HCP, INC.
Form DEF 14A
March 17, 2015

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 x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

HCP, Inc.
(Name of Registrant as Specified In Its Charter)

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

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x No fee required.

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Dear Stockholders,

This year marks the 30th anniversary of our listing on the New York Stock Exchange. HCP stockholders have enjoyed 30 consecutive years of dividend growth, and we take pride in being the only REIT in the S&P 500 Dividend Aristocrats Index. Our goal is to continue to deliver dividend income and build long-term stockholder value by actively managing our investment portfolio and investing in new opportunities that produce attractive risk-adjusted returns. With an experienced management team, a diversified portfolio positioned to generate recurring growth, long-term partnerships with leading operators and a strong balance sheet, we are confident about our future.

We view the attached proxy statement as an opportunity to provide insight regarding our achievements over the past year, including further improvements to our compensation program, the amendment of our Bylaws to include a proxy access provision and the enhancement of our corporate governance practices.

Continuing Evolution of Our Executive Compensation Program

In response to our stockholder engagement initiatives, including stockholder feedback regarding say-on- pay, we continued to evolve our executive compensation program. Our revised 2015 executive compensation program is less complex, more transparent and adds more rigor by increasing the allocation of objective, at-risk performance metrics. For example, 75% of long-term equity compensation is now tied exclusively to future relative total shareholder return and subject to forfeiture for below threshold performance. We believe this evolution promotes the creation of long-term stockholder value by aligning a significant majority of executive compensation directly with our stockholder s interests.

Enhanced Corporate Governance Practices

Proxy Access. After engaging with a number of our largest stockholders regarding the desirability of a proxy access framework, we amended our Bylaws to implement proxy access, allowing eligible stockholders to include their own director nominees in our proxy materials along with the Board-nominated candidates. Our Board carefully considered the feedback we received from our stockholders in creating a thoughtfully designed and balanced approach to proxy access that mitigates the risk of abuse and protects the interests of all of our stockholders, while affording a meaningful proxy access right.

New Directors. We continue to seek diverse and fresh perspectives in the boardroom, and we have added two new independent directors in the past two years. In 2014, we appointed James P. Hoffmann, a former global REIT portfolio manager, most recently serving as Partner and Senior Vice President of Wellington Management Company, and in 2013, we appointed Brian G. Cartwright, former General Counsel of the Securities and Exchange Commission.

Independent Chairman. Our Board is led by a non-executive Chairman in accordance with corporate governance best practices. We believe that the separation of the roles of Chairman and CEO enhances the Board s independent oversight and strengthens the CEO s focus on our business operations.

Sustainability Leadership

This year, we are excited to introduce our first combined Annual and Sustainability Report, which is included in your proxy materials. Sustainability is an integral part of our overall business strategy, and we have increased the transparency of our business and risk management practices by combining our financial and material sustainability information into a single report.

A Look to the Future

HCP continues to be financially strong and well -positioned for the years to come. As we look to the future, our experienced management team continues to effectively execute our long-term business strategy.

As stewards of your Company, we are committed to acting in the best interests of HCP and its stockholders. We hope that you will attend our 30th Annual Meeting of Stockholders in person, and hear first-hand about our performance and plans for the future. Thank you for your continued support.

Michael D. McKee *Chairman*	**Brian G. Cartwright** *Independent Director*	**Christine N. Garvey** *Independent Director*	**David B. Henry** *Independent Director*
Lauralee E. Martin *President and CEO*	**James P. Hoffmann** *Independent Director*	**Peter L. Rhein** *Independent Director*	**Joseph P. Sullivan** *Independent Director*

Date•	Thursday, April 30, 2015
Time•	9:30 a.m., Pacific Time
Place•	The Westin South Coast Plaza 686 Anton Boulevard Costa Mesa, California 92626
Record Date•	Monday, March 9, 2015

Annual Meeting Proposals

Proxy Voting

Please submit your proxy or voting instructions as soon as possible to instruct how your shares are voted at the Annual Meeting, even if you plan to attend. If you later vote in person at the Annual Meeting, your previously submitted proxy or voting instructions will not be used.

By Order of the Board of Directors,

James W. Mercer

Executive Vice President, Chief Administrative Officer,

General Counsel and Corporate Secretary

Our Board of Directors (Board) solicits your proxy for the 2015 annual meeting of stockholders and any adjournment or postponement thereof (the Annual Meeting). These proxy materials are first being made available to our stockholders on or about March 17, 2015.

This summary provides an overview of information contained in our proxy statement and does not contain all of the information that you should consider before voting. We encourage you to review the entire proxy statement before casting your vote.

Your Vote Is Important

Even if you plan to attend the Annual Meeting, please submit your proxy or voting instructions as soon as possible. If you later attend the Annual Meeting and vote in person, your previously submitted proxy or voting instructions will not be used.

How to Vote

Corporate Governance Highlights

HCP is committed to sustainable corporate governance practices that promote long-term value creation, transparency and accountability to our stockholders. We have enhanced our corporate governance structure by:

- **Proxy Access:** Adopting proxy access, which generally permits stockholders holding 5% of our shares for a minimum of three years to nominate up to 20% of our directors and have their nominees included in our proxy statement, beginning at our 2016 annual meeting

- **New Directors:** Appointing James P. Hoffmann, an accomplished global real estate investment trust (REIT) analyst and portfolio manager, to the Board, the second addition to our Board in just over one year

Our Director Nominees

Our Board represents a breadth of experience and diversity in perspective and background, as reflected in the summary below. We believe the broad range of tenures of our directors creates a balance between institutional knowledge and new perspectives and ideas, as well as ensures a smooth succession over time.

Performance Highlights

This past year was one of growth and excellent financial performance for HCP. Despite substantial changes and uncertainty in the healthcare industry, we achieved strong operating and financial performance, successfully managed through a change in leadership and continued to have important discussions with our operators on their strategic priorities and capital needs in the wake of healthcare reform initiatives.

2014 Financial Performance*

* We present reconciliations of certain non-GAAP financial measures to their most directly comparable GAAP measures in Appendix A to this proxy statement.

Dividend Increase for 30th Consecutive Year

Our Board increased our quarterly dividend in January 2015 by 3.7% to $0.565 per share, representing 30 consecutive years of dividend growth. HCP is the only REIT in the S&P 500 Dividend Aristocrats Index, which recognizes S&P 500 companies that have increased their dividend for at least 25 consecutive years. We are proud of this exclusive achievement, which embodies our commitment to consistently grow stockholder value.

** Estimated full year 2015 dividend based on the $0.565 per share quarterly dividend paid on February 24, 2015.

2014 Operator Relationships and Asset Management

2014 Sustainability Leadership

Produced our first combined Annual and Sustainability Report. This achievement represents one of our significant initiatives for 2014 as a leading sustainability practice in the U.S. REIT industry. Sustainability is an integral part of our overall business strategy, and we have enhanced the transparency of our business and risk management practices by combining our financial and material sustainability information into a single report

Named the Global Leader for the Healthcare Sector by GRESB, marking the 3rd consecutive year ranking #1 in our sector

Named to the CDP S&P 500 Climate Disclosure Leadership Index and the Dow Jones Sustainability Index for the North America region for the 2nd consecutive year, and the FTSE4Good Sustainability Index for the 3rd consecutive year

Named in the top 100 of Newsweek s U.S. Green Rankings

Awarded 149 ENERGY STAR certifications and 10 LEED certifications to date

Received 4 The Outstanding Building of the Year (TOBY) awards from the Building Owners and Managers Association (BOMA)

2014 Executive Performance

Lauralee E. Martin, President and Chief Executive Officer

Responsibilities: Accountable to the Board for leadership, management and supervision of HCP s business

2014 Accomplishments and Performance:

Delivered a strategic plan to the Board addressing growth, organizational structure and talent , and investments and financial disciplines ; provided to the Board an assessment of international and other new opportunities, risks and rewards; and led the execution of our business strategy to drive strong financial results and unprecedented international growth

Maintained a stable and talented executive management team and promoted a motivated and supportive team culture emphasizing integrity, communication, and talent mentoring and development

Built a solid acquisition team structure and process for consistent investment performance and growth across our product groups

Successfully executed on the Brookdale/Emeritus portfolio restructure, eliminating purchase options and improving portfolio quality with increased rent coverage and stronger operator credit

Increased the confidence of the investment community through active involvement representing the Company with investors , analysts, media and industry organizations

Paul F. Gallagher, Executive Vice President and Chief Investment Officer

Responsibilities: Oversees the management of corporate assets and develops investment opportunities

2014 Accomplishments and Performance:

Developed strategies at the product level for sourcing new investments focused on using capital structures that maximize investment returns of economic and market cycles

Developed our international strategy and executed on the equity investments into the U.K. market

Supervised the investment activities and talent development within our senior housing, post-acute/skilled nursing, life science and medical office segments, as well as our international platform, successfully completing $1.9 billion of accretive investments

Oversaw the upgrade of our real estate portfolio via asset swaps and dispositions, as well as portfolio restructures

Drove same store cash NOI growth of 3.3%, the 6th consecutive year of growth in excess of 3%

Timothy M. Schoen, Executive Vice President and Chief Financial Officer

Responsibilities: Leads our finance, accounting, treasury and tax departments

2014 Accomplishments and Performance:

Assisted in managing Company growth to exceed the FFO as adjusted and FAD per share targets established under our 2014 annual operating plan

Managed HCP s strong balance sheet, achieving financial leverage of 41.5% and reducing secured debt to 5%

Oversaw all capital market activity, including the strategic issuance of $1.2 billion of 10 -year bonds with a blended rate of 4%, that refinanced $ 935 million of scheduled debt maturities

Extended and improved the terms of HCP s $2 billion line of credit

Actively participated in investor relations activities and expanded the Company s disclosures to improve transparency in our portfolio

Achieved the stabilization/monetization of $191 million on non-stabilized assets, which represents a 28% reduction and was above the budgeted target

Enhanced insurance coverage and risk management programs by reducing the number of liability claims through an enhanced loss control program, and reducing the annual cost of insurable risk

Worked with the management team to recommend a revised executive compensation plan to the Compensation Committee based on performance shares with strong TSR alignment

James W. Mercer, Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

Responsibilities: Leads our legal and human resources departments and serves as secretary to our Board

2014 Accomplishments and Performance:

Provided legal support, including negotiation, documentation, due diligence and advice, for the completion of $1.9 billion of investments and the issuance of $1. 2 billion in 10-year bonds

Provided overall leadership and direction to the legal and human resources departments, increasing interoffice integration, operational efficiency, interdepartmental communication and talent development activities

Spearheaded the implementation of the Company s state-of-the-art enterprise content management system

Enhanced relationships with key general counsel and senior executives at peer companies

Coordinated initiatives to enhance corporate governance and compensation best practices, which included working with the management team to recommend to the Compensation Committee a revised executive compensation plan based on performance shares with strong TSR alignment

Led our sustainability reporting process with external reporting agencies, including GRI, CDP, GRESB and DJSI, and spearheaded the development of our first combined Annual and Sustainability Report

Thomas M. Klaritch, Executive Vice President Medical Office Properties

Responsibilities: Oversees all aspects of our medical office properties and the capital needs of our entire portfolio; also serves as Chair of our Sustainability Committee

2014 Accomplishments and Performance:

Oversaw operations for our medical office segment, which accounted for approximately 16% of total revenues

Drove same store cash NO growth of 2.0% in our medical office segment

Achieved 90.7% occupancy for our medical office portfolio

Led HCP s sustainability efforts as Chair of the Sustainability Committee, including oversight of environmental metrics utilized in the sustainability reporting process with external reporting agencies such as GRI, CDP, GRESB and DJSI, and the production of the Company s first combined Annual and Sustainability Report

Oversaw the management of third-party property management firms in our medical office and life science portfolios

Managed the engineering team for oversight of capital expenditures to maintain the quality and utility of our real estate portfolio

Our Business Strategy

We invest and manage our real estate portfolio for the long -term to maximize the benefit to our stockholders and support the growth of our dividends. The core elements of our strategy are:

- To acquire, develop, lease, own and manage a diversified portfolio of quality healthcare properties across multiple business segments and geographic locations (including Europe);

- To align ourselves with leading healthcare companies, operators and service providers, which over the long -term we believe will result in stable growing rental rates, net operating cash flows and appreciation of property values;

- To concentrate on longer-term escalating triple-net leases with high-quality tenants, while using RIDEA structures for properties that have higher growth potential and represent the opportunity to expand existing relationships;

- To maintain adequate liquidity with long-term fixed rate debt financing with staggered maturities, which supports the longer- term nature of our investments, while reducing our exposure to interest rate volatility and refinancing risk at any point in the interest rate or credit cycles; and

- To continue to manage our balance sheet with a targeted financial leverage of 40% relative to our assets.

Revised Performance Incentive Compensation Plan for Executives

Our Compensation Objectives

Consistent with our focus on the long-term success of our business strategy, our compensation program rewards and motivates long-term performance, while balancing executive incentives and retention through base salary and short-term compensation opportunities. Our compensation program seeks to achieve the following key objectives:

Align compensation with stockholder interests, including earnings and dividend growth, with appropriate risk-adjusted return on our investments and stock return performance;

Promote the creation of long-term stockholder value;

Provide a simple structure and transparent application, with rigorous, objective and at-risk performance criteria (i.e., hurdles that have a substantial possibility of not being achieved), including future relative TSR as a significant component;

Discourage excessive risk-taking by balancing short- and long-term compensation awards;

Attract, motivate and retain key employees with outstanding talent and ability; and

Reward performance, with a meaningful portion of compensation tied to the Company s financial and strategic goals.

Our Executive Compensation Program Continues to Evolve

In connection with our October 2013 leadership transition, the Compensation Committee adopted a new incentive compensation program in 2014 to improve the alignment of executive pay with performance. The Compensation Committee then continued to revise our program in 2015 to address comments from our stockholder outreach initiatives, as well as stockholder feedback regarding say-on-pay. The result is that our revised program provides additional rigor by increasing the allocation of objective, at-risk performance metrics, including under our LTIP, where 75% of equity compensation is tied exclusively to relative TSR and subject to forfeiture for below threshold performance. Additionally, the revised program promotes greater transparency and is less complex than prior versions.

The key features of our revised 2015 program, and information regarding the early adoption of our 2015 LTIP, are outlined below under the heading Revised 2015 Plan Addresses 2014 Plan Concerns and described in detail in the Compensation Discussion and Analysis section of this proxy statement. We also present a timeline of our stockholder engagement efforts and evolving compensation program on page 11 of this Proxy Highlights section.

Revised 2015 Plan Addresses 2014 Plan Concerns

Our revised executive compensation plan, together with the disclosure regarding 2014 compensation in this proxy statement, responds to feedback from our stockholders regarding our prior compensation practices and further aligns our executives interests with those of our stockholders. The chart below illustrates the changes we made to our compensation program in response to stockholder feedback, and indicates the performance year for which the changes are effective. The Compensation Committee will continue to engage our stockholders and consider the outcome of our future say-on-pay votes when making compensation decisions for our NEOs (as defined under Summary Compensation Table 2014 on page 41).

2015 Compensation Practices at a Glance

In developing our 2014 compensation plan and refining our 2015 compensation plan, we implemented additional features that strengthen the alignment between the interests of our NEOs and stockholders.

2014 Executive Compensation

As described above and in greater detail in our Compensation Discussion and Analysis, the Compensation Committee used the 2014 STIP and LTIP performance metrics to determine the amount of the awards granted in February 2015 in respect of 2014 performance. However, the LTIP award, once granted, is still 75% dependent on objective, forward-looking relative TSR performance over one- and three-year periods and subject to forfeiture for below threshold performance.

Compensation Mix

The graphics below illustrate the mix of fixed and at-risk pay incentives for 2014, which are designed to attract, retain and motivate talented executives, link the executives interests with those of our stockholders and promote the creation of long-term stockholder value, while also discouraging excessive risk-taking. The compensation presented reflects the total direct compensation awarded to our CEO and our other NEOs subject to our STIP and LTIP with respect to their services performed in 2014. This presentation excludes a one-time CEO inducement award in connection with our leadership transition, since such inducement award was intended to make up for the lost financial value Ms. Martin incurred and equity compensation she forfeited in leaving her former executive position at Jones Lang LaSalle Incorporated and was not based on 2014 performance. Our long-term equity awards were granted in the form of restricted stock units (RSUs) and performance restricted stock units (PSUs), as further discussed below. We did not issue stock options in 2015 for 2014 performance.

Future Performance Metrics

Transitioning immediately to our revised 2015 compensation plan, the Compensation Committee applied the vesting criteria under the 2015 LTIP to the long-term equity awards granted with respect to 2014 performance, as illustrated below.

Summary of Stockholder Engagement and Compensation Program Evolution

Timeline (April 2011 to Present)

Election of Directors

Voting Standard

A director nominee will be elected at the Annual Meeting if he or she receives a majority of the votes cast with respect to his or her election (that is, the number of votes cast FOR the nominee must exceed the number of votes cast AGAINST the nominee).

If a director nominee is not re-elected, Maryland law provides that the director will continue to serve on the Board as a holdover director. Under our Bylaws, a director who fails to be elected must tender his or her resignation, subject to acceptance by the Board. The Nominating and Corporate Governance Committee will then make a recommendation to our Board on whether to accept the resignation or whether other action should be taken. Our Board will act on the Committee s recommendation and publicly disclose its decision, along with its rationale, within 90 days of certification of the election results.

Board Recommendation

Board Independence and Leadership Structure

Our Board has affirmatively determined that each of Ms. Garvey and Messrs. McKee, Cartwright, Henry, Hoffmann, Rhein and Sullivan is independent within the meaning of the rules of the New York Stock Exchange (NYSE). We refer to these directors in this proxy statement as the Independent Directors.

Mr. McKee serves as our non-executive Chairman of the Board, while Ms. Martin serves as President and CEO. The Board believes that separating the positions of Chairman and CEO enhances the Board s ability to provide independent oversight of management and to carry out its responsibilities on behalf of our stockholders. We believe the separation of the Chairman and CEO is consistent with our overall corporate governance practices and is in the best interests of our stockholders at this time.

Committees of the Board

Our Board has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each committee has a written charter, which can be accessed on our website at *www.hcpi.com/charters*.

Board and Stockholder Meeting Attendance

Our policy is that directors should make every effort to attend all meetings of the Board and the annual meeting of stockholders, as well as the meetings of committees of which they are members. During 2014, our Board held 13 formal meetings. Each of our directors attended at least 80% of the meetings of the Board and each of its committees on which he or she served during 2014. Mr. Hoffmann was appointed in July 2014 and attended more than 80% of the meetings of the Board and the committee on which he serves that occurred since the time he was appointed. All of our directors attended 100% of the meetings of the committees on which he or she served during 2014, and all of our then-current Board members attended the 2014 annual meeting of stockholders.

Risk Oversight

Our Board believes that effective risk management involves our entire corporate governance framework. Management is responsible for identifying material risks, implementing appropriate risk management strategies, integrating risk management into HCP s decision making process, and ensuring that information with respect to material risks is transmitted to senior executives and our Board.

Our Board, primarily through the Audit and Compensation Committees, provides overall oversight of the risk management process, as summarized in the table below. The Board believes that its current leadership structure, described under the heading Board Independence and Leadership Structure above, is conducive to its risk oversight process.

Corporate Governance and Compensation Policies

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines with respect to, among other things, Board composition, Board meetings, the Board s standing committees, stockholder communications with the Board, expectations for directors, succession planning, and Board and committee self-evaluations. A current copy of our Corporate Governance Guidelines is posted on our website at *www.hcpi.com/cgguidelines.*

Codes of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics (Code of Conduct) that applies to all of our directors, officers and employees. Additionally, in October 2013, we adopted a Vendor Code of Business Conduct and Ethics (the Vendor Code) applicable to our vendors and business partners. The Vendor Code represents an integral part of our commitment to the highest ethical standards, ensuring that our employees and vendors work collectively to uphold those standards.

A current copy of both codes of conduct are posted on our website at *www.hcpi.com/ethics*. Waivers from, and amendments to, our Code of Conduct that apply to our directors, executive officers, Chief Accounting Officer or Controller, will be timely posted on our website at *www.hcpi.com/ethics*.

Clawback Policy

The Compensation Committee has adopted a clawback policy that enables HCP to require reimbursement or cancellation of any portion of a cash or equity incentive award or other payment received by an executive officer in circumstances where the amount of the payment or award was determined based on the achievement of financial results that were subsequently the subject of an accounting restatement due to noncompliance with a financial reporting requirement under the securities laws.

Anti-Hedging Policy

Our Board recognizes that hedging against losses in HCP securities may disturb the alignment between the interests of our officers and directors and those of our other stockholders, which our stock ownership guidelines are intended to protect. For this reason, officers, directors and employees are prohibited from entering into short sales of our common stock, trading in puts and calls or other derivative securities that relate to our common stock, and hedging or monetization transactions (such as prepaid variable forwards, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of HCP securities.

Anti-Pledging Policy

Our Board recognizes that a forced margin sale or foreclosure sale of HCP securities may negatively impact our stock price or violate our insider trading policy. Accordingly, the Board adopted a policy that prohibits officers, directors and employees from holding HCP securities in a margin account or pledging HCP securities as collateral for a loan.

Related Person Transaction Policies and Procedures

While we do not have a standalone written policy or procedures for the review, approval or ratification of transactions with related persons, our Code of Conduct addresses conflicts of interest and relationships with HCP. Under the Code of Conduct, all employees and directors should avoid any private interest that influences their ability to act in the interests of HCP or that makes it difficult to perform their work objectively and effectively. The Board annually reviews the relationship that each director has with HCP (either directly or as a partner, stockholder or officer of an organization that has a relationship with HCP). The Code of Conduct requires any person, including our directors and officers, to report and fully disclose any situation or matter that may reasonably be expected to be unethical or give rise to a conflict of interest with HCP. Any waiver of these conflict of interest rules for our directors or executive officers requires the approval of our Board or the appropriate committee of the Board and will be granted only in extraordinary circumstances.

Furthermore, it is our practice that all potential related person transactions, which are defined as transactions required to be reported under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended (the Exchange Act), are first screened by our General Counsel for materiality and then sent to the Audit Committee for review. Pursuant to the Audit Committee Charter, any related person transactions brought to the Committee s attention, which could reasonably be expected to have a material impact on our financial statements, must be discussed among the Committee, management and HCP s independent registered public accounting firm. In determining whether to approve or reject a related person transaction, the Committee takes into account, among other factors it deems appropriate, whether the proposed transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, as well as the extent of the related person s economic interest in the transaction. Any review and approval of a related person transaction by the Committee will be evidenced in the minutes of the applicable Committee meeting and promptly disclosed to our stockholders to the extent required by law.

There were no related person transactions identified for 2014.

Director Selection Process

Identifying and Evaluating Director Nominee Candidates

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. Rather, the Committee considers a number of factors when reviewing potential nominees for the Board, including:

- Personal and professional integrity, ethics and values;
- Experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- Experience in our industry;
- Experience with relevant social policy concerns;
- Experience as a board member of another publicly held company;
- The ability and willingness to commit adequate time to our Board and its committee matters;
- 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;
- Academic expertise in an area of HCP s operations; and
- Practical and mature business judgment.

We do not have a formal policy for the consideration of diversity in identifying nominees for director. However, in addition to the criteria set forth above, the Committee strives to create diversity in perspective, background and experience in the Board as a whole when identifying and selecting nominees for the Board. On an annual basis, as part of the Board s self-evaluation, the Board assesses whether the mix of Board members is appropriate.

In identifying and selecting potential director nominees, the Nominating and Corporate Governance Committee will consider candidates recommended by various sources, including any member of the Board, stockholder or member of senior management. The Committee may also hire a search firm. All potential director nominees will be reviewed by the Chair of the Committee, or in the Chair s absence, another member of the Committee. The reviewing Committee member will make an initial determination as to the qualifications and fit of the candidate based on the above and other appropriate criteria. If the reviewing Committee member determines that it is appropriate to proceed, the CEO or at least one other member of the Committee will interview the candidate. Other Board members may also interview a prospective candidate. The Committee will provide progress updates to the Board and will meet to consider and recommend final director candidates to the entire Board. The Board then determines which candidates are nominated or elected to fill a vacancy.

Stockholder Recommendations

The Nominating and Corporate Governance Committee will consider candidates properly recommended by stockholders in the same manner as recommendations received from other sources. Stockholder recommendations must be submitted in writing to the Chair of the Nominating and Corporate Governance Committee, c/o HCP, Inc., 1920 Main Street, Suite 1200, Irvine, California 92614, together with the proposed candidate s name, address, age, appropriate biographical information, descriptions of the candidate s qualifications and the relationship, if any, to the recommending stockholder, together with any other information about the stockholder and the candidate that would otherwise be required pursuant to our Bylaws if the stockholder was nominating the candidate for election to the Board at an annual meeting of stockholders. Stockholders who would like to recommend a candidate for consideration by the Board in connection with the next annual meeting of stockholders should submit their written recommendation no later than January 1 of the year of the annual meeting.

Stockholder Nominations

In addition, our Bylaws permit stockholders to nominate director candidates for election to the Board at an annual meeting of stockholders, including through the use of our new proxy access option. For a description of the process for nominating directors in accordance with our Bylaws, see Other Matters 2016 Stockholder Proposals.

Stockholder Communications with the Board

Stockholders or other interested parties who wish to contact members of our Board, the Chairman, any Board committee or our Independent Directors as a group may send written correspondence to the Board, c/o HCP, Inc., 1920 Main Street, Suite 1200, Irvine, California 92614. The name of any specific intended Board recipients (such as our Chairman or the Independent Directors as a group) should be clearly noted in the communication. Stockholders should provide proof of share ownership and appropriate contact information in all correspondence. All communications will be received, processed and then directed to the appropriate member(s) of our Board.

Compensation paid to our Independent Directors for services in 2014 consisted of (1) an annual retainer; (2) an additional retainer for acting as Chairman or Chair of the Audit or Compensation Committees; and (3) an annual equity award.

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($)(1) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (h)
Michael D. McKee	205,000	125,910					330,910
Brian G. Cartwright	75,247	125,910					201,157
Christine N. Garvey	105,000	125,910					230,910
David B. Henry	95,000	125,910					220,910
James P. Hoffmann	12,636	124,590					137,226
Peter L. Rhein	75,247	125,910					201,157
Joseph P. Sullivan	75,247	125,910					201,157

(1) The amounts reported in Column (c) of the table above reflect the grant date fair value of the RSU awards granted to our Independent Directors during 2014 as determined under the principles used to calculate the grant date fair value of equity awards for purposes of the Company s consolidated financial statements. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, see Note 16 Compensation Plans to the Consolidated Financial Statements included in HCP s Annual Report on Form 10-K for the year ended December 31, 2014.

We granted each of our Independent Directors 3,000 RSUs on May 6, 2014, except Mr. Hoffmann, whose grant occurred on July 31, 2014. Each of the May 6, 2014 awards had a value of $125,910 based on the closing price of our common stock on the grant date. Mr. Hoffmann s award had a value of $124,590 based on the closing price of our common stock on the date of his grant. No option awards were granted to our Independent Directors during 2014. As of December 31, 2014, each of our Independent Directors held 7,500 unvested RSUs, except for Mr. Cartwright, who held 5,250 unvested RSUs, and Mr. Hoffmann, who held 3,000 unvested RSUs. Each award granted prior to May 1, 2014 was subject to the terms of the 2006 Performance Incentive Plan (the 2006 Plan) and after May 1, 2014, to the terms of the 2014 Performance Incentive Plan (the 2014 Plan). The Board administers the 2006 Plan and 2014 Plan with respect to these awards and has the ability to interpret and make all required determinations under such plans.

Annual Retainers

The table below sets forth the annual retainers paid in 2014 and to be paid in 2015 to the Independent Directors and other specified Board positions. HCP also reimburses Independent Directors for director education and travel expenses in connection with their Board duties. Independent Directors are not provided any additional fees based on the number of meetings they attend.

In late 2014, the Compensation Committee, along with FPL Associates, L.P. (FPL Associates), its independent compensation consultant, conducted a review of director compensation programs of companies within our peer group and recommended changes to our director retainer fees beginning in 2015, as set forth in the table below. The retainer for the Chairman of the Board was reduced from amounts established in 2013 in connection with his expanded duties during our leadership transition. Also, because Mr. McKee serves as both Chairman of the Board and Chair of the Nominating and Corporate Governance Committee, he did not previously receive a separate retainer as Committee Chair. However, the Board determined to restructure the retainers such that separate fees are now paid to the Chairman and the Chair of the Nominating and Corporate Governance Committee.

Given the efforts and commitments of Audit Committee members in terms of the frequency and length of their meetings, the Board also increased the Audit Committee Chair retainer by $5,000 per year and instituted a $5,000 per year additional retainer for the other members of the Audit Committee. There was no change to the retainers for Independent Directors or the Chair of the Compensation Committee.

Annual Equity Awards

Each year, an Independent Director who is elected at the annual meeting of stockholders or is initially appointed as an Independent Director other than at the annual meeting receives an award of RSUs. The number of shares subject to these awards is determined by the Board at the time of grant. In 2014, these awards were scheduled to vest ratably over three years from the date of the grant and are subject to forfeiture if the director s service terminates prior to vesting. Additionally, the awards will automatically vest if the director s service terminates due to death, disability or a qualified retirement.

In connection with the Compensation Committee s 2014 director compensation evaluation with FPL Associates, the Committee recommended that the directors annual grant of RSUs vest in full on the first anniversary of the grant date. One-year cliff vesting promotes retention during the year for which the award is granted and provides for an earlier alignment of interests with stockholders when compared to vesting over a three-year period. Additionally, one-year cliff vesting reflects the Board s view that shorter vesting periods encourage director independence and objectivity, as well as the focus on long-term Company performance.

The table below illustrates the changes in vesting criteria for the director RSUs in 2014 and 2015.

Director Stock Ownership Guidelines

Independent Directors are required to accumulate and hold shares of HCP stock (including restricted stock and RSUs) equal in value to at least five times the amount of the annual cash retainer for directors (currently $375,000). With respect to new Independent Directors, the guidelines are effective on the first May 15th that occurs more than five years after the director first becomes a member of our Board. Once subject to the guidelines, a director s level of stock ownership will be reviewed annually on May 15th for as long as the director remains in office. All of our directors for whom the guidelines have become effective currently satisfy our director stock ownership guidelines.

Director Deferred Compensation Plan

We maintain our Amended and Restated Director Deferred Compensation Plan (the Director Deferral Plan), which permits our Independent Directors to elect to defer their annual retainers. Amounts deferred under the Director Deferral Plan are payable upon the termination of service on the Board or such earlier date as elected by the director. A director participating in the Director Deferral Plan may elect to have deferred compensation and transferred accruals credited to (i) an interest rate account wherein the deferrals and transferred amounts accrue interest at a rate equal to the current prime rate 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 HCP s stock price.

Non-Employee Director Stock-for-Fees Program

Under the Non-Employee Director Stock-for-Fees Program, each of our Independent Directors may elect to receive all or a portion of their annual retainer 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, commencing with HCP s fiscal quarter after the election is made. Shares will be issued to directors who elect to receive stock under the program as soon as practicable after HCP pays an ordinary cash dividend to its stockholders following the quarter during which the election was made, and the number of shares to be issued will be determined by dividing (i) the amount of the fees by (ii) the average closing price of our common stock for the ten trading days immediately preceding the dividend payment date.

The following sets forth biographical information regarding our executive officers, other than Ms. Martin, whose biographical information is set forth under the heading Proposal No.1 Election of Directors Director Nominees above.

Paul F. Gallagher

Executive Vice President and Chief Investment Officer

Age 54

Timothy M. Schoen

Executive Vice President and Chief Financial Officer

Age 47

James W. Mercer

Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

Age 70

Thomas M. Klaritch

Executive Vice President Medical Office Properties

Age 57

Susan M. Tate

Executive Vice President (Retired March 6, 2015)

Age 54

Jonathan M. Bergschneider

Executive Vice President Life Science Estates

Age 40

Kendall K. Young

Executive Vice President Senior Housing

Age 54

Thomas D. Kirby

Executive Vice President Acquisitions and Valuations

Age 68

Darren A. Kowalske

Senior Vice President Strategy and Hospitals/Post-Acute

Age 54

The following table sets forth certain information as of March 9, 2015 (unless otherwise indicated) regarding the beneficial ownership, as that term is defined in Rule 13d-3 under the Exchange Act, of shares of our common stock by (1) each person known to beneficially own more than 5% of our outstanding common stock, (2) each director and nominee for election as director, (3) each of the NEOs and (4) all current directors and executive officers as a group. This table is based on Company records and information supplied to us by our executive officers, directors and principal stockholders or included in a Schedule 13G, or an amendment thereto, filed with the SEC.

	Shares Beneficially Owned(1)		
Name of Beneficial Owner	**Number of Shares(2)**	**Number of Options/ RSUs(3)**	**Percent of Class(4)**
Greater than 5% Stockholders			
The Vanguard Group, Inc. and affiliates 100 Vanguard Blvd. Malvern, PA 19355	59,908,783(5)		13.0%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	42,680,428(6)		9.3%
State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	32,262,940(7)		7.0%
Capital Research Global Investors 333 South Hope Street Los Angeles, CA 90071	27,133,596(8)		5.9%
Directors			
Michael D. McKee	150,500(9)	7,500	*
Lauralee E. Martin(10)	182,169	120,672	*
Brian G. Cartwright	750	1,000	*
Christine N. Garvey	8,024(11)	7,500	*
David B. Henry	29,896	7,500	*
James P. Hoffmann	21,214		*
Peter L. Rhein	25,400(11)	7,500	*
Joseph P. Sullivan	55,220	7,500	*
Named Executive Officers			
Paul F. Gallagher	134,038(11)	235,744	*
Thomas M. Klaritch	275,161(12)	195,979	*
James W. Mercer	38,884	50,174	*
Timothy M. Schoen	65,262(11)	61,312	*
All current directors, director nominees, current NEOs and other executive officers as a group (16 persons)	**1,050,859**	**771,764**	*

* Less than 1%

(1) Except as otherwise noted and subject to applicable community property laws, each individual has sole voting and investment power with respect to the shares listed.

(2) Includes shares of unvested restricted stock as to which the holder has sole voting but not investment power, as follows: Ms. Martin, 83,790; and other executive officers included with the named individuals as a group, 0.

(3) For the Independent Directors and Ms. Martin, consists of shares represented by unvested RSU awards that will vest within 60 days of March 9, 2015 and, for Ms. Garvey and Messrs. McKee, Henry, Rhein and Sullivan, includes additional shares represented by unvested RSU awards that will automatically vest upon the director s qualified retirement from HCP. For current executive officers, including Ms. Martin, consists of shares issuable upon exercise of outstanding stock options that are currently vested or will vest within 60 days following March 9, 2015.

(4) Unless otherwise indicated, based on 461,488,950 shares outstanding at March 9, 2015. In addition, for purposes of computing the percentage of shares held by an individual, the number of shares outstanding includes (a) shares issuable within 60 days following March 9, 2015 upon exercise of outstanding stock options and (b) shares represented by unvested RSUs that will vest within 60 days of March 9, 2015 or upon the individual s qualified retirement from HCP, but, in each case, such shares are not included in the number of shares outstanding for purposes of computing the percentage of shares held by any other person.

(5) Share and beneficial ownership information for The Vanguard Group, Inc. (Vanguard) is given as of December 31, 2014, and was obtained from a Schedule 13G/A filed on February 10, 2015 with the SEC. According to the Schedule 13G/A, Vanguard has sole voting power over 1,420,628 shares, shared voting power over 372,500 shares, sole dispositive power over 58,742,227 shares and shared dispositive power over 1,166,556 shares of our common stock. The Schedule 13G/A states that Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., each a wholly-owned subsidiary of Vanguard, are the beneficial owners of 618,456 and 1,350,272 shares, respectively, as a result of serving as investment managers of collective trust accounts and of Australian investment offerings, respectively. The number of shares reported as beneficially owned by Vanguard in Vanguard s Schedule 13G/A includes 34,058,415 shares, representing 7.4% of our outstanding common stock, that Vanguard Specialized Funds Vanguard REIT Index Fund (Vanguard REIT Fund) separately reported as beneficially owned in a Schedule 13G/A filed on February 6, 2015 with the SEC. According to Vanguard REIT Fund s Schedule 13G/A, Vanguard REIT Fund has sole voting power over 34,058,415 shares and no dispositive power over any shares of our common stock.

(6) Share and beneficial ownership information for BlackRock, Inc. (BlackRock) is given as of December 31, 2014, and was obtained from a Schedule 13G/A filed on January 15, 2015 with the SEC. According to the Schedule 13G/A, BlackRock has sole voting power over 38,623,075 shares and sole dispositive power over 42,680,428 shares of our common stock. The Schedule 13G/A states that various persons have the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of our common stock, but that no one person s interest in our common stock is more than 5% of the total outstanding common shares.

(7) Share and beneficial ownership information for State Street Corporation (State Street) is given as of December 31, 2014, and was obtained from a Schedule 13G filed on February 12, 2015 with the SEC. According to the Schedule 13G, State Street has shared voting power and shared dispositive power over 32,262,940 shares of our common stock.

(8) Share and beneficial ownership information for Capital Research Global Investors (Capital Research) is given as of December 31, 2014, and was obtained from the Schedule 13G filed on February 13, 2015 with the SEC. According to the Schedule 13G, Capital Research has sole voting and dispositive power over 27,133,596 shares of our common stock.

(9) Includes 22,700 shares held in family limited liability companies.

(10) Ms. Martin is also a NEO as President and CEO of HCP.

(11) Consists of shares held in a family trust.

(12) Includes 100,000 shares held in irrevocable trusts for the benefit of Mr. Klaritch s children. Mr. Klaritch disclaims beneficial ownership of these shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers to file with the SEC reports of initial ownership and reports of changes in ownership of our equity securities. Based on a review of the reports furnished to us, as well as the written responses to annual directors and officers questionnaires, we believe that during 2014 all of our directors and officers timely filed all reports they were required to file under Section 16(a).

Ratification of Appointment of Independent Registered Public Accounting Firm

Our Audit Committee is responsible for the appointment, compensation, retention and oversight of the Company s independent registered public accounting firm. In doing this, the Audit Committee annually considers the advisability of and potential impact of selecting a different independent public accounting firm, the qualifications of our existing independent registered public accounting firm, our audit engagement team, their quality control procedures and any issues raised by the Public Company Accounting Oversight Board s (PCAOB) most recent quality control review of our existing independent registered public accounting firm. Following this review, the Audit Committee has selected Deloitte & Touche LLP (Deloitte) to continue to serve as HCP s independent registered public accounting firm for the fiscal year ending December 31, 2015.

We believe that the continued retention of Deloitte as our independent registered public accounting firm is in the best interest of the Company and our stockholders, and we are asking our stockholders to ratify the selection of Deloitte as our independent registered public accounting firm for 2015. Although ratification is not required by our organizational documents or otherwise, the Board is submitting the selection of Deloitte to our stockholders as a matter of good corporate practice. If the selection is not ratified, the Audit Committee will consider whether it is appropriate to select another independent registered public accounting firm.

The Audit Committee s review described above also included the matters regarding auditor independence discussed under the heading Audit Committee Report, including whether the nature and extent of non-audit services would impair Deloitte s independence. Services provided to HCP and its subsidiaries by Deloitte in fiscal years 2014 and 2013 are described under the heading Audit and Non-Audit Fees.

A representative of Deloitte is expected to attend the Annual Meeting and will have an opportunity to make a statement and be available to respond to appropriate questions.

Voting Standard

Ratification of the appointment of Deloitte as our independent registered public accounting firm for the fiscal year ending December 31, 2015 requires the affirmative vote of a majority of the votes cast on this proposal at the Annual Meeting.

Board Recommendation

Fee Information

The following table shows information about the respective fees billed by Deloitte during or related to the fiscal years ended December 31, 2014 and 2013. Deloitte has served as HCP s independent registered public accounting firm since March 3, 2010.

	2014 ($ in thousands)	2013 ($ in thousands)
Audit Fees(1)	2,464	1,837
Audit-Related Fees(2)	702	216
Tax Fees:		
Tax Compliance(3)	459	512
Tax Planning and Tax Advice(4)	1,283	1,021
All Other Fees		
TOTAL	**4,908**	**3,586**

(1) Audit fees include fees and out-of-pocket expenses billed for the audit of our annual consolidated financial statements and internal control over financial reporting, the review of the interim consolidated financial statements included in our Quarterly Reports on Form 10-Q, and other SEC registration statement and consent services.

(2) Audit-related fees include fees for the separate audits of our consolidated subsidiaries and unconsolidated joint ventures.

(3) Tax compliance primarily involves the preparation or review of tax returns.

(4) Tax planning and tax advice encompass a diverse range of services, including tax advice related to acquisitions and investments, consultation regarding the impact of proposed actions/activities on REIT qualification, and consultation regarding the foreign, federal, state and local tax issues related to various transactions. In 2013, tax planning and tax advice fees also included fees related to our leadership transition.

Policy on Pre-Approval of Audit and Permitted Non-Audit Services

The Audit Committee considered whether the provision of the non-audit services by Deloitte to HCP was compatible with maintaining the audit firm s independence and concluded that Deloitte s independence was not compromised by the provision of such services. The Audit Committee must pre-approve all audit and permitted non-audit services performed by Deloitte.

The Audit Committee has delegated its pre-approval responsibility to its Chair, provided that the Chair presents any pre-approvals related to audit and permitted non-audit services to the Audit Committee at its next scheduled meeting. The Audit Committee pre-approved all services provided by Deloitte in the fiscal years ended December 31, 2014 and 2013.

Audit Committee Report

The Audit Committee consists of four members: Ms. Garvey and Messrs. Cartwright, Hoffmann and Rhein. All the members are Independent Directors under applicable NYSE and SEC rules. The Audit Committee has certain duties and powers as described in its written charter adopted by the Board. A copy of the charter can be found on our website at *www.hcpi.com/charters*.

The Audit Committee oversees HCP s financial reporting process on behalf of the Board. Management has the primary responsibility for establishing and maintaining adequate internal financial controls, for preparing the financial statements and for the public reporting process. Deloitte, HCP s independent registered accounting firm for 2014, is responsible for expressing opinions on the conformity of the Company s audited consolidated financial statements with generally accepted accounting principles and on the Company s internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management and Deloitte the audited consolidated financial statements for the year ended December 31, 2014 and Deloitte s evaluation of the Company s internal control over financial reporting. The Audit Committee has discussed with Deloitte the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees issued by the Public Company Accounting Oversight Board. The Audit Committee also received the written disclosures and the letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte s communications with the Audit Committee concerning independence, and the Audit Committee discussed with Deloitte their independence.

Based on the Audit Committee s review of the audited consolidated financial statements and the review and discussions described in the foregoing paragraph, the Audit Committee recommended to the Board that the audited consolidated financial statements for the year ended December 31, 2014 be included in HCP s Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC.

Audit Committee of the Board of Directors

Christine N. Garvey (Chair)

Brian G. Cartwright

James P. Hoffmann

Peter L. Rhein

A Message to Our Stockholders

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis, and based upon this review and discussion, has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by members of the Compensation Committee:

David B. Henry (Chair)

Brian G. Cartwright

Peter L. Rhein

Joseph P. Sullivan

This Compensation Discussion and Analysis (CD&A) explains our overall compensation philosophy, the implementation and evolution of our executive compensation program, and the compensation awarded to our NEOs for 2014.

This CD&A contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs.

Compensation Philosophy

We aim to align the interests of our NEOs and stockholders through a simple, transparent and rigorous executive compensation program. While we incentivize our executives by offering a combination of performance-based and fixed compensation, giving consideration to a balanced mix of cash and equity, a significant portion of compensation is dependent upon the achievement of objective, quantitative, at-risk performance hurdles that have a substantial possibility of not being achieved. Our hurdles are evaluated across multiple metrics and performance periods. We believe this structure links compensation awarded to our executives to the achievement of the Company s financial and strategic goals. While individual objectives play a role in compensation decisions, they are not the cornerstone of our program philosophy. This compensation philosophy motivates our talented management team, creates greater alignment with the interests of our stockholders and promotes the execution of our business strategy in a manner that focuses on the creation of long-term value. Additionally, this philosophy encourages prudent risk management and enhances retention of our executive team in a competitive marketplace for talent.

Overview of Our Revised 2015 Compensation Plan

In response to our stockholder outreach initiatives, including feedback regarding say-on-pay, we adopted a revised executive compensation program in 2015. Compared to our 2014 program, the 2015 plan is less complex and more transparent, with more rigorous objective at-risk, performance metrics.

Our 2015 STIP and LTIP are illustrated above to provide an overview of our revised incentive compensation plan. The award opportunities and performance hurdles under the STIP will be determined by the Compensation Committee in consultation with its independent compensation consultant at the beginning of the performance year to establish the performance goals for our eligible NEOs. The Committee s determination is based on its independent analysis of prior year results and growth amounts as presented by management to the Board in our annual operating plan. For more information regarding the Compensation Committee s independent compensation consultant and our compensation development process, see the sections entitled Compensation Governance Compensation Consultant and Adoption of a Company Peer Group and Compensation Assessment below.

The target award opportunity under the LTIP will also be established by the Compensation Committee at the beginning of the performance period in consultation with its independent compensation consultant. The Committee s determination will be based on competitive market data, relative duties and responsibilities, the executive s future advancement potential and his or her impact on HCP s results. The long-term incentive awards will be granted in the form of 50% 3-year PSUs, 25% 1-year PSUs and 25% retentive RSUs with three-year annual vesting. The vesting and potential payout of the PSUs depend upon the future achievement of relative TSR hurdles compared to the companies that constitute the FTSE NAREIT Equity Health Care Index, as indicated in the LTIP chart below. No LTIP awards will be granted for performance results below the threshold hurdle.

In an effort to provide meaningful transparency to our stockholders, the aforementioned amounts will be disclosed in the proxy statement covering the performance period represented by the awards granted to each of our CEO and NEOs.

2015 STIP

Under the revised 2015 STIP, 70% of our executives short-term incentive compensation is determined by the achievement of quantitative Company performance hurdles established at the beginning of the applicable performance period by the Compensation Committee based on the annual operating plan presented to the Board. This objective component comprises the following metrics: 20% normalized FFO per share, 20% normalized FAD per share, 15% same store cash NOI growth and 15% investments. The Compensation Committee believes that these metrics represent four key indicators of our Company s financial, operating and investment performance, the significance of which are outlined below. Below threshold performance with respect to any metric will result in no award amount related to that metric. The other 30% of short-term incentive compensation will be based on individual performance objectives, subject to the Compensation Committee s evaluation and negative discretion.

Additional information regarding FFO, FAD and other non-GAAP measures is included in Appendix A to this proxy statement.

2015 LTIP

Under the revised 2015 LTIP, the significant majority of the award amounts will be based on future relative TSR performance. A portion of the awards will also be used for retentive purposes.

The long-term incentive awards are granted in the form of 50% 3-year PSUs, 25% 1-year PSUs and 25% retentive RSUs with three -year annual vesting. The vesting of the PSUs depends exclusively upon the future achievement of relative TSR compared to the constituent companies of the FTSE NAREIT Equity Health Care Index and the PSUs are subject to forfeiture for below threshold performance, as indicated below.

The following table summarizes the rationale for choosing relative TSR as the 1- and 3-year performance metric in our revised 2015 LTIP.

Our Compensation Committee included both the 1- and 3-year measures of relative TSR in our revised compensation plan to incentivize our NEOs other than Mr. Klaritch (the eligible NEOs) to consider multiple return periods in executing our business strategy and creating stockholder value. We emphasize the 3-year metric (50% of the LTIP award) over the 1-year metric (25% of the LTIP award) to encourage more prudent risk management and the accomplishment of longer -term objectives. However, the Committee also determined to reward performance over a 1-year period to motivate the pursuit of opportunistic growth and the efficient implementation of strategic objectives.

2014 NEO Compensation

The components of 2014 executive compensation included base salary, annual cash incentive compensation for 2014 performance and long-term equity incentive opportunities based on 2014 performance. 2014 was a strong performance year, as well as a transition year under the leadership of our CEO, Lauralee E. Martin. Despite HCP s solid performance and successful transition, as described above under Proxy Highlights Performance Highlights, the Compensation Committee was required to balance such achievements against a relative TSR that has lagged other healthcare REITs over the past one- and three-year periods. Accordingly, while our objective performance metrics exceeded the High level, the Compensation Committee exercised its discretion to reduce NEO compensation. This reduction was primarily the result of lagging relative TSR and the executives performance relative to their individual objectives, and is consistent with the objectives and philosophy of our compensation program. Additionally, 75% of the LTIP awards for the eligible NEOs remains at risk subject to forward-looking relative TSR performance criteria (i.e. criteria that have a substantial possibility of not being achieved). Mr. Klaritch s 2014 incentive compensation is discussed separately below.

Base Salary

During 2014, we increased base salary levels for our NEOs (other than Ms. Martin) to reflect the value of their tenure and increased responsibility following the October 2013 management transition given their knowledge of the Company s portfolio, key operators and significant relationships. Base salary levels had not been increased since 2009 for Mr. Klaritch and 2011 for Messrs. Gallagher, Schoen and Mercer.

Name	2013 Base Salary ($)	2014 Base Salary ($)	Year-over-Year Increase (%)
Lauralee E. Martin	800,000	800,000	
Paul F. Gallagher	500,000	550,000	10
Timothy M. Schoen	500,000	550,000	10
James W. Mercer	500,000	550,000	10
Thomas M. Klaritch	350,000	375,000	7

Annual Cash Incentive Compensation

In March 2014, the Compensation Committee approved annual cash incentive performance hurdles for each of the eligible NEOs under the 2014 STIP, subject to the achievement of both Company and individualized performance criteria for the 2014 performance year. The Company performance criteria were objective quantitative metrics, which emphasized variable pay over fixed pay. Although the individual performance criteria in the STIP were mostly subjective, 30% of such performance criteria were measured against objective Company operating metrics. The individualized performance portion of the STIP award was also subject to the Compensation Committee s negative discretion.

Determination of STIP Award Based on Company Objectives

Pursuant to the 2014 STIP, 50% of the cash incentive award for the eligible NEOs was based on the Company s achievement of objective normalized FFO per share hurdles relative to our annual operating plan, with an additional growth target, as described in the graphic below. The table on page 33 summarizes the significance of the normalized FFO per share metric.

As shown below, we exceeded the High normalized FFO per share hurdle for the 2014 performance year, which resulted in 50% of the STIP award being calculated based on 2.0x base salary for our CEO and 1.5x base salary for the other eligible NEOs.

The STIP awards reflect the Company and the management team exceeding the high end of the annual operating plan and producing normalized FFO of $3.04 per share (represents FFO as adjusted per share for 2014, as presented in Appendix A, with no further adjustments), an all-time high for the Company. Our same store portfolio performed as budgeted in 2014, generating 2.3% NOI growth on a GAAP basis. Adding to the internal growth, we were able to achieve the high end of our annual operating plan by completing $1.9 billion of accretive investments. These investments included $588 million related to the creation of the $1.2 billion continuing care retirement community (CCRC) joint venture with Brookdale Senior Living and £395 million ($ 630 million) related to the HC-One U.K. debt investment. These investments encompassed four property sectors using a variety of investment vehicles, including triple-net leases, RIDEA, development and debt. The investments also expanded our U.K. platform to nearly $1 billion, including our first real estate equity investment, which established a new U.K. operator relationship with Maria Mallaband Care Group.

The Company achieved $0.05 per share of earnings in excess of the mid-point of our original publicly disclosed guidance issued in February 2014. These investments also have the benefit of providing additional growth in 2015 from our first full-year of ownership.

The Company was also able to achieve the high end of budget by maintaining leverage at 41.5%, slightly above our long -term target leverage of 40%. We strategically raised $1.2 billion from 10-year bonds at an attractive blended rate of 4%, reducing our financing costs by 50 basis points. Additionally, we upsized our revolving line of credit to $2 billion, improved pricing by 17.5 basis points and extended the term of such facility to 2018.

Determination of STIP Award Based on Individualized Objectives

The other 50% of the award was subject to a Section 162(m) compliant threshold normalized FFO per share hurdle representing 90% of the prior year s normalized FFO per share, which we exceeded. Of this portion of the award, 70% of the potential award was based on an assessment of individual achievements, as described under the heading Proxy Highlights 2014 Executive Performance. The remaining 30% of this portion of the award was based on an assessment of objective Company operating metrics with respect to real estate investments, capital expenditure investments and non -stabilized asset management, relative to the 2014 annual operating plan, as set forth below:

In determining the amount of the cash incentive award granted with respect to the individualized performance objectives, the Compensation Committee took into consideration the executives individual contributions to our strong financial and operational performance in 2014, as described above, and their individual accomplishments and performance relative to their objectives for the year. The Committee also recognized that, despite our strong performance, our TSR for the 2014 performance year was below the median of other healthcare REITs. Due to our relative TSR performance in 2014 and in light of the executives performance relative to their individual objectives, the Committee exercised its negative discretion to significantly reduce the value of the STIP awards, as set forth in the table below, in alignment with our stockholders interests, and consistent with the objectives and philosophy of our compensation program.

Actual STIP Awards

The following table sets forth the CEO s and other eligible NEOs annual cash incentive awards for 2014 as adjusted by the Compensation Committee.

	STIP Opportunity ($)			Actual
				Award
Name	Threshold	Target	High	($)
Lauralee E. Martin	1,600,000	2,400,000	3,200,000	2,400,000
Paul F. Gallagher	550,000	1,100,000	1,650,000	1,200,000
Timothy M. Schoen	550,000	1,100,000	1,650,000	1,350,000
James W. Mercer	550,000	1,100,000	1,650,000	1,225,000

Long-Term Incentive Compensation

The LTIP awards granted in February 2015 relate to 2014 performance, and reflect our early adoption of the revised 2015 plan. While the values of the award opportunities for our CEO and other eligible NEOs were determined in March 2014 under the 2014 LTIP, subject to the achievement of both Company and individualized performance criteria for the 2014 performance year, the ultimate amount of the awards are subject to future relative TSR performance in accordance with the revised 2015 plan. Consequently, 75% of each award may only become earned based on future relative TSR performance and is subject to forfeiture for below threshold performance.

Determination of LTIP Award Based on Company Objectives

Under the 2014 LTIP, 50% of the LTIP award for the eligible NEOs was based on the Company s achievement of normalized FAD per share hurdles relative to our annual operating plan, with an additional growth target, as described in the graphic below. The table on page 33 summarizes the significance of the normalized FAD per share performance metric.

As shown below, we exceeded the High normalized FAD per share hurdle for the 2014 performance year, which resulted in 50% of the LTIP award being calculated based on 3.25x base salary for our CEO and 2.0x base salary for the other eligible NEOs.

The LTIP opportunities reflect the Company and the management team exceeding the high end of the annual operating plan and producing normalized FAD per share of $2.57 (represents FAD per share for 2014, as presented in Appendix A, with no further adjustments), an all-time high for the Company. Our same store portfolio performed as budgeted in 2014, generating 3.3% cash NOI growth, which is the sixth consecutive year of growth above 3.0%.

The Company was able to achieve the high end of its annual operating plan by completing $1.9 billion of accretive investments at a blended cash yield of 7.8%, which generated earnings growth above the same store portfolio. The Company achieved $0.07 per share of earnings in excess of the mid-point of our original publicly disclosed guidance in 2014. These investments also have the benefit of providing additional growth in 2015 from our first full year of ownership. The Company was also able to achieve the high end of its annual operating plan while maintaining financial leverage at 41.5%, slightly above our long -term target of 40%.

Determination of LTIP Award Based on Individualized Objectives

The other 50% of the LTIP opportunities were subject to a Section 162(m) compliant threshold normalized FAD hurdle representing 90% of the prior year s normalized FAD per share, which we exceeded. Of this portion of the award, 70% of the potential award was based on an assessment of individual achievements, as described under the heading Proxy Highlights 2014 Executive Performance. The remaining 30% of this portion of the award was based on an assessment of objective Company operating metrics with respect to same store cash NOI, FAD dividend payout ratio and balance sheet management, relative to the 2014 annual operating plan, as set forth below:

As in the case of the STIP awards, in determining the amount of the LTIP opportunities awarded with respect to the individualized performance objectives, the Compensation Committee took into consideration the executives individual contributions to our strong financial and operational performance in 2014 and their individual accomplishments and performance as described under Proxy Highlights Performance Highlights. The Committee also recognized that, despite our strong performance in 2014, our TSR has lagged other healthcare REITs over the past one- and three-year periods. Accordingly, as set forth in the table below, the Committee exercised its negative discretion to significantly reduce the LTIP opportunities for the NEOs in alignment with our stockholders long-term interests, and consistent with the objectives and philosophy of our compensation program. Ms. Martin s LTIP award opportunity was reduced to a lesser extent based on her shorter tenure with the Company.

Actual LTIP Award Opportunities

The following table sets forth the Compensation Committee s determination of the amount of the awards under our 2014 LTIP, which were granted in February 2015 with respect to 2014 performance, subject to the forward-looking vesting criteria described below.

	LTIP Opportunity ($)			
Name	Threshold	Target	High	Actual Opportunity ($)
Lauralee E. Martin	1,600,000	3,200,000	5,200,000	4,250,000
Paul F. Gallagher	550,000	1,100,000	2,200,000	1,400,000
Timothy M. Schoen	550,000	1,100,000	2,200,000	1,250,000
James W. Mercer	550,000	1,100,000	2,200,000	1,200,000

The 2014 LTIP awards were granted 100% in the form of RSUs in response to our stockholders preference against stock option awards. In transition to our revised compensation plan, we early adopted the vesting criteria for the 2014 LTIP awards under the 2015 LTIP as follows (and as described in more detail under Overview of Our 2015 Revised Compensation Program):

3-Year LTIP Award: 50% of the LTIP award will remain at risk and subject to forfeiture through December 31, 2017 with vesting based on our TSR for the three-year forward -looking performance period relative to the companies that constitute the FTSE NAREIT Equity Health Care Index ;

1-Year LTIP Award: 25% of the LTIP award will remain at risk and subject to forfeiture through December 31, 2015 with vesting based on our TSR for the one-year forward -looking performance period relative to the companies that constitute the FTSE NAREIT Equity Health Care Index;

Performance results falling below the threshold hurdle for the 1- and 3-year LTIP awards at the conclusion of the performance period will result in no awards being granted to the eligible NEOs ; and

Retentive LTIP Award: 25% of the LTIP award will vest ratably over the next three years subject to the executive s continued employment with the Company.

The significance of the relative TSR metric is described above on page 34. Our Compensation Committee believes, however, that a smaller portion of compensation granted in the form of the Retentive LTIP should promote the retention of our talented management team without reference to the relative performance of our peers.

The fair market value of the LTIP awards, calculated in compliance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 and SEC Staff Accounting Bulletin No. 107/110, are as follows:

Name	3-Year LTIP ($)	1-Year LTIP ($)	Retentive LTIP ($)	Total LTIP ($)
Lauralee E. Martin	2,475,849	1,144,466	1,062,541	4,682,856
Paul F. Gallagher	815,590	376,983	350,028	1,542,601
Timothy M. Schoen	728,188	336,632	312,520	1,377,340
James W. Mercer	699,053	323,164	300,064	1,322,281

Incentive Awards for Mr. Klaritch

Mr. Klaritch is eligible for performance incentive awards consistent with our compensation practices for our other business segment leaders. In early 2014, the Compensation Committee set the annual cash incentive opportunity for Mr. Klaritch at $750,000 and his long-term incentive performance opportunity at $937,500, subject to the Company s achievement of a normalized FFO per share threshold of $1.86 and a normalized FFO per share target of $2.68 for the 2014 performance year. Mr. Klaritch was eligible to receive a pro rata award to the extent the Company s normalized FFO per share for 2014 exceeded the threshold but did not reach the target. Mr. Klaritch s final awards were also subject to the Committee s negative discretion.

The Company s actual normalized FFO per share of $3.04 (represents FFO as adjusted per share for 2014, as presented in Appendix A, with no further adjustments) exceeded the target set for Mr. Klaritch for 2014. In January 2015, the Compensation Committee assessed Mr. Klaritch s individual performance, as described under the heading Proxy Highlights 2014 Executive Performance, as well as his contributions to the Company s performance relative to its operating and strategic goals for the 2014 performance year. Based on this assessment, the Committee exercised its negative discretion to reduce Mr. Klaritch s annual cash incentive award to $550,000 and his long-term incentive award to $800,000. Mr. Klaritch s long-term incentive award was granted 100% in the form of RSUs that vest ratably over three years beginning on the first anniversary of the grant date.

Presentation of Compensation Based on Performance Year

The table below aligns the value of compensation with the performance year to which the compensation relates, irrespective of the grant date. Accordingly, the table presents the value of LTIP awards granted in February 2015 as long-term equity compensation for the performance year 2014, since the awards are based on services performed in 2014. Likewise, LTIP awards granted in February 2014 based on the 2013 performance year are presented as long-term equity compensation in 2013.

Our presentation differs from the Summary Compensation Table on page 41, which, as required by SEC rules, discloses the value of long-term equity awards in the year the awards are granted without consideration of the performance year to which the awards relate. For example, LTIP awards granted in February 2015 for 2014 performance will not be shown in the Summary Compensation Table until next year s proxy statement as 2015 compensation.

The distinction between these two tables is most pronounced when evaluating the effect of one-time transition awards granted to our CEO, which are required under SEC rules to be included in the Summary Compensation Table in the year the award is granted, despite the fact that the award is unrelated to that performance year. As described below under One-Time Leadership Transition Awards , the Compensation Committee approved a $ 10 million one-time make-whole and inducement award to Ms. Martin in October 2013. The $6 million make-whole portion of the award was granted in 2013, while the $4 million inducement portion of the award was granted in February 2014. The inducement award was subject to the same vesting criteria as Ms. Martin s LTIP award for the 2013 performance year, with 50% of the inducement award subject to additional forward-looking performance criteria that have a substantial possibility of not being achieved. Because the $4 million inducement award was granted in February 2014, it appears in the Summary Compensation Table as compensation for 2014. However, we do not include the one-time leadership transition awards in the table below because they are unrelated to compensation in respect of Ms. Martin s performance for any given year.

The following information should be read in conjunction with the Summary Compensation Table on the following page, as well as the tables and narrative descriptions that follow.

Name	Performance Year	Base Salary ($)	Annual Cash Incentive Award ($)(1)	Long-Term Equity Incentive Award Value ($)(2)	All Other Compensation ($)(3)	Total Compensation ($)(4)
Lauralee E. Martin(4)	2014	800,000	2,400,000	4,682,856(6)	32,832	7,915,688(6)
	2013	800,000(7)	2,200,000	5,119,114	281	8,119,395
Paul F. Gallagher	2014	550,000	1,200,000	1,542,601(6)	10,400	3,303,001(6)
	2013	500,000	1,350,000	1,970,855	16,800	3,837,655
	2012	500,000	1,250,000	1,750,057	10,000	3,510,057