

HCP, INC.  
Form DEF 14A  
March 24, 2008

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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
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- 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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- No fee required.
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(1) Amount Previously Paid:

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(3) Filing Party:

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(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 24, 2008**

NOTICE IS HEREBY GIVEN that the 2008 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 24, 2008, at 9:30 a.m., California time, for the following purposes:

- (1) To elect eleven (11) persons to the Board of Directors to serve until the Company's 2009 annual meeting of stockholders and until their successors are duly elected and qualified;
- (2) To ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2008; and
- (3) 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 10, 2008, 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 sign and date the enclosed proxy card and return it as promptly as possible in the enclosed self-addressed, postage-prepaid envelope. 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 24, 2008

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**HCP, Inc.**

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**PROXY STATEMENT  
2008 Annual Meeting of Stockholders  
To Be Held on April 24, 2008**

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 2008 Annual Meeting of Stockholders to be held on April 24, 2008, 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 this Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders and the proxy card are first being sent to our stockholders is March 24, 2008.

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

A:

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

the election of eleven (11) directors to serve until the 2009 annual meeting of stockholders or until their successors are duly elected and qualified; and

the ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2008.

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; and

FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2008.

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

A:

The record date for the Annual Meeting is March 10, 2008. 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 and the proxy materials and proxy card are being sent directly to you by HCP. As the stockholder of record, you may complete, sign and date the enclosed proxy card and return it in the postage pre-paid envelope, or attend and vote at the Annual Meeting in person.

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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. As a beneficial owner, you may vote your shares by completing, signing and dating the voting instruction card provided by your bank or broker and returning it in the postage pre-paid envelope. You may also be eligible to vote your shares electronically over the Internet or by telephone. A large number of banks and brokerage firms are participating in the Broadridge Financial Solutions, Inc. online program. This program provides eligible stockholders who receive a paper copy of the Annual Report and Proxy Statement the opportunity to vote via the Internet or by telephone. If your bank or brokerage firm is participating in Broadridge's program, your voting form will provide instructions. The Internet and telephone voting facilities will close at 11:59 p.m., Eastern Time, on April 23, 2008. Stockholders who vote through the Internet or telephone should be aware that they may incur costs to access the Internet, such as usage charges from telephone companies or Internet service providers, and that these costs must be borne by the stockholder. Beneficial stockholders who vote by Internet or telephone need not return a voting instruction card by mail. If your voting form does not reference Internet or telephone information, please complete and return the paper voting instruction card you received in the self-addressed postage pre-paid envelope provided.

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 vote your shares in advance 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;

duly executing a proxy with a later date and delivering it to our Corporate Secretary before the voting at the Annual Meeting; 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 10, 2008, there were 217,705,890 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 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 election 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 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, 2008. 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 signs and sends in a proxy card and does not indicate how the stockholder wants to vote, the inspector of election will count that proxy as a vote FOR each of the director nominees named in this Proxy Statement and FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2008.

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 New York Stock Exchange ("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 are all 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 signed proxy card 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 The Bank of New York, 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, and calculating the ownership percentages based on our shares outstanding as of March 10, 2008, the only persons known by us to beneficially own more than 5% of our common stock were as follows:

<b>Shares Beneficially Owned</b>			
<b>Name of Beneficial Owner</b>	<b>Address of Beneficial Owner</b>	<b>Amount and Nature Of Beneficial Ownership</b>	<b>Percent of Class</b>
The Vanguard Group, Inc.	100 Vanguard Blvd. Malvern, PA 19355	13,145,744(1)	6.0%
FMR LLC	82 Devonshire Street Boston, MA 02109	12,606,747(2)	5.8%

- (1) Share ownership information for The Vanguard Group, Inc. ("Vanguard") is given as of December 31, 2007, and was obtained from a Schedule 13G filed on February 12, 2008 with the Securities and Exchange Commission. Vanguard has sole voting power over 83,754 shares and sole dispositive power over 13,145,744 shares of our common stock. Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of Vanguard, is the beneficial owner of 36,660 shares as a result of serving as investment manager of collective trust accounts. VFTC directs the voting of these shares.
- (2) Share ownership information for FMR LLC ("FMR") is given as of December 31, 2007, and was obtained from a Schedule 13G filed on February 14, 2008 with the Securities and Exchange Commission. FMR has sole voting power over 1,128,547 shares and sole dispositive power over 12,606,747 shares of our common stock. Fidelity Management and Research Company, a wholly-owned subsidiary of FMR, is the beneficial owner of 11,740,000 shares of our outstanding common stock as a result of acting as investment adviser to various investment companies.



**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, other than Ms. Martin, currently serve as directors.

**Robert R. Fanning, Jr.** Mr. Fanning, 65, 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 after it experienced a \$59 million loss in 2003, until December 2005. Huron Consulting Group acquired Speltz & Weis in May 2005. Mr. Fanning retired from Huron Consulting Group in December 2005. From 2000 to 2003, Mr. Fanning was a Principal of BBK Consulting, Southfield, Michigan, specializing in healthcare consulting and business revitalization. From 1980 to 2000, Mr. Fanning was President and Chief Executive Officer of Beverly Hospital and its parent company, Northeast Health System.

**James F. Flaherty III.** Mr. Flaherty, 50, 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 has served as a Director of Quest Diagnostics Incorporated (NYSE:DGX), and currently sits on the Board of Trustees of the University of Notre Dame and the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT").

**Christine N. Garvey.** Ms. Garvey, 62, 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 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 served on the Board of Directors of Hilton Hotels Corporation through October 2007.

**David B. Henry.** Mr. Henry, 59, 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 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 ThermoChem Recovery International, Inc., a company that converts biomass to energy.

**Lauralee E. Martin.** Ms. Martin, 57, 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, 62, is 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, and has 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 several non-profits including the Hoag Hospital Foundation, the Tiger Woods Foundation and the Donald Bren Foundation.

**Harold M. Messmer, Jr.** Mr. Messmer, 62, 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, 66, 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, 72, 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, 77, 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, 65, 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 as of March 10, 2008, other than Mr. Flaherty, whose biographical information is set forth above.

**Charles A. Elcan.** Mr. Elcan, 44, became our Executive Vice President Medical Office Operations in October 2003. Prior to that date, he served as Chief Executive Officer and President of MedCap Properties, LLC, a real estate company located in Nashville, Tennessee that owned, operated and developed real estate in the healthcare field, which we acquired in October 2003. Mr. Elcan currently

serves on the Board of Directors of RexStores Corporation (NYSE:RSC), a specialty retailer in the consumer electronics/appliance industry, Kimpton Hotel and Restaurant Group, a private owner and operator of boutique hotels based in San Francisco, and The Land Trust for Tennessee, a non-profit conservation easement organization.

**Paul F. Gallagher.** Mr. Gallagher, 47, 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, 55, 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.

**Marshall D. Lees.** Mr. Lees, 54, became our Executive Vice President Life Science Estates in August 2007. Prior to that date, he served as President and Chief Executive Officer of Slough Estates USA Inc. for 18 years, a company that owned, operated and developed real estate for life science and pharmaceuticals tenants, which we acquired in August 2007.

**Donald S. McNutt.** Mr. McNutt, 59, became our Executive Vice President Operations in August 2007. Prior to that date, he spent 31 years in various positions, including as Senior Vice President and Treasurer, with The Irvine Company, a privately-held real estate development and investment company, overseeing the operations, leasing, treasury, capital markets, project finance, banking and public finance groups.

**Mark A. Wallace.** Mr. Wallace, 50, became our Executive Vice President and Chief Financial Officer in January 2007 after joining us as Senior Vice President and Chief Financial Officer in March 2004. 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. He is a certified public accountant.

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

#### **Board Meeting Attendance**

During 2007, our Board of Directors held 16 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 Board members attended the 2007 annual meeting of stockholders in person, except for Mr. Roath who attended telephonically.

#### **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 in 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, that each of Ms. Garvey, Ms. Martin and Messrs. Fanning, Henry, McKee, Messmer, Rhein, Rosenberg and Sullivan is independent within the meaning of the rules of the NYSE. The Board further determined that neither Mr. Flaherty nor Mr. Roath is independent due to Mr. Flaherty's present, and Mr. Roath's prior, employment with HCP.

#### **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 Committee. Current copies of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee charters as well as our Corporate Governance Guidelines are posted in 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.* During 2007, our Audit Committee was comprised of Messrs. Fanning, Henry, Rhein (Chair) and Sullivan, and held five meetings. Our Board has determined that each member of our Audit Committee is "independent" within the meanings of NYSE and SEC rules and is financially literate. The Board has determined that each of Messrs. Rhein and Sullivan is an audit committee financial expert within the meaning of the SEC rules and has accounting or related financial management expertise.

Our Audit Committee operates pursuant to a written charter. During 2007, our Audit Committee reviewed its charter and decided not to recommend any changes to the Board. The primary purpose of our Audit Committee is to assist the Board with its oversight responsibilities regarding:

- integrity of HCP's financial statements;
- 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. In addition, our Audit Committee or Mr. Rhein, the Audit Committee chairman, holds quarterly discussions with our independent auditors. 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.* During 2007, our Compensation Committee was comprised of Ms. Cirillo-Goldberg, Mr. McKee (Chair) and Mr. Messmer, and held six meetings. Our Board has determined that each member of our Compensation Committee is independent under NYSE rules. Our Compensation Committee operates pursuant to a written charter and, during 2007, our Compensation Committee reviewed its charter and decided to make certain amendments to clearly delineate those officers for whom employment agreements, retirement plans, severance arrangements and other compensation is reviewed and approved.

Pursuant to its charter, our Compensation Committee's responsibilities include the following:

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



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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 or any of our subsidiaries;

reviewing and approving all 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 and insurance matters.

Our Compensation Committee also reviews and makes recommendations regarding the compensation paid to our 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. The Subcommittee may not make these grants to any Senior Vice President or more senior officer 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 and our other senior 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. For 2007, 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. The Compensation Committee made its 2007 compensation decisions, including decisions with respect to the Named Executive Officers' compensation, after consulting with Semler Brossy. For 2007, Semler Brossy 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. Semler Brossy also reviewed comparable equity REITs and other real estate companies for 2007 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.* During 2007, our Nominating and Corporate Governance Committee was comprised of Ms. Cirillo-Goldberg and Messrs. Henry, Messmer and

Rosenberg (Chair), and held three meetings. 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. During 2007, our Nominating and Corporate Governance Committee reviewed its charter and decided not to recommend any changes to the Board.

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 Committee.* During 2007, our Finance Committee was comprised of Messrs. Henry, Rosenberg, and Sullivan (Chair), and held six meetings. Our Board has determined that each member of our Finance Committee is "independent" under NYSE rules. Our Finance Committee was 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.

*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, other than Ms. Martin, are currently directors of HCP and, other than Ms. Martin and Ms. Garvey, all director nominees were previously elected to serve on our Board by our stockholders. Ms. Garvey was initially identified to the Nominating and Corporate Governance Committee as a potential candidate by Mr. Rosenberg and was subsequently interviewed by another member of the Nominating and Corporate Governance Committee and the Chairman of our Board. The Nominating and Corporate Governance Committee thoroughly reviewed Ms. Garvey's qualifications and recommended her appointment to our Board. Our Board appointed Ms. Garvey as a director in October 2007 and, upon the recommendation of the Nominating and Corporate Governance Committee, the Board subsequently approved her nomination for election by our stockholders at the Annual Meeting.

Ms. Martin was initially identified to the Nominating and Corporate Governance Committee as a potential candidate by Mr. Henry and was subsequently interviewed by another member of the Nominating and Corporate Governance Committee and the Chairman of our Board. Following a thorough review of Ms. Martin's qualifications, the Nominating and Corporate Governance Committee recommended, and the Board subsequently approved, including Ms. Martin as a director nominee for election by our stockholders at the Annual Meeting.

#### **Meetings of Non-Employee Directors**

In addition to the meetings of the committees of the Board described above, in connection with the Board meetings, our independent directors who were not also employed by HCP (the "Non-Employee Directors") met in executive session without management present four times during fiscal 2007. Richard Rosenberg has been elected as our Board's Lead Director, and presides at the executive sessions of the Non-Employee Directors.

#### **Communications with the Board, the Lead Director or Non-Employee Directors**

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 Non-Employee 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 DURING 2007**

The following table presents information regarding the compensation paid during 2007 to 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.

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards</b>	<b>Option Awards</b>	<b>Non-Equity Incentive Plan Compensation</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings</b>	<b>All Other Compensation</b>	<b>Total</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(f)</b>	<b>(g)</b>	<b>(h)</b>
Mary A. Cirillo-Goldberg	50,000	68,333	0	0	0	0	118,333
Robert R. Fanning, Jr.	51,000	100,890	0	0	24,308	0	176,198
Christine N. Garvey	8,372	2,344	0	0	0	0	10,716
David B. Henry	55,500	71,359	0	0	0	0	126,859
Michael D. McKee	69,500	100,890	0	0	0	0	170,390
Harold M. Messmer, Jr.	55,500	100,890	0	0	13,550	0	169,940
Peter L. Rhein	82,000	100,890	0	0	0	0	182,890
Kenneth B. Roath	45,500	100,890	0	0	0	0	146,390
Richard M. Rosenberg	81,500	71,167	0	0	0	0	152,667
Joseph P. Sullivan	68,500	71,359	0	0	0	0	139,859

(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 2007 (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 2007. 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 20 Compensation Plans to the consolidated financial statements included as part of HCP's 2007 Annual Report on Form 10-K, as amended, and incorporated herein by reference. Messrs. Fanning, McKee, Messmer, Rhein and Roath 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 2007 was recognized for financial statement reporting purposes in 2007.

(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



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December 31, 2007. All of the option awards reported in the table below were vested and exercisable as of December 31, 2007.

Director	Number of Shares Subject to Outstanding Options as of 12/31/07	Number of Unvested Shares of Restricted Stock as of 12/31/07
Mary A. Cirillo-Goldberg	0	7,350
Robert R. Fanning, Jr.	64,880	7,350
Christine N. Garvey	0	1,500
David B. Henry	0	7,350
Michael D. McKee	38,000	7,350
Harold M. Messmer, Jr.	0	7,350
Peter L. Rhein	0	7,350
Kenneth B. Roath	0	6,750
Richard M. Rosenberg	0	7,350
Joseph P. Sullivan	0	7,350

- (3) described below, we granted each of our Non-Employee Directors, except for Ms. Garvey who was not a director at that time, an award of 3,000 shares of restricted stock on May 10, 2007, the date of our 2007 annual meeting of stockholders. Each of these restricted stock awards had a value of \$100,890 based on the closing price of a share of our common stock on the grant date. On October 25, 2007, upon being elected to our Board of Directors, Ms. Garvey received an award of 1,500 shares of restricted stock valued at \$50,595 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 2007.
- (4) Amounts reported in column (f) of the first table above consist solely of interest on deferred compensation account balances considered under SEC rules to be at above-market rates.
- (5) 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 2007 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

Compensation for Non-Employee Directors during 2007 generally consisted of an annual retainer, an additional retainer for acting as the Chairperson of one of our Board's committees or Lead Director (unless a person serves as both a Chairperson of a committee and the Lead Director, in which case only the individual would receive the higher of the two retainers), 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

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Non-Employee Directors Stock-for-Fees Program.

*Annual Retainers and Meeting Fees.* The annual retainer for all Non-Employee Directors is \$35,000, and the additional annual retainer for the Lead Director is \$25,000. In addition, the Chairperson for each of the Audit Committee, Compensation Committee and Finance Committee receives an additional annual

retainer of \$25,000, \$15,000 and \$10,000, respectively. HCP also reimburses Non-Employee Directors for travel expenses incurred in connection with their duties as directors of HCP.

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

*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 May 10, 2007, each of our then-serving Non-Employee Directors (i.e., Ms. Cirillo-Goldberg and Messrs. Fanning, Henry, McKee, Messmer, Rhein, Roath, Rosenberg and Sullivan) was granted 3,000 shares of restricted stock. In addition, on October 25, 2007, Ms. Garvey was granted 1,500 shares of restricted stock upon being elected to our Board of Directors. 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 2007 (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, death or disability, (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 other than Ms. Martin, and our principal executive officer, principal financial officer and our three other most highly compensated executive officers during fiscal 2007. 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 March 10, 2008.

Name	First Elected or Appointed	Shares Beneficially Owned(1)		
		Number of Shares	Number of Options/ RSUs(2)	Percent of Class(3)
<b>Directors</b>				
Robert R. Fanning, Jr.	1985	53,077	50,880	*
James F. Flaherty III(4)	2002	649,778(5)	1,245,084	*
Christine N. Garvey	2007	1,500	0	*
David B. Henry	2004	13,208	0	*
Lauralee E. Martin	n/a	0	0	0
Michael D. McKee	1989	163,500	38,000	*
Harold M. Messmer, Jr.	1985	267,200(6)	0	*
Peter L. Rhein	1985	56,100	0	*
Kenneth B. Roath	1986	428,654	0	*
Richard M. Rosenberg	2003	15,800	0	*
Joseph P. Sullivan	2004	41,720	0	