>Awards<br>(\$)(1)(2)(3) | Option<br>Awards<br>(\$)(1)(2)(3) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Change in<br>Pension Value<br>and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All Other<br>Compensation<br>(\$) | Total<br>(\$) |
|--------------------------------|---|----------------------------------|-----------------------------------|---|---|-----------------------------------|---------------|
| (a)                            | (b)   | (c)                              | (d)                               | (e)   | (f)   | (g)                               | (h)           |
| Mary A.<br>Cirillo-Goldberg(4) | 16,558  | (36,681)                         | 0                                 | 0   | 0   | 0                                 | (20,123)      |
| Robert R. Fanning, Jr.         | 46,500  | 114,750                          | 0                                 | 0   | 0   | 0                                 | 161,250       |
| Christine N. Garvey            | 64,602  | 32,377                           | 0                                 | 0   | 0   | 0                                 | 96,979        |
| David B. Henry                 | 54,500  | 84,985                           | 0                                 | 0   | 0   | 0                                 | 139,485       |
| Lauralee E. Martin(5)          | 32,942  | 19,752                           | 0                                 | 0   | 0   | 0                                 | 52,694        |
| Michael D. McKee               | 63,500  | 114,750                          | 0                                 | 0   | 0   | 0                                 | 178,250       |
| Harold M. Messmer, Jr.         | 49,500  | 114,750                          | 0                                 | 0   | 0   | 0                                 | 164,250       |
| Peter L. Rhein                 | 59,898  | 114,750                          | 0                                 | 0   | 0   | 0                                 | 174,648       |
| Kenneth B. Roath(6)            | 42,000  | 114,750                          | 0                                 | 0   | 0   | 0                                 | 156,750       |
| Richard M. Rosenberg           | 75,500  | 114,750                          | 0                                 | 0   | 0   | 0                                 | 190,250       |
| Joseph P. Sullivan             | 63,000  | 84,985                           | 0                                 | 0   | 0   | 0                                 | 147,985       |

(1)

The amounts reported in column (c) of the table above reflect the aggregate dollar amounts recognized for stock awards for financial statement reporting purposes with respect to 2008 (disregarding any estimate of forfeitures related to service-based vesting conditions). No stock awards or option awards granted to Non-Employee Directors were forfeited during 2008, except that Ms. Cirillo-Goldberg forfeited 4,500 unvested shares of restricted stock upon her resignation from the Board in April 2008. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of stock awards and option awards contained in Note 21 Compensation Plans to the consolidated financial statements included as part of HCP's 2008 Annual Report on Form 10-K, filed with the SEC and incorporated herein by reference. Messrs. Fanning, McKee, Messmer, Rhein, Roath and Rosenberg have reached retirement age (as defined in HCP's plans and awards) and, accordingly, the entire grant date fair value of the restricted stock awards they received in 2008 was recognized and expensed for financial statement reporting purposes in 2008.

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(2)

The following table presents the number of outstanding and unexercised option awards and the number of unvested restricted stock awards held by each of our Non-Employee Directors as of December 31, 2008. All of the option awards reported in the table below were vested and exercisable as of December 31, 2008.

| Director                 | Number of Shares<br>Subject to<br>Outstanding<br>Options as of<br>12/31/08 | Number of<br>Unvested<br>Shares of<br>Restricted<br>Stock as of<br>12/31/08 |
|--------------------------|--|---|
| Mary A. Cirillo-Goldberg | 0  | 0   |
| Robert R. Fanning, Jr.   | 30,880   | 7,500   |
| Christine N. Garvey      | 0  | 4,125   |
| David B. Henry           | 0  | 7,500   |
| Lauralee E. Martin       | 0  | 3,000   |
| Michael D. McKee         | 0  | 7,500   |
| Harold M. Messmer, Jr.   | 0  | 7,500   |
| Peter L. Rhein           | 0  | 7,500   |
| Kenneth B. Roath         | 0  | 7,500   |
| Richard M. Rosenberg     | 0  | 7,500   |
| Joseph P. Sullivan       | 0  | 7,500   |

(3)

As described below, we granted each of our Non-Employee Directors (other than Ms. Cirillo-Goldberg) an award of 3,000 shares of restricted stock on April 24, 2008, the date of our 2008 annual meeting of stockholders. Each of these restricted stock awards had a value of \$114,750 based on the closing price of a share of our common stock on the grant date. See footnote (1) for the assumptions used to value these awards. No option awards were granted to our Non-Employee Directors during 2008.

(4)

Ms. Cirillo-Goldberg resigned as a member of our Board of Directors effective April 24, 2008. As noted above, Ms. Cirillo-Goldberg forfeited 4,500 unvested shares of restricted stock upon her resignation. The negative number reported in the "Stock Awards" column for Ms. Cirillo-Goldberg reflects the reversal of expense that had previously been recorded in HCP's financial statements and reported in the Director Compensation Table of the proxy statement for prior years in connection with these shares.

(5)

Ms. Martin was elected to our Board of Directors on April 24, 2008.

(6)

During the period that Mr. Roath was employed by HCP, he accrued an annual retirement benefit pursuant to HCP's Supplemental Executive Retirement Plan. Mr. Roath is the only participant in this plan. Mr. Roath's Supplemental Executive Retirement Plan benefit paid by HCP in 2008 was \$624,629. This amount is not reported in the table above as it does not constitute compensation to Mr. Roath for his services as a director.

## Director Compensation

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Compensation for Non-Employee Directors during 2008 generally consisted of an annual retainer, an additional retainer for acting as the chairperson of one of our Board's committees (other than the Nominating and Corporate Governance Committee) or Lead Director, fees for attending meetings and an annual equity award. Directors are also offered the opportunity to receive all or a portion of their annual retainer and meeting fees on a deferred basis under our Second Amended and Restated Director Deferred Compensation Plan or in the form of shares of our common stock under our Non-Employee Directors Stock-for-Fees Program.

*Annual Retainers and Meeting Fees.* The annual retainer for all Non-Employee Directors was \$35,000, and the additional annual retainer for the Lead Director was \$25,000. In addition, the chairperson for each of

the Audit Committee, Compensation Committee and Finance and Risk Management Committee received an additional annual retainer of \$25,000, \$15,000 and \$10,000, respectively. HCP also reimbursed Non-Employee Directors for travel expenses incurred in connection with their duties as directors of HCP.

Non-Employee Directors received a meeting fee of \$1,500 for in-person attendance at each meeting of the Board or any of its committees (this fee was \$2,500 for in-person attendance of a committee meeting by a committee's chairperson). In addition, when a telephonic meeting lasted longer than 30 minutes, Non-Employee Directors received a meeting fee of \$500 for any telephonic meeting of the Board or any of its committees that they attended.

These annual retainer and meeting fee policies will continue in effect for 2009, except the additional annual retainer for the Lead Director and committee chairpersons identified above were each increased by \$5,000 (\$10,000 in the case of the chairperson of the Finance and Risk Management Committee) and the enhanced meeting fee for committee chairpersons was eliminated.

*Annual Equity Awards.* On the date of each annual meeting of stockholders, each Non-Employee Director who is elected at the annual meeting to serve on our Board generally receives an award of restricted stock. In addition, each person who is initially elected or appointed to the Board as a Non-Employee Director on a date other than the date of an annual meeting may receive an award of restricted stock on the date of such initial election or appointment. The number of shares subject to these restricted stock awards is determined by the Board at the time of grant. These restricted stock awards vest ratably over four years from the date of grant and are generally subject to forfeiture if the director's membership on the Board terminates prior to vesting. However, the restricted shares will automatically vest if the director's service terminates due to death, disability, retirement or removal from the Board without cause (which does not include a failure to be nominated or re-elected). The restricted shares may also vest in connection with a change in control of HCP if the award is not assumed by the successor company. Dividends are paid on the directors' restricted shares at the same rate as on all other shares of common stock of HCP.

On April 24, 2008, each of our then-serving Non-Employee Directors (i.e., Mses. Garvey and Martin and Messrs. Fanning, Henry, McKee, Messmer, Rhein, Roath, Rosenberg and Sullivan) was granted 3,000 shares of restricted stock. Each Non-Employee Director's stock award was granted under, and is subject to the terms of, the 2006 Performance Incentive Plan (the "2006 Plan"). The Board of Directors administers the plan as to Non-Employee Director awards and has the ability to interpret and make all required determinations under the plan, subject to plan limits.

In May 2005, we established stock ownership guidelines that require Non-Employee Directors to accumulate over time shares of HCP stock equal in value to the greater of (1) \$120,000, or (2) five times the amount of the regular annual cash retainer for directors at that time. As to Non-Employee Directors in office when the guidelines were approved, the guidelines are effective May 15, 2010. As to new Non-Employee Directors, the guidelines are effective on the first May 15 that occurs more than five years after the director first becomes a member of our Board of Directors. Once subject to the guidelines, a director's level of stock ownership will be reviewed each May 15 for as long as the director remains in office.

*Director Deferred Compensation Plan.* In January 1996, HCP adopted the Amended and Restated Director Deferred Compensation Plan, as amended and restated in October 2008 (the "Director Deferral Plan"), which permits our Non-Employee Directors to elect to defer their annual retainers and meeting fees. Amounts deferred by a director under the Director Deferral Plan are payable to such director upon: (i) his or her retirement or death, (ii) the occurrence of a substantial hardship, as determined by the Compensation Committee in accordance with applicable law, or (iii) such earlier date as may be designated by the director at the time of election to participate in the plan. In 1997, we terminated our former director retirement plan and all amounts accrued under that plan were transferred into the

Director Deferral Plan. Amounts transferred in 1997 by any director from our former director retirement plan are to be paid only after the director's retirement from the Board of Directors.

Each director participating in the Director Deferral Plan may elect to have deferred compensation and transferred accruals credited, wholly or partially, to (i) an interest rate account wherein the deferrals and transferred amounts accrue interest at a rate equal to the prime rate of Bank of New York minus one percent, or (ii) a stock credit account wherein the deferrals and transferred amounts are treated as if invested in HCP common stock with the account increasing for dividends paid, and increasing or decreasing with changes in the price of HCP's common stock.

*Non-Employee Director Stock-for-Fees Program.* Under the Non-Employee Director Stock-for-Fees Program, each of our Non-Employee Directors may elect to receive all or a portion of his or her annual retainer and meeting fees in the form of shares of our common stock in lieu of payment in cash. If a director elects to receive fees in the form of stock, the director's election will apply to all fees that would otherwise be paid in cash but for the director's election, commencing with HCP's fiscal quarter after the election is made. Shares will generally be issued to directors who elect to receive stock under the program as soon as practicable after HCP pays a cash dividend to its stockholders following the quarter with respect to which the election was effective, and the number of shares to be issued will be determined by dividing (i) the amount of the fees being exchanged for the right to receive stock, by (ii) the average of the closing prices for a share of our common stock for the period of ten trading days ending with the dividend payment date.

## SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table sets forth HCP's nominees for election as directors, all of whom are currently directors, and our principal executive officer, principal financial officer and our three other most highly compensated executive officers during fiscal 2008. These three executive officers, our principal executive officer and our principal financial officer are referred to collectively as the "Named Executive Officers." With respect to these individuals, set forth below is information as to the terms in office for our director nominees and the number of shares of our common stock beneficially owned by each of them as of February 20, 2009.

| Name   | First Elected or Appointed | Shares Beneficially Owned(1) |                            |                     |
|--|----------------------------|------------------------------|----------------------------|---------------------|
|  |                            | Number of Shares             | Number of Options/ RSUs(2) | Percent of Class(3) |
| Directors  |                            |                              |                            |                     |
| Robert R. Fanning, Jr.   | 1985                       | 53,227                       | 30,880                     | *                   |
| James F. Flaherty III(4)   | 2002                       | 675,685(5)                   | 1,732,644(6)               | *                   |
| Christine N. Garvey  | 2007                       | 4,500                        | 0                          | *                   |
| David B. Henry   | 2004                       | 17,641                       | 0                          | *                   |
| Lauralee E. Martin   | 2008                       | 3,000                        | 0                          | *                   |
| Michael D. McKee   | 1989                       | 197,000                      | 0                          | *                   |
| Harold M. Messmer, Jr.   | 1985                       | 270,200(7)                   | 0                          | *                   |
| Peter L. Rhein   | 1985                       | 59,100                       | 0                          | *                   |
| Kenneth B. Roath   | 1986                       | 391,654                      | 0                          | *                   |
| Richard M. Rosenberg   | 2003                       | 18,800                       | 0                          | *                   |
| Joseph P. Sullivan   | 2004                       | 44,720                       | 0                          | *                   |
| Named Executive Officers   |                            |                              |                            |                     |
| Paul F. Gallagher  | n/a                        | 57,380                       | 222,560                    | *                   |
| Edward J. Henning  | n/a                        | 130,351                      | 235,402                    | *                   |
| Thomas M. Klaritch   |                            | 153,970(8)                   | 193,465(9)                 | *                   |
| Mark A. Wallace  | n/a                        | 37,668                       | 175,452                    | *                   |
| All director nominees, Named Executive Officers and other executive officers as a group (18 persons) |                            |                              |                            |                     |
|  | n/a                        | 2,241,324                    | 2,752,064                  | 1.9%                |

\*

Less than 1%

(1)

Except as otherwise noted below and subject to applicable community property laws, each individual has sole voting and investment power with respect to the shares listed and may, from time to time, hold shares in accounts that have a margin feature. The information in this table under "Number of Shares" includes for each of the named individuals, the following number of shares of unvested restricted stock as to which each individual has sole voting but not investment power: Mr. Fanning, 7,500; Mr. Flaherty, 17,142; Ms. Garvey, 4,125; Mr. Henry, 7,500; Ms. Martin, 3,000; Mr. McKee, 7,500; Mr. Messmer, 7,500; Mr. Rhein, 7,500; Mr. Roath, 7,500; Mr. Rosenberg, 7,500; Mr. Sullivan,



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7,500; and Mr. Wallace, 4,000. The information in this table does not include, for each of the named individuals, the following number of shares represented by unvested restricted stock unit awards that will not vest within 60 days of February 20, 2009 with respect to which the named individual has neither voting nor investment power: Mr. Flaherty, 740,236; Mr. Gallagher, 92,449; Mr. Henning, 52,270; Mr. Klaritch, 35,619; and Mr. Wallace, 32,012.

- (2) Consists of shares (i) purchasable upon exercise of outstanding stock options that are currently vested or will vest within 60 days following February 20, 2009, and (ii) represented by restricted stock unit awards that will vest within 60 days following February 20, 2009. For Mr. Klaritch, this also includes 50,000 shares issuable upon conversion of non-managing membership units of HCPI/Tennessee, LLC. For more information on HCPI/Tennessee, see the section in this Proxy Statement entitled "Certain Transactions."
- (3) Based on 253,929,042 shares outstanding at February 20, 2009. In addition, for purposes of computing the percentage of shares held by an individual, the number of shares outstanding includes shares purchasable by that individual within 60 days following February 20, 2009 upon exercise of outstanding stock options or vesting of restricted stock units held by such person.
- (4) Mr. Flaherty is our Chairman, Chief Executive Officer and President.
- (5) Includes 2,400 shares held in an irrevocable trust for the benefit of Mr. Flaherty's children and 573 shares held in an IRA by Mr. Flaherty's spouse. Mr. Flaherty disclaims beneficial ownership of these shares. Also includes an additional 225,000 shares held in an irrevocable trust for the benefit of Mr. Flaherty's children.
- (6) Includes 167,680 options held in an irrevocable trust for the benefit of Mr. Flaherty's children. Mr. Flaherty disclaims beneficial ownership of these options.
- (7) Includes (i) 16,000 shares held as custodian for Mr. Messmer's children, and (ii) 115,800 shares held by 4M Partners, L.P. Mr. Messmer is the co-manager (along with his wife) of the limited liability company that is the general partner of 4M Partners. Mr. Messmer disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. Also includes an additional 20,000 shares held in an irrevocable trust for the benefit of Mr. Messmer's children.
- (8) Includes 38,600 shares held in an irrevocable trust for the benefit of Mr. Klaritch's children. Mr. Klaritch disclaims beneficial ownership of these shares.
- (9) Includes 40,000 units, convertible on a one-for-one basis to shares of common stock, held in an irrevocable trust for the benefit of Mr. Klaritch's children. Mr. Klaritch disclaims beneficial ownership of these units.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to our principal executive officer, our principal financial officer, and our three other most highly compensated executive officers. These individuals are listed in the Summary Compensation Table on page 29 below and referred to as the "Named Executive Officers" in this Proxy Statement. Mr. Klaritch became an executive officer of HCP on his promotion to the position of Executive Vice President in May 2008. Mr. Wallace resigned from his position as an executive officer of HCP effective March 31, 2009.

Our executive compensation programs are determined and approved by our Compensation Committee. None of the Named Executive Officers are members of the Compensation Committee or otherwise had any role in determining the compensation of other Named Executive Officers, although the Compensation Committee does consider the recommendations of Mr. Flaherty in setting compensation levels for our executive officers other than Mr. Flaherty.

#### Executive Compensation Program Objectives and Overview

The Compensation Committee conducts an annual review of HCP's executive compensation programs to ensure that:

the program is designed to achieve HCP's goals of promoting financial and operational success by attracting, motivating and facilitating the retention of key employees with outstanding talent and ability; and

the program adequately rewards performance which is tied to creating stockholder value.

The Compensation Committee also considers compensation levels of comparable equity REITs, including those that specialize in healthcare, and other real estate and finance organizations.

HCP's current executive compensation program is based on three components, which are designed to be consistent with our compensation philosophy: (i) base salary; (ii) annual incentive bonuses; and (iii) long-term stock awards, including stock options and awards of restricted stock units that are subject to both performance-based and time-based vesting requirements. HCP also provides supplemental life insurance to Mr. Flaherty pursuant to his employment agreement and, in some cases, provides severance benefits to Named Executive Officers whose employment terminates under certain circumstances. As described below, HCP also granted Mr. Flaherty a time-based restricted stock unit award in 2006 that is intended to provide both a long-term retention incentive and a supplemental retirement benefit.

In structuring executive compensation packages, the Compensation Committee considers how each component promotes retention and/or motivates performance by the executive. Base salaries, personal benefits, and severance and other termination benefits are primarily intended to attract and retain highly qualified executives. These are the elements of our executive compensation program where the value of the benefit in any given year is not dependent on performance (although base salary amounts and benefits determined by reference to base salary may increase from year to year depending on performance, among other things). We believe that in order to attract and retain top executives, we need to provide them with compensation levels that reward their continued service. Some of the elements, such as base salaries and personal benefits, are generally paid out on a short-term or current basis. Other elements, such as benefits provided upon retirement or other termination of employment, are generally paid out on a longer-term basis. We believe this mix of short- and long-term elements allows us to achieve our goals of attracting and retaining top executives.

Annual bonuses are primarily intended to motivate Named Executive Officers to achieve specific strategies and operating objectives, although we also believe it helps us attract and retain top executives. Our long-term equity incentives are primarily intended to align Named Executive Officers' long-term interests

with stockholders' long-term interests, although we believe they also play a role in helping us to attract and retain top executives. These are the elements of our executive compensation program that are designed to reward performance and thus the creation of stockholder value. For a given fiscal year, the Compensation Committee makes incentive compensation decisions retrospectively for both annual and long-term incentives after the end of the year, evaluating performance during that year. That is, bonus payments and long-term incentive compensation awards granted in January 2008 and January 2009 were based on an assessment of 2007 and 2008 performance, respectively.

The Compensation Committee believes that performance-based compensation such as annual bonuses and long-term equity incentives play a significant role in aligning management's interests with those of HCP's stockholders. For this reason, these forms of compensation constitute a substantial portion of each of our Named Executive Officers' compensation. For 2008, the Compensation Committee approved executive compensation arrangements for Mr. Flaherty, our Chief Executive Officer, that resulted in approximately 93% of Mr. Flaherty's total direct compensation constituting compensation that is performance-based and/or with a value derived from our stock price, with his base salary constituting the balance of his 2008 total direct compensation. (As used in this discussion, the term "total direct compensation" means the aggregate amount of the executive's base salary, actual annual incentive bonus, and long-term equity incentive awards based on the grant-date fair value of such awards as determined under the accounting principles used in HCP's financial reporting.) With respect to our other Named Executive Officers, the Compensation Committee approved executive compensation arrangements that resulted in 68% to 82% of each executive's total direct compensation being compensation that is performance-based and/or with a value derived from our stock price, with base salary constituting the balance of their 2008 total direct compensation. Our compensation packages are designed to promote teamwork, initiative and resourcefulness by key employees whose performance and responsibilities directly affect our results of operations. The Compensation Committee also periodically reviews our mix of fixed and incentive-based compensation against the compensation practices at comparable equity REITs and other real estate companies with the view that our executive officers' salary levels should be set around the median or at lower levels relative to industry data so that a greater percentage of our executives' compensation may be delivered in the form of incentive compensation opportunities that are based upon HCP performance.

#### **Compensation Consultant; Review of Relevant Compensation Data**

The Compensation Committee's practice has been to retain independent compensation consultants to advise it on (1) types of compensation arrangements, (2) compensation practices of certain targeted peer companies deemed representative of the industry, and (3) laws, rules, regulations and tax aspects relevant to the work of the Compensation Committee. Prior to November 2008, the Compensation Committee retained Semler Brossy to provide these advisory services. In November 2008, the Compensation Committee retained FPL Associates to provide these services.

Based on the consultants' recommendations, the Compensation Committee selected the following companies as HCP's peer group in 2008 for compensation purposes.

|                                       |                                    |
|---------------------------------------|------------------------------------|
| Alexandria Real Estate Equities, Inc. | Kimco Realty Corporation           |
| AMB Property Corporation              | Nationwide Health Properties, Inc. |
| AvalonBay Communities, Inc.           | Public Storage                     |
| Boston Properties, Inc.               | Regency Centers Corporation        |
| Equity Residential                    | Simon Property Group, Inc.         |
| Federal Realty Investment Trust       | Ventas, Inc.                       |
| Health Care REIT, Inc.                | Vornado Realty Trust               |
| Healthcare Realty Trust, Inc.         | Weingarten Realty Investors        |
| Host Hotels & Resorts, Inc.           |                                    |

The peer companies generally consist of comparable equity REITs, including those that specialize in healthcare, and, since most healthcare REITs do not have substantially comparable market capitalization or business models as HCP, certain other REITs and real estate companies outside of the healthcare area that have market capitalizations that are substantially comparable to HCP. HCP's market capitalization and total capitalization rank near the 75<sup>th</sup> percentile of the peer group. In making its compensation comparisons, the Compensation Committee takes into account HCP's market capitalization compared to the peer companies.

In 2008, the Compensation Committee reviewed compensation data for executives at the peer companies with positions comparable to those held by the Named Executive Officers. This data consisted of base salary, cash bonus and equity award information as well as total direct compensation paid by each of the peer companies as reflected in their proxy statements. Although the Compensation Committee reviewed and discussed the compensation data provided by the consultants to help inform its decision-making process, the Compensation Committee does not set compensation levels at any specific level or percentile against the peer group data (i.e., the Compensation Committee does not "benchmark" HCP's executive compensation levels). As described below, the peer group data is only one point of information taken into account by the Compensation Committee in making compensation decisions.

#### **2008 Performance Overview**

The Compensation Committee believes that HCP's corporate performance in 2008 was outstanding in light of the performance of the United States securities and real estate markets generally. Portfolio repositioning, improvement in the dividend to funds from operations payout ratio, property quality, strategic initiatives, capital market activities and asset management were particular areas in which outstanding results were achieved. During 2008, HCP's management team improved the property portfolio, balance sheet and liquidity in a manner that may provide benefits to shareholders for many years to come.

Because of the manner in which management was able to successfully reposition HCP's portfolio, the Compensation Committee awarded executives compensation for 2008 at levels consistent with that awarded for prior years. Significant effort and talent were applied to the consummation of various initiatives that were recognized in the industry as outstanding accomplishments. These accomplishments included:

Achieving in 2008 the highest level of funds from operations, as defined by NAREIT ("FFO"), in HCP's history.

Raising a total of approximately \$2.4 billion of proceeds through a combination of \$656 million in asset dispositions, \$566 million of secured financing, \$200 million of unsecured financing and \$1 billion of equity offerings.

Significant debt reduction resulting in HCP's having its lowest leverage ratio in over three years.

Selection as a member of the S&P 500 Index, the first healthcare REIT so honored, and ranking as the fifth largest REIT (as measured in equity capitalization) in the U.S. by the end of 2008.

Conducting an active asset management program to generate substantial incremental value from HCP's existing real estate holdings with little or no additional capital outlay.

## CURRENT EXECUTIVE COMPENSATION PROGRAM ELEMENTS

### Base Salaries

Salaries for our Named Executive Officers are reviewed by the Compensation Committee on an annual basis. Our Compensation Committee believes that a significant portion of executive officers' compensation should be in the form of incentive compensation that helps to align the interests of our executives with those of our stockholders. Accordingly, and while the Compensation Committee does not specifically establish our executive base salary levels against peer group data alone, our executive officers' salary levels are frequently at the median or at lower levels relative to industry data so that a greater percentage of our executives' compensation may be delivered in the form of incentive compensation.

In setting specific salary levels for each Named Executive Officer and HCP's other executive officers, the Compensation Committee assesses the executive's past performance and expected future contributions to HCP, as well as Mr. Flaherty's recommendations (with respect to executive officers other than himself). As described in the Description of Mr. Flaherty's Employment Agreement Salary and Bonus Amounts section included later in this Proxy Statement, HCP has entered into an employment agreement with Mr. Flaherty that provides for minimum levels of base salary. HCP does not have such agreements with its other Named Executive Officers. The Compensation Committee believes that the base salary levels of the Named Executive Officers and the other executive officers generally are reasonable in view of competitive practices, HCP's performance and the contribution of those officers to that performance.

For 2008, the Compensation Committee reviewed the base salaries for the Named Executive Officers and, consistent with a company-wide freeze on base salaries generally, determined that the base salary levels for these executives would not be increased, except that Mr. Klaritch's base salary was increased from \$275,000 to \$350,000 in May 2008 upon his promotion of Executive Vice President to be consistent with the salaries paid generally to executives at that level.

### Annual Bonuses

In January 2008, the Compensation Committee adopted the Executive Bonus Program (the "Bonus Program") to provide our executive officers with an annual bonus opportunity for 2008 and future years. The Bonus Program was adopted under our 2006 Plan, which has been approved by our stockholders and includes provisions for a cash bonus feature that is designed to qualify annual bonuses as deductible performance-based compensation under Section 162(m) of the Internal Revenue Code.

Under the Bonus Program, the Compensation Committee selects the executives who will participate in the program at the beginning of each year and establishes a maximum bonus amount for each executive. The Compensation Committee also determines a target amount for HCP's FFO per share (the "FFO Per Share") for the year, with the amount of the executive's bonus to be determined based on HCP's actual FFO Per Share for the year as compared with the target FFO Per Share established by the Committee. If the actual FFO Per Share equals or exceeds the target FFO Per Share, the Bonus Program provides for payment of up to 100% of the executive's maximum bonus amount. If the actual FFO Per Share is less than 68% of the target FFO Per Share, no bonuses would be paid under the Bonus Program. An executive's maximum bonus will be reduced for FFO Per Share results between 68% and 100% of the target FFO Per Share. FFO is derived from HCP's net income but excludes certain items such as depreciation and amortization of real estate assets that may limit the usefulness of net income as a measure of HCP's operating performance. FFO is a widely used measure of operating performance of REITs, and the Compensation Committee believes that it is appropriate to use FFO in determining HCP's performance for purposes of its Bonus Program as well as its equity awards as described below.

In addition, the Bonus Program provides that the Compensation Committee has discretion to reduce the amount of the bonus awarded to any participant in the program. Thus, the Bonus Program is designed to establish each participating executive's maximum annual bonus in a manner that complies with the

performance-based compensation requirements of Section 162(m), while still preserving the Compensation Committee's flexibility to determine the actual bonus for each executive up to the maximum bonus amount based on the executive's individual performance and such other factors as the Compensation Committee deems appropriate.

The Compensation Committee established a target FFO Per Share of \$2.11 for purposes of the 2008 Bonus Program and established the following maximum bonus amounts under the 2008 Bonus Program for each of the Named Executive Officers:

| Named Executive Officer | Maximum Bonus<br>Under<br>2008 Bonus<br>Program |
|-------------------------|---|
| James F. Flaherty III   | \$ 2,000,000                                    |
| Paul F. Gallagher       | \$ 520,000                                      |
| Mark A. Wallace         | \$ 470,000                                      |
| Edward J. Henning       | \$ 370,000                                      |

Maximum bonus levels are determined by the Compensation Committee taking into account the practices of companies in our compensation peer group (identified above), the executive's position with HCP and total compensation package, the executive's performance of his or her individual responsibilities, the executive's contribution to the success of HCP's financial performance, and a desire that a substantial portion of each executive's annual compensation opportunity should be "at risk" based on individual and HCP performance.

The Compensation Committee determined that HCP's actual FFO Per Share for 2008 exceeded the target FFO Per Share established for the Bonus Program. Based on its general assessment of HCP's performance and each Named Executive Officer's performance and contributions to HCP's successes during fiscal 2008, the Compensation Committee determined that it was appropriate to award each Named Executive Officer the amount reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table presented later in this Proxy Statement.

As noted above, Mr. Klaritch was not an executive officer at the beginning of 2008 and, accordingly, did not participate in the Bonus Program. After consideration of his individual performance in 2008 in light of his increased duties as an executive officer of HCP, as well as HCP's performance as noted above, the Compensation Committee determined that Mr. Klaritch would be awarded a bonus of \$275,000 for 2008.

#### Long-Term Incentive Equity Awards

HCP's policy is that the long-term compensation of its Named Executive Officers and other executive officers should be directly linked to the value provided to stockholders. Therefore, HCP has historically made annual grants of stock options and restricted stock and restricted stock unit awards to provide further incentives to our executives to increase stockholder value. The Compensation Committee bases its award grants to executives each year on a number of factors, including:

the executive's position with HCP and total compensation package;

the executive's performance of his or her individual responsibilities;

the equity participation levels of comparable executives at companies in our compensation peer group (identified above);  
and

the executive's contribution to the success of HCP's financial performance.

In addition, the size, frequency and type of long-term incentive grants may be determined on the basis of tax consequences of the grants to the individual and HCP, accounting impact and potential dilution effects,

and a desire that a substantial portion of each executive's annual compensation opportunity should be "at risk" based on individual and HCP performance.

In determining the levels for equity awards granted in 2008, the Compensation Committee took into account HCP's substantial achievements during 2007 as reported in the proxy statement for the 2008 annual meeting of stockholders. While the Compensation Committee does not base equity award levels on the achievement of specific performance metrics, it does consider the performance of HCP during the prior year as well as historical grant levels to inform its decision-making process. The Compensation Committee also considered the recommendations of Mr. Flaherty with respect to equity awards granted to the Named Executive Officers other than himself.

Annual award grants are generally made at the first in-person meeting of the Compensation Committee each year. This meeting is scheduled well in advance and typically held in late January or early February. Other than grants made in connection with the hiring or promotion of employees or other special circumstances, the Compensation Committee generally does not grant equity awards at any other time during the year.

*Stock Options.* HCP makes a portion of its long-term incentive grants to Named Executive Officers in the form of stock options with an exercise price that is equal to the closing price of our common stock on the grant date. Thus, the Named Executive Officers will only realize value on their stock options if our stockholders realized value on their shares. The stock options also function as a retention incentive for our executives as they vest ratably over the five-year period after the date of grant.

In January 2008, the Compensation Committee granted stock options to each of our Named Executive Officers. The material terms of these options are described in the Grants of Plan-Based Awards section included later in this Proxy Statement.

The options granted to each of our Named Executive Officers in January 2008 constitute approximately one-third of the officer's total long-term incentive compensation, with the performance-based restricted stock units described below constituting the remaining approximately two-thirds (based on the grant-date fair value of such awards as determined under the accounting principles used in HCP's financial reporting). The Compensation Committee believes this mixture of options and performance units is appropriate and consistent with the practices of the comparable equity REITs and other real estate companies considered by the Compensation Committee.

*Performance-Based Restricted Stock Units.* HCP also grants long-term incentive awards to Named Executive Officers in the form of performance-based restricted stock units. These performance units are granted early in the calendar year and become eligible to vest based on HCP's actual performance during that year relative to a performance goal established by the Compensation Committee. Once the performance units become eligible to vest, they vest ratably over the five-year period after the date of grant. Thus, the performance units are designed both to motivate executives to maximize HCP's performance for the year in which the units are granted and to provide a long-term retention incentive for the vesting period with respect to those units that become eligible to vest based on HCP's performance. The performance-based component of the award is also designed to be tax deductible under applicable tax law. See the discussion under "Policy with Respect to Section 162(m)" below.

In January 2008, the Compensation Committee granted performance units to each of our Named Executive Officers. The material terms of these awards are described in the Grants of Plan-Based Awards section included later in this Proxy Statement.

As in prior years, the performance units granted in 2008 became eligible to vest based on HCP's actual "funds from operations per share" during 2008. Funds from operations, or FFO, as defined by NAREIT, is derived from our net income but excludes certain items such as depreciation and amortization of real estate assets that may limit the usefulness of net income as a measure of our operating performance. FFO is a widely used measure of operating performance of REITs, and the Compensation Committee believes



that it is appropriate to use FFO in determining HCP's performance for purposes of its equity awards. For purposes of these awards, the Compensation Committee establishes an FFO performance goal and an FFO threshold amount for the year in which the units are granted. If the FFO performance goal is met or exceeded, all of the units subject to the award will become eligible to vest based on the time-based vesting requirements described above. If the FFO threshold amount is not met, all of the units subject to the award will be cancelled. If HCP's actual FFO is less than the performance goal established for that year but greater than the threshold amount, a prorated percentage of the units will become eligible to vest.

For the performance units granted in 2008, the Compensation Committee established as the performance goal an FFO Per Share of \$2.11 (the same goal established for purposes of the Bonus Program as described above). The Compensation Committee determined that HCP exceeded this performance goal, and all of the performance units granted to the Named Executive Officers in January 2008 became eligible to vest accordingly.

As in prior years, the Compensation Committee determined in January 2008 to award a portion of Mr. Flaherty's bonus for 2007 in the form of a grant of performance-based restricted stock units rather than cash. These performance units are generally subject to the same terms as described above, except that the units that become eligible to vest based on HCP's performance become fully vested on the third anniversary of the grant date. The Compensation Committee believes that this three-year "cliff" vesting schedule provides an enhanced retention incentive for Mr. Flaherty.

#### **Severance and Other Benefits Upon Termination of Employment**

HCP believes that severance protections, particularly in the context of a change in control transaction, can play a valuable role in attracting and retaining key executive officers. Accordingly, HCP provides such protections for each of the Named Executive Officers and certain other executive officers of HCP. In the case of Mr. Flaherty, these benefits are provided under his employment agreement. Our other Named Executive Officers are entitled to participate in our Change in Control Severance Plan (the "CIC Plan"), which provides severance benefits on certain terminations of the executive's employment following a change in control of HCP. The Compensation Committee evaluates the level of severance benefits to provide a participating Named Executive Officer on a case-by-case basis, and in general, HCP considers these severance protections an important part of an executive's compensation and consistent with competitive practices.

As described in more detail in the Potential Payments Upon Termination or Change in Control section included later in this Proxy Statement, under his employment agreement, Mr. Flaherty would be entitled to severance benefits in the event of a termination of employment by HCP without cause or by him for good reason, or due to his death or disability. HCP has determined that it is appropriate to provide Mr. Flaherty with severance benefits under these circumstances in light of his position with HCP and as part of his overall compensation package. The severance benefits for Mr. Flaherty are generally determined as if he continued to remain employed by HCP for two years following his actual termination date. Because we believe that a termination by an executive for good reason (or constructive termination) is conceptually the same as an actual termination by HCP without cause, we believe it is appropriate to provide severance benefits following such a constructive termination of the executive's employment.

HCP believes that the occurrence, or potential occurrence, of a change in control transaction will create uncertainty regarding the continued employment of our executive officers. This uncertainty results from the fact that many change in control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage certain of our executive officers to remain employed with HCP during an important time when their prospects for continued employment following the transaction are often uncertain, we provide Mr. Flaherty and the Named Executive Officers participating in our CIC Plan with severance benefits if the executive's employment is terminated by HCP without cause or by the executive for good reason in connection with a change in control. The severance benefits are generally

determined as if the executive had continued to remain employed by HCP for two years (or three years, in the case of Mr. Flaherty) following his actual termination date. As noted above, because we believe that a termination by an executive for good reason is conceptually the same as a termination by HCP without cause, and because we believe that in the context of a change in control, potential acquirors would otherwise have an incentive to constructively terminate the executive's employment to avoid paying severance, we believe it is appropriate to provide severance benefits in these circumstances.

We do not believe that Named Executive Officers should be entitled to receive their cash severance benefits merely because a change in control transaction occurs. The payment of cash severance benefits is only triggered by an actual or constructive termination of employment.

As part of their change in control severance benefits, Mr. Flaherty and each Named Executive Officer who participates in the CIC Plan would generally be reimbursed for the full amount of any excise taxes imposed on his severance payments and any other payments under Section 4999 of the Internal Revenue Code. We provide our executives with a "gross-up" for any parachute payment excise taxes that may be imposed because we determined the appropriate level of change in control severance protections for these executives without factoring in the adverse tax effects on them that may result from these excise taxes. The excise tax gross-up is intended to make the executive whole for any adverse tax consequences he may become subject to under the tax law and to preserve the level of change in control severance protections that we have determined to be appropriate. We believe this protection is a reasonable part of the compensation package for our Named Executive Officers and generally consistent with industry practice.

#### **Retention and Supplemental Retirement Equity Grant for CEO**

In 2006, the Compensation Committee determined that it would be appropriate to provide Mr. Flaherty with a supplemental retirement benefit program that would also serve as a long-term retention incentive. To help accomplish this goal, it was determined that any retirement benefit for Mr. Flaherty should accrue over a significant period of time, and that any benefit should also be subject to significant vesting requirements. The Compensation Committee determined that a benefit denominated in shares of HCP's common stock was advisable so that Mr. Flaherty's actual benefit would depend in large part on the long-term performance of HCP's common stock, thus further linking Mr. Flaherty's interests with those of HCP's stockholders.

The vesting schedule for the restricted stock units is intended to reflect that the grant includes both a typical time-based vesting component and a benefit accrual component. Mr. Flaherty is currently age 51. In general, no portion of the restricted stock unit grant is scheduled to vest before Mr. Flaherty attains age 55, and subject to Mr. Flaherty's continued employment with HCP, the restricted stock units will vest in annual installments over the ten-year period following the date on which Mr. Flaherty attains age 55. The grant is also intended to provide a retirement benefit that accrues for each year of Mr. Flaherty's service with HCP for the period commencing with Mr. Flaherty's hiring in 2002 and continuing through his attainment of age 65. Accordingly, the percentage of the restricted stock units that vests each year varies because of the effect of the benefit accrual component on the vesting schedule. Mr. Flaherty will not be entitled to any benefit with respect to the restricted stock units if he voluntarily terminates employment before attaining age 55. As described under the Potential Payments upon a Termination or Change in Control section included later in this Proxy Statement, the restricted stock units are subject to severance protections for Mr. Flaherty similar to those included in his employment agreement.

#### **Amendments to Benefit Plans in 2008**

In 2008, HCP amended Mr. Flaherty's employment agreement, the award agreement for Mr. Flaherty's supplemental retirement grant described above, the CIC Plan and certain other equity award agreements that included deferred compensation arrangements to comply with the IRS's deferred compensation rules

under Section 409A of the Internal Revenue Code. These amendments did not increase the intended benefits to participants under these plans.

### **Subsequent Compensation Actions**

In January 2009, the Compensation Committee approved changes to the structure of HCP's performance restricted stock unit awards. Effective for grants made in 2009, dividend equivalents that would otherwise be paid during the applicable performance period under these awards will instead accrue and be paid at the end of the performance period only if the related performance goals for the award are satisfied.

### **Stock Ownership Program**

In January 2003, our Compensation Committee adopted a stock ownership program pursuant to which each member of HCP's senior leadership team must own specified dollar amounts of HCP common stock, generally based on the individual's salary. In October 2008, the Compensation Committee modified the program so that it applies to executives at the level of executive vice president or higher and includes an executive's common stock, unvested stock awards and any non-managing member interests ("DownREIT units") held by the executive in limited liability companies in which HCP is the managing member (collectively, "HCP eligible securities") in determining the executive's stock ownership for purposes of the program. Under the program, each of the Chairman, Chief Executive Officer and President is required to own HCP eligible securities with a value equal to at least five times his base salary. Each of the other executive officers is required to own HCP eligible securities with a value equal to at least three times his or her base salary. All executives must achieve their mandatory holdings within five years of the adoption of the program or, as to newly-hired or promoted executives, within five years of becoming subject to the program. Each of the Named Executive Officers has achieved the mandatory holdings within the requisite five-year period.

### **Policy with Respect to Section 162(m)**

Section 162(m) of the Internal Revenue Code generally disallows public companies a tax deduction for compensation in excess of \$1,000,000 paid to their chief executive officers and certain of their other executive officers unless certain performance and other requirements are met. Our intent generally is to design and administer executive compensation programs in a manner that will preserve the deductibility of compensation paid to our executive officers, and we believe that a substantial portion of our current executive compensation program (including the stock options and performance-based restricted stock units granted to our Named Executive Officers as described above) satisfies the requirements for exemption from the \$1,000,000 deduction limitation. However, we reserve the right to design programs that recognize a full range of performance criteria important to our success, even where the compensation paid under such programs may not be deductible. The Compensation Committee will continue to monitor the tax and other consequences of our executive compensation program as part of its primary objective of ensuring that compensation paid to our executive officers is reasonable, performance-based and consistent with the goals of HCP and its stockholders.

#### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee has certain duties and powers as described in its charter. The Compensation Committee is currently composed of the four directors named at the end of this report, each of whom is independent as defined by the New York Stock Exchange listing standards.

The Compensation Committee has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis section of this Proxy Statement. Based upon this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement.

#### Compensation Committee of the Board of Directors

Michael D. McKee  
(Chairman)  
David B. Henry  
Harold M. Messmer, Jr.  
Peter L. Rhein

*Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Exchange Act that refer to future filings for additional information, including specifically to this Proxy Statement, in whole or in part, the above report by the Compensation Committee shall not be considered to be incorporated into, or a part of, any such filings.*

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee members whose names appear on the Compensation Committee Report above were committee members during all of 2008, except that Messrs. Henry and Rhein became members of the Compensation Committee in April 2008. Prior to her resignation as a director in April 2008, Ms. Cirillo-Goldberg served as a member of the Compensation Committee during fiscal 2008. No one who served on the Compensation Committee at any time during 2008 is or has been an executive officer of HCP or had any relationships requiring disclosure by HCP under the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director or member of the Compensation Committee during the fiscal year ended December 31, 2008.

## SUMMARY COMPENSATION TABLE - 2006 2008

The following table presents information regarding compensation of our principal executive officer, our principal financial officer and our three other most highly compensated executive officers for services rendered during 2008, 2007 and 2006. These individuals are referred to as "Named Executive Officers" in this Proxy Statement.

| Name and Principal Position(s)   | Year | Salary (\$) | Bonus (\$)(1) | Stock Awards (\$)(2) | Option Awards (\$)(2) | Non-Equity Incentive Plan Compensation (\$)(1) | Change in Pension Value and Nonqualified Deferred Compensation Earnings | All Other Compensation (\$)(3) | Total (\$) |
|--|------|-------------|---------------|----------------------|-----------------------|--|---|--------------------------------|------------|
| (a)  | (b)  | (c)         | (d)           | (e)                  | (f)                   | (g)  | (h)   | (i)                            | (j)        |
| <b>James F. Flaherty III</b><br>Chairman, Chief Executive Officer and President  | 2008 | 600,000     | 0             | 5,449,191            | 1,191,733             | 2,000,000                                      | 0   | 11,002                         | 9,251,926  |
|  | 2007 | 600,000     | 2,000,000(4)  | 4,891,882(4)         | 804,701               | 0  | 0   | 11,588                         | 8,308,171  |
|  | 2006 | 575,000     | 0(4)          | 3,078,034(4)         | 621,823               | 0  | 0   | 49,592                         | 4,324,449  |
| <b>Mark A. Wallace</b><br>Executive Vice President<br>Chief Financial Officer and Treasurer(5)                                   | 2008 | 350,000     | 0             | 479,283              | 181,565               | 370,000  | 0   | 9,752                          | 1,390,600  |
|  | 2007 | 350,000     | 470,000       | 348,664              | 115,026               | 0  | 0   | 10,338                         | 1,294,028  |
|  | 2006 | 275,000     | 565,000       | 242,615              | 68,190                | 0  | 0   | 9,268                          | 1,160,073  |
| <b>Paul F. Gallagher</b><br>Executive Vice President<br>Chief Investment Officer   | 2008 | 350,000     | 0             | 617,979              | 216,119               | 520,000  | 0   | 9,560                          | 1,713,658  |
|  | 2007 | 350,000     | 520,000       | 513,558              | 139,143               | 0  | 0   | 10,338                         | 1,533,039  |
|  | 2006 | 330,000     | 600,000       | 384,172              | 82,036                | 0  | 0   | 9,268                          | 1,405,476  |
| <b>Edward J. Henning</b><br>Executive Vice President<br>General Counsel, Chief Administrative Officer and Corporate Secretary(6) | 2008 | 350,000     | 0             | 385,616              | 170,579               | 370,000  | 0   | 10,232                         | 1,286,427  |
|  | 2007 | 350,000     | 370,000       | 291,410              | 122,461               | 0  | 0   | 10,338                         | 1,144,209  |
|  |      |             |               |                      |                       |  |   |                                |            |
| <b>Thomas M. Klaritch</b><br>Executive Vice President Medical Office Properties(7)   | 2008 | 325,000     | 275,000       | 365,820              | 83,311                | 0  | 0   | 9,752                          | 1,058,883  |

(1) As described in the Compensation Discussion and Analysis section above, each of the Named Executive Officers (other than Mr. Klaritch) received an annual incentive bonus for 2008 under our Executive Bonus Program in the amount reported in Column (g) of the table above.

(2) The amounts reported in Columns (e) and (f) of the table above reflect the aggregate dollar amounts recognized for stock awards and option awards, respectively, for financial statement reporting purposes with respect to 2008 (disregarding any estimate of forfeitures related to service-based vesting conditions). No stock awards or option awards granted to Named Executive Officers were forfeited during 2008. For a discussion of the assumptions and methodologies used to value the awards reported in Column (e) and Column (f), please see the discussion of stock awards and option awards contained in Note 21 Compensation Plans to the Company's Consolidated Financial Statements, included as part of the Company's 2008 Annual Report on Form 10-K, filed with the SEC and incorporated herein by reference. For information about the stock awards and option awards granted to our Named Executive Officers for 2008, please see the discussion under the Grants of Plan-Based Awards table below.

The grants for which HCP recorded financial statement expense in 2008, and which were taken into account in determining the amounts reflected for 2008 in Columns (e) and (f) above, include grants dating back to as early as 2002. From 2002 through the end of 2008, HCP's stock price generally traded at values greater than the current price. Stock price at the time of grant is a key variable in determining the financial statement expense of these grants. However, while the value of these grants to the executives who hold them is dependent on stock price at the time of exercise or payment, for financial statement reporting purposes the expense recorded generally is not affected by stock price fluctuations after the date of grant. The exercise prices of the outstanding and unvested HCP stock options held by our Named Executive Officers at December 31, 2008 ranged from \$23.59 to \$39.72, with a weighted average exercise price of \$30.81. HCP's stock price on the date of grant of the other unvested stock awards held by our Named Executive Officers at December 31, 2008 ranged from \$20.62 to \$39.72, with a weighted average grant date stock price as to these awards of \$31.19. Thus, the values reflected in Columns (e) and (f) above do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options or vesting in stock unit awards) and, for the most part, do not reflect the current economic value of the outstanding awards.

- (3) These amounts represent HCP's contributions to each individual's account under our 401(k) plan and term life insurance policy. HCP is not the beneficiary of the life insurance policies, and the premiums that HCP pays are taxable as income to the applicable officer. This insurance is not split-dollar life insurance. The 2008 401(k) matching contribution made with respect to each named executive officer was \$9,200. The 2008 life insurance policy contribution made with respect to each Named Executive Officer was \$552, except that the contribution for Mr. Gallagher was \$360 and the contribution for Mr. Henning was \$1,032. In addition to these amounts, Mr. Flaherty's total includes \$1,250 for premiums paid by HCP on a supplemental life insurance policy for Mr. Flaherty.
- (4) With respect to his 2007 bonus, Mr. Flaherty received \$2 million in cash and a grant of 45,160 performance-based restricted stock units in January 2008. This grant of performance units is described in the Grants of Plan-Based Awards table below and the accompanying narrative. With respect to his 2006 bonus, Mr. Flaherty received a grant of 113,200 performance-based restricted stock units in January 2007. No portion of his 2006 bonus was paid in cash.
- (5) Mr. Wallace resigned as HCP's Executive Vice President, Chief Financial Officer and Treasurer effective March 31, 2009.
- (6) Mr. Henning was not a Named Executive Officer during 2006.
- (7) Mr. Klaritch was not a Named Executive Officer during 2006 or 2007.

## COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Summary Compensation Table above quantifies the value of the different forms of compensation earned by or awarded to our Named Executive Officers for 2008. The primary elements of each Named Executive Officer's total compensation reported in the table are base salary, an annual bonus, and long-term equity incentives consisting of nonqualified stock options and performance-based restricted stock units. Named Executive Officers also earned the other benefits listed in Column (i) of the Summary Compensation Table, as further described in footnote (3) to the table.

The Summary Compensation Table should be read in conjunction with the tables and narrative descriptions that follow. A description of the material terms of each Named Executive Officer's base salary and annual bonus is provided immediately following this paragraph. The Grants of Plan-Based Awards table and the accompanying description of the material terms of the stock options and stock unit awards granted in 2008, provides information regarding the long-term equity incentives awarded to Named Executive Officers in 2008. The Outstanding Equity Awards at December 31, 2008 and Option Exercises and Stock Vested tables provide further information on the Named Executive Officers' potential realizable value and actual value realized with respect to their equity awards.

### **Description of Mr. Flaherty's Employment Agreement Salary and Bonus Amounts**

We have entered into an employment agreement with Mr. Flaherty. We do not have employment agreements with our other Named Executive Officers.

The term of Mr. Flaherty's agreement is for three years, with automatic one-year extensions each year unless either party provides notice that the agreement will not be extended. The agreement provides that the Compensation Committee will review Mr. Flaherty's base salary each year and has discretion to increase (but not reduce) his base salary level. The agreement also provides for Mr. Flaherty's target annual bonus to be set at 200% of his base salary, with the Compensation Committee to determine Mr. Flaherty's actual bonus amount each year. In making its determination with respect to salary and bonus levels, the Compensation Committee considers the factors discussed under the heading "Current Executive Compensation Program Elements" of the Compensation Discussion and Analysis above. The agreement also provides for Mr. Flaherty to participate in HCP's usual benefit programs for senior executives, term life insurance provided by HCP in the aggregate amount of \$2,000,000 payable to Mr. Flaherty's beneficiaries and reimbursement of business expenses. Provisions of Mr. Flaherty's agreement relating to outstanding equity incentive awards and post-termination of employment benefits are discussed below under the applicable sections of this Proxy Statement.

## GRANTS OF PLAN-BASED AWARDS DURING 2008

The following table presents information regarding the incentive awards granted to the Named Executive Officers during 2008.

| Name                  | Grant Date | Estimated Future Payments Under Non-Equity Incentive Plan Awards |             |              | Estimated Future Payments Under Equity Incentive Plan Awards |            |             | All Other Stock Awards: Number of Shares of Stock or Units | All Other Options Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$)(1) |
|-----------------------|------------|--|-------------|--------------|--|------------|-------------|--|---|---|--|
|                       |            | Threshold (\$)   | Target (\$) | Maximum (\$) | Threshold (#)  | Target (#) | Maximum (#) |  |   |   |  |
| (a)                   | (b)        | (c)  | (d)         | (e)          | (f)  | (g)        | (h)         | (i)  | (j)   | (k)   | (l)  |
| James F. Flaherty III | N/A        |  |             | 2,000,000    |  |            |             |  |   |   |  |
|                       | 1/25/08    |  |             |              |  |            |             |  | 747,460   | 31.95   | 2,175,109  |
|                       | 1/25/08    |  |             |              |  | 86,940     |             |  |   |   | 2,777,733  |
|                       | 1/25/08(2) |  |             |              |  | 45,160     |             |  |   |   | 1,442,862  |
| Mark A. Wallace       | N/A        |  |             | 470,000      |  |            |             |  |   |   |  |
|                       | 1/25/08    |  |             |              |  |            |             |  | 116,270   | 31.95   | 338,346  |
|                       | 1/25/08    |  |             |              |  | 20,550     |             |  |   |   | 656,573  |
| Paul F. Gallagher     | N/A        |  |             | 520,000      |  |            |             |  |   |   |  |
|                       | 1/25/08    |  |             |              |  |            |             |  | 134,070   | 31.95   | 390,144  |
|                       | 1/25/08    |  |             |              |  | 23,690     |             |  |   |   | 756,896  |
| Edward J. Henning     | N/A        |  |             | 370,000      |  |            |             |  |   |   |  |
|                       | 1/25/08    |  |             |              |  |            |             |  | 92,540  | 31.95   | 269,291  |
|                       | 1/25/08    |  |             |              |  | 16,350     |             |  |   |   | 522,383  |
| Thomas M. Klaritch    | N/A        |  |             |              |  |            |             |  |   |   |  |
|                       | 1/25/08    |  |             |              |  |            |             |  | 47,925  | 31.95   | 139,462  |
|                       | 1/25/08    |  |             |              |  | 10,640     |             |  |   |   | 339,948  |

(1) The amounts reported in column (l) of the table reflect the fair value of these awards on the grant date as determined under the principles used to calculate the value of equity awards for purposes of our consolidated financial statements. For the assumptions and methodologies used to value the awards reported in Column (l), see footnote (2) to the Summary Compensation Table above.

(2) See footnote (4) to the Summary Compensation Table above.

## DESCRIPTION OF PLAN-BASED AWARDS

## Non-Equity Incentive Plan Awards

The material terms of the non-equity incentive plan awards reported in the above table are described in the Compensation Discussion and Analysis section above under the heading "Current Executive Compensation Program Elements Annual Bonuses."



**Equity Incentive Plan Awards**

Each of the equity incentive awards reported in the above table was granted under, and is subject to, the terms of the 2006 Plan. The 2006 Plan is administered by the Compensation Committee. The Compensation Committee has authority to interpret the plan provisions and make all required determinations under the plan. Awards granted under the plan are generally only transferable to a beneficiary of a Named Executive Officer upon his death or, in certain cases, to family members for tax or estate planning purposes. However, the Compensation Committee may establish procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable securities laws and, with limited exceptions set forth in the plan document, are not made for value.

Under the terms of the 2006 Plan, if there is a change in control of HCP, each Named Executive Officer's outstanding awards granted under the plan will generally become fully vested and, in the case of options, exercisable, unless the Compensation Committee provides for the substitution, assumption, exchange or

other continuation of the outstanding awards. Any options that become vested in connection with a change in control generally must be exercised prior to the change in control, or they will be cancelled in exchange for the right to receive a cash payment in connection with the change in control transaction.

In addition, each Named Executive Officer may be entitled to accelerated vesting of his outstanding equity-based awards upon certain terminations of his employment with HCP and/or a change in control of HCP. The terms of this accelerated vesting are described in this section and in the Potential Payments upon Termination or Change in Control section below.

*Options.* Each option reported in Column (j) of the table above was granted with a per-share exercise price equal to the fair market value of a share of our common stock on the grant date. For these purposes, and in accordance with our 2006 Plan and our option grant practices, the fair market value is equal to the closing price of a share of our common stock on the applicable grant date.

Each option granted to our Named Executive Officers in 2008 is subject to a five-year vesting schedule, with 20% of the option vesting on each of the first five anniversaries of the grant date. If a Named Executive Officer's employment is terminated as a result of the officer's death, disability or retirement, his option will immediately vest and become exercisable. If the Named Executive Officer's employment terminates for any other reason, the unvested portion of his option will immediately terminate. Once vested, each option will generally remain exercisable until its normal expiration date. Each of the options granted to our Named Executive Officers in 2008 has a term of ten years. However, vested options may terminate earlier in connection with a change in control transaction or a termination of the Named Executive Officer's employment. Subject to any accelerated vesting that may apply in the circumstances, the unvested portion of the option will immediately terminate upon a termination of the Named Executive Officer's employment. The Named Executive Officer will generally have three months to exercise the vested portion of the option following a voluntary termination of his employment (other than upon retirement) or a termination by us for cause. This period is extended to eight months if the termination is by us without cause and to three years if the termination was a result of the Named Executive Officer's death, disability or retirement (with a possible extension of up to one year if the Named Executive Officer dies or becomes disabled during the three-year period following retirement).

The options granted to Named Executive Officers during 2008 do not include any dividend rights.

*Performance-Based Restricted Stock Units.* Column (g) of the table above reports awards of performance-based restricted stock units ("performance units") granted to our Named Executive Officers for 2008. Each performance unit represents a contractual right to receive one share of our common stock if the performance-based and time-based vesting requirements described below are satisfied.

The performance units become eligible to vest based on FFO Per Share for the applicable one-year performance period. For these purposes, our FFO is determined by the Compensation Committee under rules prescribed by NAREIT, before taking into account any non-recurring charges incurred by us for material strategic or financing transactions approved by our Board of Directors and impairments. The performance period is the calendar year for which the award is granted. If the FFO goal established by the Compensation Committee for the performance period is met, all of the performance units will be eligible to vest. If the FFO goal is not met, a portion of the performance units may become eligible to vest as determined on a sliding scale based on actual FFO performance relative to the goal. Any performance units that do not become eligible to vest based on actual FFO performance during the performance period will be cancelled and automatically terminate as of the end of the performance period.

In general, if the Named Executive Officer's employment terminates during the performance period for any reason other than death, disability or retirement, the performance units will immediately terminate. If the Named Executive Officer's employment terminates due to death or disability during the performance period, the performance units will become fully vested regardless of HCP's actual FFO performance. If the Named Executive Officer's employment terminates due to retirement during the performance period, the

number of performance units eligible to vest based on actual FFO performance will be determined at the end of the performance period and will become fully vested as of that time. If there is a change in control of HCP during the performance period, the number of performance units eligible to vest based on actual FFO performance will be determined at the end of the performance period and, unless the award is assumed by the successor entity, will become fully vested as of that time.

Performance units that become eligible to vest based on actual FFO performance during the performance period will generally vest at a rate of 20% per year during the five-year period after the grant date, except that the performance units granted to Mr. Flaherty with respect to his bonus for 2007 (referred to in footnote (2) to the table) that become eligible to vest will become fully vested on the third anniversary of the grant date. If the Named Executive Officer's employment terminates for any reason other than death, disability or retirement after the performance period, any performance units that have not previously vested will terminate. If the Named Executive Officer's employment terminates due to retirement, death or disability after the performance period, any performance units that became eligible to vest based on actual FFO performance will become fully vested as of the termination date. If there is a change in control of HCP after the performance period and the award is not assumed by the successor entity, any performance units that became eligible to vest based on actual FFO performance will become fully vested as of the date of the change in control.

Vested performance units are payable in an equal number of shares of our common stock. Payment will generally be made as the units become vested although the Named Executive Officer may elect to have the units paid on a deferred basis. The Named Executive Officer does not have the right to vote or dispose of the performance units, but does have the right to receive cash payments as dividend equivalents based on the amount of dividends (if any) paid by HCP during the term of the award on a number of shares equal to the number of outstanding and unpaid performance units then subject to the award. Such payments are made at the same time the related dividends are paid to our stockholders generally. As noted in the Compensation Discussion and Analysis above, effective for grants made in 2009, dividend equivalents that would otherwise be paid during the applicable performance period under these awards will instead accrue and be paid at the end of the performance period only if the related performance goals for the award are satisfied.

The performance period for each performance unit award listed in the table above was the 2008 calendar year. The Compensation Committee has determined that HCP's actual FFO performance met the FFO goal for 2008. Accordingly, 100% of the performance units subject to these awards became eligible to vest as of December 31, 2008.

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

The following tables present information regarding the outstanding equity awards held by each of our Named Executive Officers as of December 31, 2008, including the vesting dates for the portions of these awards that had not vested as of that date.

| Name                  | Option Awards    |   |   |                            |                        | Stock Awards  |   |   |  |
|-----------------------|------------------|---|---|----------------------------|------------------------|---|---|---|--|
|                       | Award Grant Date | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(1) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) |
| (a)                   | (b)              | (c)   | (d)   | (e)                        | (f)                    | (g)   | (h)   | (i)   | (j)  |
| James F. Flaherty III | 10/8/02          |   |   |                            |                        | 17,142(2)   | 476,033   |   |  |
|                       | 5/7/03           | 300,000   | 0   | 19.14                      | 5/7/13                 |   |   |   |  |
|                       | 3/15/04          | 400,000   | 100,000(3)  | 27.52                      | 3/15/14                | 6,400(3)  | 177,728   |   |  |
|                       | 1/28/05          | 288,252   | 192,168(4)  | 25.52                      | 1/28/15                | 23,060(4)   | 640,376   |   |  |
|                       | 10/26/05         |   |   |                            |                        | 23,400(5)   | 649,818   |   |  |
|                       | 2/3/06           | 216,896   | 325,344(6)  | 27.11                      | 2/3/16                 | 26,100(6)   | 724,797   |   |  |
|                       | 2/3/06           |   |   |                            |                        | 57,230(7)   | 1,589,277   |   |  |
|                       | 8/14/06          |   |   |                            |                        | 250,877(8)  | 6,966,854   |   |  |
|                       | 1/26/07          | 33,536  | 134,144(9)  | 39.72                      | 1/26/17                | 39,616(9)   | 1,100,136   |   |  |
|                       | 1/26/07          |   |   |                            |                        | 113,200(10)   | 3,143,564   |   |  |
|                       | 1/25/08          | 0   | 747,460(11)   | 31.95                      | 1/25/18                | 86,940(11)  | 2,414,324   |   |  |
|                       | 1/25/08          |   |   |                            |                        |   |   |   |  |