MORGAN STANLEY
Form 424B2
January 09, 2019

The information in this preliminary pricing supplement is not complete and may be changed. We may not deliver these notes until a final pricing supplement is delivered. This preliminary pricing supplement and the accompanying prospectus and prospectus supplement do not constitute an offer to sell these notes and we are not soliciting an offer to buy these notes in any state where the offer or sale is not permitted.

Subject to Completion, Preliminary Pricing Supplement dated January 9, 2019

PROSPECTUS Dated November 16, 2017

PROSPECTUS SUPPLEMENT Dated November 16, 2017

Pricing Supplement No. 1,445 to
Registration Statement Nos. 333-221595; 333-221595-01
Dated , 2019
Rule 424(b)(2)

Morgan Stanley Finance LLC

STRUCTURED INVESTMENTS

Opportunities in Commodities
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Buffered Digital S&P GSCI™ Crude Oil Index - Excess Return-Linked Notes due

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The notes are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The notes will not bear interest. The amount that you will be paid on your notes on the stated maturity date (expected to be the second scheduled business day after the determination date) is based on the performance of the S&P GSCI™ Crude Oil Index - Excess Return as measured from the trade date to and including the determination date (expected to be between 13 and 15 months after the trade date). If the final underlier level on the determination date is greater than or equal to 85% of the initial underlier level (which will be set on the trade date), you will receive an amount equal to the maximum settlement amount (expected to be between $1,171.30 and $1,201.50 for each $1,000 face amount of your notes). **However, if the underlier declines by more than 15.00% from the initial underlier level, the return on your notes will be negative. You could lose your entire investment in the notes.** These notes are for investors who seek a return based on crude oil, as measured by the underlier, and who are willing to risk their principal and forgo current income and returns above the maximum settlement amount in exchange for the maximum settlement amount feature that applies only if the underlier return is greater than or equal to -15.00%. The notes are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These notes are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

The underlier has returns based on the change in price of futures contracts on West Texas Intermediate crude oil, not the change in the spot price of the actual physical commodity to which such futures contracts relate. While the changes in the price of a futures contract are usually correlated with the changes in the spot price, such correlation is not exact. In some cases, the performance of a commodity futures contract can deviate significantly from the spot price performance of the related underlying commodity, especially over longer periods of time. Accordingly, investments linked to the return of commodities futures contracts may underperform similar investments that reflect the spot price return on physical commodities.

To determine your payment at maturity, we will calculate the underlier return, which is the percentage increase or decrease in the final underlier level from the initial underlier level. On the stated maturity date, for each $1,000 face amount of your notes, you will receive an amount in cash equal to:

if the underlier return is *greater than* or *equal to* -15.00% (the final underlier level is greater than or equal to 85.00% of the initial underlier level), the maximum settlement amount of $1,171.30 to $1,201.50 per note, or 117.13% to 120.15% of the face amount (the actual maximum settlement amount will be determined on the trade date); or

if the underlier return is *less than* -15.00% (the final underlier level is less than 85.00% of the initial underlier level), the *sum* of (i) $1,000 *plus* (ii) the *product* of (a) $1,000 *times* (b) approximately 1.1765 *times* (c) the *sum* of the underlier return *plus* 15.00%.

Under these circumstances, you will lose some or all of your investment.

You should read the additional disclosure herein so that you may better understand the terms and risks of your investment.

The estimated value on the trade date will be approximately $981.90 per note, or within $16.90 of that estimate. See "Estimated Value" on page 2.

	Price to public(1)	*Agent's commissions*(1)	*Proceeds to us*(2)
Per note	*$1,000*	*$9.50*	*$990.50*
Total	*$*	*$*	*$*

(1) The price to public will be between 99.05% and 100.00% of the face amount, reflecting, for certain investors, a foregone agent's commission with respect to sales of such notes; see "Summary Information—Supplemental information regarding plan of distribution; conflicts of interest" on page 9. Morgan Stanley & Co. LLC ("MS & Co.") will sell all of the notes that it purchases from us to an unaffiliated dealer. Investors that purchase and hold the notes in fee-based accounts may be charged fees based on the amount of assets held in those accounts, including the notes.

(2) See "Summary Information—Use of proceeds and hedging" beginning on page 7.

The notes involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 14.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these notes, or determined if this document or the accompanying prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related prospectus supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Key Terms" on page 3.

MORGAN STANLEY

1

About Your Prospectus

The notes are notes issued as part of MSFL's Series A Global Medium-Term Notes program. This prospectus includes this preliminary pricing supplement and the accompanying documents listed below. This preliminary pricing supplement constitutes a supplement to the documents listed below and should be read in conjunction with such documents:

· Prospectus dated November 16, 2017

· Prospectus Supplement dated November 16, 2017

The information in this preliminary pricing supplement supersedes any conflicting information in the documents listed above. In addition, some of the terms or features described in the listed documents may not apply to your notes.

ESTIMATED VALUE

The Original Issue Price of each note is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the notes, which are borne by you, and, consequently, the estimated value of the notes on the Trade Date will be less than $1,000. We estimate that the value of each note on the Trade Date will be approximately $981.90, or within $16.90 of that estimate. Our estimate of the value of the notes as determined on the Trade Date will be set forth in the final pricing supplement.

What goes into the estimated value on the Trade Date?

In valuing the notes on the Trade Date, we take into account that the notes comprise both a debt component and a performance-based component linked to the Underlier. The estimated value of the notes is determined using our own pricing and valuation models, market inputs and assumptions relating to the Underlier, instruments based on the Underlier, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the notes?

In determining the economic terms of the notes, including the Maximum Settlement Amount and the Threshold Amount, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the notes would be more favorable to you.

What is the relationship between the estimated value on the Trade Date and the secondary market price of the notes?

The price at which MS & Co. purchases the notes in the secondary market, absent changes in market conditions, including those related to the Underlier, may vary from, and be lower than, the estimated value on the Trade Date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the notes are not fully deducted upon issuance, for a period of up to 3 months following the issue date, to the extent that MS & Co. may buy or sell the notes in the secondary market, absent changes in market conditions, including those related to the Underlier, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the notes, and, if it once chooses to make a market, may cease doing so at any time.

SUMMARY INFORMATION

The Buffered Digital S&P GSCI™ Crude Oil Index - Excess Return-Linked Notes, which we refer to as the notes, are unsecured obligations of MSFL and are fully and unconditionally guaranteed by Morgan Stanley. The notes will pay no interest, do not guarantee any return of principal at maturity and have the terms described in the accompanying prospectus supplement and prospectus, as supplemented or modified by this document. The notes are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

References to "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

If the terms described herein are inconsistent with those described in the accompanying prospectus supplement or prospectus, the terms described herein shall control.

Key Terms

Issuer: Morgan Stanley Finance LLC

Guarantor: Morgan Stanley

Underlier: S&P GSCI™ Crude Oil Index - Excess Return (Bloomberg Ticker Symbol: SPGCCLP) (The Bloomberg ticker symbol is being provided for reference purposes only. The Closing Level of the Underlier on any Underlier Business Day will be determined based on the price published by the publisher of the Underlier)

Underlier Publisher: S&P Dow Jones Indices LLC ("S&P") and any successor publisher thereof

Specified currency: U.S. dollars ("$")

Face Amount: Each note will have a Face Amount of $1,000; $ in the aggregate for all the notes; the aggregate Face Amount of notes may be increased if the Issuer, at its sole option, decides to sell an additional amount of the notes on a date subsequent to the date hereof.

Denominations: $1,000 and integral multiples thereof

Purchase at amount other than Face Amount: The amount we will pay you on the Stated Maturity Date for your notes will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or discount) to the Face Amount and hold them to the Stated Maturity Date, it could affect your investment in a number of ways. The return on your investment in such notes will be lower (or higher) than it would have been had you purchased the notes at the Face Amount. Also, the Threshold Level would not offer the same measure of protection to your investment as would be the case if you had purchased the notes at the Face Amount. Additionally, the Maximum Settlement Amount would represent a lower (or higher) percentage return than it would have had you purchased the notes at the Face Amount. See "Risk Factors—If You Purchase Your Notes At A Premium To The Face Amount, The Return On Your Investment Will Be Lower Than The Return On Notes Purchased At The Face Amount, And The Impact Of Certain Key Terms Of The Notes Will Be Negatively Affected" beginning on page 17 of this document.

Cash Settlement Amount (on the Stated Maturity Date): For each $1,000 Face Amount of notes, we will pay you on the Stated Maturity Date an amount in cash equal to:

- if the Final Underlier Level is *greater than* or *equal to* the Threshold Level, the Maximum Settlement Amount; or

- if the Final Underlier Level is *less than* the Threshold Level, the *sum* of (i) $1,000 *plus* (ii) the *product* of (a) $1,000 *times* (b) the Buffer Rate *times* (c) the *sum* of the Underlier Return and the Threshold Amount.

You will lose some or all of your investment at maturity if the Final Underlier Level is less than the Threshold Level. Any payment of the Cash Settlement Amount is subject to our credit risk.

Initial Underlier Level: To be determined on the Trade Date and will be set equal to the Closing Level of the Underlier on the Trade Date.

Final Underlier Level: The Closing Level of the Underlier on the Determination Date, except in the limited circumstances described under "Determination Date (to be set on the Trade Date)" below, and subject to adjustment as provided under "Discontinuance of the Underlier; alteration of method of calculation" below.

Underlier Return: The *quotient* of (i) the Final Underlier Level *minus* the Initial Underlier Level *divided* by (ii) the Initial Underlier Level, expressed as a percentage

Maximum Settlement Amount (to be set on the Trade Date): Expected to be between $1,171.30 and $1,201.50 for each $1,000 Face Amount of notes (which is comprised of the $1,000 Face Amount *plus* an upside payment of between $171.30 and $201.50)

Threshold Level: 85% of the Initial Underlier Level

Threshold Amount: 15%

Buffer Rate: The *quotient* of the Initial Underlier Level *divided* by the Threshold Level, which equals approximately 117.65%

Trade Date:

Original Issue Date (Settlement Date) (to be set on the Trade Date): Expected to be the fifth scheduled Business Day following the Trade Date.

Determination Date (to be set on the Trade Date): Expected to be between 13 and 15 months after the Trade Date; provided that if the Determination Date is not an Underlier Business Day, the Determination Date shall be the next succeeding Underlier Business Day; provided further that if a Market Disruption Event relating to the Underlier or one or more commodity contracts underlying the Underlier (each, an "Underlier Contract") occurs on the Determination Date, the Closing Level for the Determination Date shall be determined in accordance with the next succeeding paragraph.

If a Market Disruption Event relating to the Underlier or any Underlier Contract occurs on the Determination Date, the Calculation Agent will calculate the Closing Level using as a price (i) for each Underlier Contract that **did not** suffer a Market Disruption Event on the Determination Date, the official settlement price of such Underlier Contract on the Determination Date and (ii) for each Underlier Contract that **did** suffer a Market Disruption Event on such date, the official settlement price of such Underlier Contract on the first succeeding Trading Day on which no Market Disruption Event is existing with respect to such Underlier Contract; provided that, if a Market Disruption Event occurs with respect to such Underlier Contract on each of the five consecutive Trading Days immediately succeeding the Determination Date, the Calculation Agent will determine the price of such Underlier Contract for the Determination Date on the fifth succeeding Trading Day by requesting the principal office of each of the three leading dealers in the relevant market, selected by the Calculation Agent, to provide a quotation for the relevant price. If such quotations are provided as requested, the price of the relevant Underlier Contract for the Determination Date shall be the arithmetic mean of such quotations. Quotations of MS & Co., MSCG (as defined below) or any of their respective affiliates may be included in the calculation of such mean, but only to the extent that any such bid is the highest of the quotes obtained. If fewer than three quotations are provided as requested, the price of the relevant Underlier Contract for the Determination Date shall be determined by the Calculation Agent in its sole discretion (acting in good faith) taking into account any information that it deems relevant. In calculating the Closing Level in the circumstances described in this paragraph, the Calculation Agent will use the formula for calculating the Underlier last in effect prior to the Determination Date; provided that if the relevant Market Disruption Event in respect of the Underlier is due to a Material Change in Formula, the Calculation Agent will use the formula last in effect prior to that Market Disruption Event.

Stated Maturity Date (to be set on the Trade Date): Expected to be the second scheduled Business Day following the Determination Date, subject to postponement as described below; *provided* that if the scheduled Stated Maturity Date is not a Business Day, we will pay you the Cash Settlement Amount, if any, on the next succeeding Business Day with the same force and effect as if paid on the scheduled Stated Maturity Date. The Stated Maturity Date is a pricing term and will be determined by us on the Trade Date.

Postponement of Stated Maturity Date: If the scheduled Determination Date is not a Trading Day or if a Market Disruption Event occurs on that day so that the Determination Date as postponed falls less than two Business Days prior to the scheduled Stated Maturity Date, the Stated Maturity Date of the notes will be postponed to the second Business Day following that Determination Date as postponed.

No interest or dividends: The notes will not pay interest or dividends.

No listing: The notes will not be listed on any securities exchange.

No redemption: The notes will not be subject to any redemption right.

Closing Level: The Closing Level on any Underlier Business Day will be determined by the Calculation Agent and will equal the official settlement price of the Underlier as published by the Underlier Publisher, or any Successor Underlier (as defined under "Discontinuance of the Underlier; alteration of method of calculation" below). In certain circumstances, the Closing Level will be based on the alternate calculation of the Underlier described under "Discontinuance of the Underlier; alteration of method of calculation."

Reuters and various other third party sources may report the official settlement price of the Underlier. If any such reported price differs from that as determined by the Underlier Publisher or its successor, the official settlement price published by such Underlier Publisher or its successor will prevail.

Business Day: Any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

Underlier Business Day: Any day on which the official settlement price of the Underlier is scheduled to be published by the Underlier Publisher or its successor.

Trading Day: With respect to any Underlier Contract, a day, as determined by the Calculation Agent, on which the Relevant Exchange for such Underlier Contract is open for trading during its regular trading session, notwithstanding any such Relevant Exchange closing prior to its scheduled closing time.

Market Disruption Event: Market Disruption Event means (i) with respect to the Underlier, any of a Price Source Disruption, Disappearance of Commodity Reference Price, Material Change in Formula or Material Change in Content, or (ii) with respect to any Underlier Contract, any of a Price Source Disruption, Disappearance of Commodity Reference Price, Trading Disruption or Tax Disruption, in each case, as determined by the Calculation Agent in its sole discretion.

Price Source Disruption: Price Source Disruption means (a) with respect to the Underlier, either (i) the temporary failure of the Underlier Publisher to announce or publish the official settlement price of such Underlier (or the price of any Successor Underlier, if applicable), or the information necessary for determining such price (or the price of any Successor Underlier, if applicable) or (ii) the temporary discontinuance or unavailability of such Underlier, and (b) with respect to any Underlier Contract, the temporary or permanent failure of any Relevant Exchange to announce or publish the relevant price for such Underlier Contract.

Trading Disruption: Trading Disruption means, with respect to any Underlier Contract, the material suspension of, or the material limitation imposed on, trading in an Underlier Contract or futures contracts related to such Underlier Contract on the Relevant Exchange for such Underlier Contract. For these purposes, a limitation of trading in an Underlier Contract or futures contracts related to such Underlier Contract shall be deemed to be material only if the Relevant Exchange establishes limits on the range within which the price of the Underlier Contract or futures contracts related to such Underlier Contract may fluctuate and the closing or settlement price of the Underlier Contract or futures contracts related to such Underlier Contract is at the upper or lower limit of that range.

Disappearance of Commodity Reference Price: Disappearance of Commodity Reference Price means (a) with respect to the Underlier, the disappearance or permanent discontinuance or unavailability of the official settlement price of such Underlier, notwithstanding the availability of the price source or the status of trading in the Underlier Contracts or futures contracts related to the Underlier Contracts, and (b) with respect to any Underlier Contract, either (i) the failure of trading to commence, or the permanent discontinuance of trading, in such Underlier Contract or futures contracts related to such Underlier Contract on the Relevant Exchange for such Underlier Contract or (ii) the disappearance of, or of trading in, such Underlier Contract.

For purposes of this definition, a discontinuance of publication of the Underlier will not be a Disappearance of Commodity Reference Price if MSCG has selected a Successor Underlier in accordance with "Discontinuance of the Underlier; alteration of method of calculation."

Material Change in Formula: Material Change in Formula means the occurrence since the date of this pricing supplement of a material change in the formula for, or the method of calculating, the official settlement price of the Underlier.

Material Change in Content: Material Change in Content means the occurrence since the date of this pricing supplement of a material change in the content, composition or constitution of the Underlier or relevant futures contracts.

Tax Disruption: With respect to any Underlier Contract, Tax Disruption means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, such Underlier Contract (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority after the date of this pricing supplement, if the direct effect of such imposition, change or removal is to raise or lower the price of such Underlier Contract on any day that would otherwise be the Determination Date from what it would have been without that imposition, change or removal.

Relevant Exchange: With respect to the any Underlier Contract, Relevant Exchange means the principal exchange or trading market for such Underlier Contract.

Discontinuance of the Underlier; alteration of method of calculation: If, following the Trade Date, the Underlier Publisher discontinues publication of the Underlier and the Underlier Publisher or another entity (including MSCG or MS & Co.) publishes a successor or substitute index that MSCG, as the Calculation Agent, determines, in its sole discretion, to be comparable to the discontinued Underlier (such Underlier being referred to herein as a "Successor Underlier"), then any subsequent Closing Level will be determined by reference to the published value of such Successor Underlier at the regular weekday close of trading on the Underlier Business Day that any Closing Level is to be determined, and, to the extent the Closing Level of the Successor Underlier differs from the Closing Level of the Underlier at the time of such substitution, proportionate adjustments will be made by the Calculation Agent to the Initial Underlier Level.

Upon any selection by the Calculation Agent of a Successor Underlier, the Calculation Agent will cause written notice thereof to be furnished to the Trustee, to the Issuer and to DTC, as holder of the notes, within three Business Days of such selection. We expect that such notice will be made available to you, as a beneficial owner of the notes, in accordance with the standard rules and procedures of DTC and its direct and indirect participants.

If the Underlier Publisher discontinues publication of the Underlier prior to, and such discontinuance is continuing on, the Determination Date and the Calculation Agent determines, in its sole discretion, that no Successor Underlier is available on such date, then the Calculation Agent will determine the price for such Underlier on the Determination Date using the formula for calculating such Underlier last in effect prior to such discontinuance.

If the method of calculating the Underlier or a Successor Underlier is modified so that the value of such Underlier is a fraction of what it would have been if it had not been modified (e.g., due to a split in the Underlier), and the Calculation Agent, in its sole discretion, determines that such modification is not a Material Change in Formula, then the Calculation Agent will adjust such Underlier in order to arrive at a price of such Underlier or Successor Underlier as if it had not been modified (e.g., as if such split had not occurred).

Acceleration amount in case of an event of default: In case an event of default with respect to the notes shall have occurred and be continuing, the amount declared due and payable per note upon any acceleration of the notes shall be an amount in cash equal to the value of such note on the day that is two business days prior to the date of such acceleration, as determined by the Calculation Agent (acting in good faith and in a commercially reasonable manner) by reference to factors that the Calculation Agent considers relevant, including, without limitation: (i) then-current market interest rates; (ii) our credit

6

spreads as of the Trade Date, without adjusting for any subsequent changes to our creditworthiness; and (iii) the then-current value of the performance-based component of such note. Because the Calculation Agent will take into account movements in market interest rates, any increase in market interest rates since the Trade Date will lower the value of your claim in comparison to if such movements were not taken into account.

Use of proceeds and hedging: The proceeds from the sale of the notes will be used by us for general corporate purposes. We will receive, in aggregate, $1,000 per note issued. The costs of the notes borne by you and described on page 2 comprise the cost of issuing, structuring and hedging the notes.

On or prior to the Trade Date, we will hedge our anticipated exposure in connection with the notes, by entering into hedging transactions with our affiliates and/or third party dealers. We expect our hedging counterparties to take positions in swaps and futures contracts on the commodity contracts underlying the Underlier or positions in any other available instruments that they may wish to use in connection with such hedging. Such purchase activity could increase the level of the Underlier on the Trade Date, and therefore increase the Threshold Level, which is the level at or above which the Underlier must close on the Determination Date so that investors do not suffer a loss on their initial investment in the notes. In addition, through our affiliates, we are likely to modify our hedge position throughout the term of the notes, including on the Determination Date, by purchasing and selling swaps and futures contracts on the commodities underlying the Underlier or positions in any other available securities or instruments that we may wish to use in connection with such hedging activities. As a result, these entities may be unwinding or adjusting hedge positions during the term of the notes, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the Determination Date approaches. We cannot give any assurance that our hedging activities will not affect the level of the Underlier, and, therefore, adversely affect the value of the notes or the payment you will receive at maturity, if any. For further information on our use of proceeds, see "Use of Proceeds" in the accompanying prospectus.

Benefit Plan Investor Considerations: Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our affiliates, including MS & Co., may each be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also "Plans"). ERISA Section 406 and Code Section 4975 generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the notes are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the notes are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these "prohibited transaction" rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the Issuer of the notes nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than "adequate consideration" in connection with the transaction (the so-

7

called “service provider” exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the notes.

Because we may be considered a party in interest with respect to many Plans, the notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the notes will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the notes that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such notes on behalf of or with “plan assets” of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (b) its purchase, holding and disposition of these notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of or with “plan assets” of any Plan consult with their counsel regarding the availability of exemptive relief.

The notes are contractual financial instruments. The financial exposure provided by the notes is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the notes. The notes have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the notes.

Each purchaser or holder of any notes acknowledges and agrees that:

(i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the notes, (B) the purchaser or holder’s investment in the notes, or (C) the exercise of or failure to exercise any rights we have under or with respect to the notes;

(ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the notes and (B) all hedging transactions in connection with our obligations under the notes;

(iii)

any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests are adverse to the interests of the purchaser or holder; and

(v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the notes has exclusive responsibility for ensuring that its purchase, holding and disposition of the notes do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any notes to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this preliminary pricing supplement is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of these notes should consult and rely on their own counsel and advisers as to whether an investment in these notes is suitable.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the notes if the account, plan or annuity is for the benefit of an employee of Morgan Stanley or Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the notes by the account, plan or annuity.

Additional considerations: Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are not permitted to purchase the notes, either directly or indirectly.

Supplemental information regarding plan of distribution; conflicts of interest: We expect to agree to sell to MS & Co., and MS & Co. expects to agree to purchase from us, the aggregate face amount of the offered notes specified on the cover of this pricing supplement. MS & Co. proposes initially to offer the notes to an unaffiliated securities dealer at the price to public set forth on the cover of this pricing supplement less a concession not in excess of 0.95% of the face amount. The price to public will be between 99.05% and 100.00% of the face amount, which reflects, for certain fee-based advisory accounts, a foregone agent's commission with respect to sales of such notes (i.e., the agent's commission specified on the cover of this pricing supplement with respect to such notes will be reduced, potentially down to 0.00%). MS & Co., the agent for this offering, is our affiliate. Because MS & Co. is both our affiliate and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), the underwriting arrangements for this offering must comply with the requirements of FINRA Rule 5121 regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. In accordance with FINRA Rule 5121, MS & Co. may not make sales in offerings of the notes to any of its discretionary accounts without the prior written approval of the customer.

MS & Co. is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley, and it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the notes. When MS & Co. prices this offering of notes, it will determine the economic terms of the notes, including the Maximum Settlement Amount, such that for each note the estimated value on the Trade Date will be no lower than the minimum level described in "Estimated Value" on page 2.

MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm's distribution of the notes of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See "Plan of Distribution (Conflicts of Interest)" in the accompanying prospectus supplement and "Use of Proceeds" in the accompanying prospectus.

Settlement: We expect to deliver the notes against payment for the notes on the Original Issue Date, which will be the fifth scheduled Business Day following the Trade Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two Business Days, unless the parties to a trade expressly agree otherwise. Accordingly, if the Original Issue Date is more than two Business Days after the Trade Date, purchasers who wish to transact in the notes more than two Business Days prior to the Original Issue Date will be required to specify alternative settlement arrangements to prevent a failed settlement.

Trustee: The Bank of New York Mellon

Calculation Agent: Morgan Stanley Capital Group Inc. (“MSCG”) and its successors.

All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you, the Trustee and us.

All calculations with respect to the Cash Settlement Amount, if any, will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., .876545 would be rounded to .87655); provided that the Calculation Agent will not apply any rounding for the purpose of determining whether the Final Underlier Level is greater than or equal to 85.00% of the Initial Underlier Level; all dollar amounts related to determination of the amount of cash payable per note, if any, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate number of notes, if any, will be rounded to the nearest cent, with one-half cent rounded upward.

Because the Calculation Agent is our affiliate, the economic interests of the Calculation Agent and its affiliates may be adverse to your interests as an investor in the notes, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Initial Underlier Level, the Final Underlier Level, the Underlier Return and whether a Market Disruption Event has occurred. See “Discontinuance of the Underlier; alteration of method of calculation.” The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment.

CUSIP no.: 61766YDN8

ISIN: US61766YDN85

10

HYPOTHETICAL EXAMPLES

The following table and chart are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and are intended merely to illustrate the impact that the various hypothetical Closing Levels of the Underlier on the Determination Date could have on the Cash Settlement Amount.

The examples below are based on a range of Final Underlier Levels that are entirely hypothetical; no one can predict what the level of the Underlier will be on any day during the term of the notes, and no one can predict what the Final Underlier Level will be on the Determination Date. The Underlier has at times experienced periods of high volatility — meaning that the level of the Underlier has changed considerably in relatively short periods — and its performance cannot be predicted for any future period.

The information in the following examples reflects hypothetical rates of return on the notes assuming that they are purchased on the Original Issue Date at the Face Amount and held to the Stated Maturity Date. The value of the notes at any time after the Trade Date will vary based on many economic and market factors, including interest rates, the volatility of the Underlier, our creditworthiness and changes in market conditions, and cannot be predicted with accuracy. Any sale prior to the Stated Maturity Date could result in a substantial loss to you.

Key Terms and Assumptions	
Face Amount:	$1,000
Hypothetical Maximum Settlement Amount:	$1,186.40 per $1,000 Face Amount of notes (118.640% of the Face Amount) (the midpoint of the expected range set forth on the cover of this pricing supplement)
Minimum Cash Settlement Amount:	None
Threshold Level:	85% of the Initial Underlier Level
Buffer Rate:	Approximately 117.65%
Threshold Amount:	15.00%

· *Neither a Market Disruption Event nor a non-Underlier Business Day occurs on the Determination Date.*

· *No discontinuation of the Underlier or alteration of the method by which the Underlier is calculated.*

· *Notes purchased on the Original Issue Date at the Face Amount and held to the Stated Maturity Date.*

Moreover, we have not yet set the Initial Underlier Level that will serve as the baseline for determining the Underlier Return and the amount that we will pay on the notes, if any, at maturity. We will not do so until the Trade Date. As a result, the actual Initial Underlier Level may differ substantially from the level of the Underlier at any time prior to the Trade Date.

For these reasons, the actual performance of the Underlier over the term of the notes, as well as the Cash Settlement Amount, if any, may bear little relation to the hypothetical examples shown below or to the historical levels of the Underlier shown elsewhere in this document. For information about the historical levels of the Underlier during recent periods, see "The Underlier" below.

The levels in the left column of the table below represent hypothetical Final Underlier Levels and are expressed as percentages of the Initial Underlier Level. The amounts in the right column represent the hypothetical Cash Settlement Amount, based on the corresponding hypothetical Final Underlier Level (expressed as a percentage of the Initial Underlier Level), and are expressed as percentages of the Face Amount of notes (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical Cash Settlement Amount of 100% means that the value of the cash payment that we would deliver for each $1,000 Face Amount of notes on the Stated Maturity Date would equal 100% of the Face Amount of notes, based on the corresponding hypothetical Final Underlier Level (expressed as a percentage of the Initial Underlier Level) and the assumptions noted above. The numbers appearing in the table and chart below may have been rounded for ease of analysis.

Hypothetical Final Underlier Level (as Percentage of Initial Underlier Level)	**Hypothetical Cash Settlement Amount (as Percentage of Face Amount)**
200.000%	118.640%
175.000%	118.640%
150.000%	118.640%
125.000%	118.640%
120.000%	118.640%
115.000%	118.640%
110.000%	118.640%
105.000%	118.640%
100.000%	118.640%
95.000%	118.640%
90.000%	118.640%
85.000%	**118.640%**
80.000%	94.118%
75.000%	88.235%
50.000%	58.824%
25.000%	29.412%
0.000%	**0.000%**

If, for example, the Final Underlier Level were determined to be 25.000% of the Initial Underlier Level, the Cash Settlement Amount would be approximately 29.412% of the Face Amount of notes, as shown in the table above. As a result, if you purchased your notes on the Original Issue Date at the Face Amount and held them to the Stated Maturity Date, you would lose approximately 70.588% of your investment. If you purchased your notes at a premium to the Face Amount, you would lose a correspondingly higher percentage of your investment.

If the Final Underlier Level were determined to be 150.000% of the Initial Underlier Level, the Cash Settlement Amount would be capped at the Maximum Settlement Amount (expressed as a percentage of the Face Amount), or 118.640% of each $1,000 Face Amount of notes, as shown in the table above. As a result, if you purchased the notes on the Original Issue Date at the Face Amount and held them to the Stated Maturity Date, you would not benefit from any increase in the Final Underlier Level above 85.000% of the Initial Underlier Level.

12

Payoff Diagram

The following chart shows a graphical illustration of the hypothetical Cash Settlement Amount (expressed as a percentage of the Face Amount of notes), if the Final Underlier Level (expressed as a percentage of the Initial Underlier Level) were any of the hypothetical levels shown on the horizontal axis. The chart shows that any hypothetical Final Underlier Level (expressed as a percentage of the Initial Underlier Level) of less than the Threshold Level of 85% (the section left of the 85% marker on the horizontal axis) would result in a hypothetical Cash Settlement Amount of less than 100% of the Face Amount of notes (the section below the 100% marker on the vertical axis), and, accordingly, in a loss of principal to the holder of the notes. The chart also shows that any hypothetical Final Underlier Level (expressed as a percentage of the Initial Underlier Level) of greater than or equal to 85% (the section right of the 85% marker on the horizontal axis) would result in a capped return on your investment and a Cash Settlement Amount equal to the Maximum Settlement Amount.

Hypothetical Payoff Diagram

13

RISK FACTORS

The following is a non-exhaustive list of certain key risk factors for investors in the notes. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying prospectus. We also urge you to consult your investment, legal, tax, accounting and other advisers in connection with your investment in the notes.

The Notes Do Not Pay Interest Or Guarantee The Return Of Any Of Your Principal

The terms of the notes differ from those of ordinary debt securities in that the notes do not pay interest and do not guarantee any return of principal at maturity. If the Final Underlier Level has declined by an amount greater than the Threshold Amount of 15% from the Initial Underlier Level, you will receive for each note that you hold a Cash Settlement Amount that is less than the Face Amount of each note by an amount proportionate to the decline in the level of the Underlier below the Threshold Level of 85% of the Initial Underlier Level times the Buffer Rate of approximately 117.65%. As there is no minimum Cash Settlement Amount on the notes, you could lose your entire initial investment.

Also, the market price of your notes prior to the Stated Maturity Date may be significantly lower than the purchase price you pay for your notes. Consequently, if you sell your notes before the Stated Maturity Date, you may receive significantly less than the amount of your investment in the notes.

The Appreciation Potential Of The Notes Is Limited By The Maximum Settlement Amount

The appreciation potential of the notes is limited by the Maximum Settlement Amount of $1,171.30 to $1,201.50 per note, or 117.13% to 120.15% of the Face Amount. The actual Maximum Settlement Amount will be determined on the Trade Date. Because the Cash Settlement Amount will be limited to 117.13% to 120.15% of the Face Amount for the notes, any increase in the Final Underlier Level over the Threshold Level will not increase the return on the notes, even if the Final Underlier Level is significantly greater than the Initial Underlier Level.

An Investment In The Notes Will Expose You To Concentrated Risks Relating To Crude Oil

The Underlier is composed entirely of crude oil futures contracts included in the S&P GSCI™ Index — Excess Return ("S&P GSCI™—ER"). An investment in the notes may therefore bear risks similar to a securities investment concentrated in a single underlying sector. The price of crude oil futures is primarily affected by the global demand for and supply of crude oil, but is also influenced significantly from time to time by speculative actions and by currency exchange rates. Demand for refined petroleum products by consumers, as well as the agricultural, manufacturing and transportation industries, affects the price of crude oil. Crude oil's end-use as a refined product is often as transport fuel, industrial fuel and in-home heating fuel. Potential for substitution in most areas exists, although considerations including relative cost often limit substitution levels. Because the precursors of demand for petroleum products are linked to economic activity, demand will tend to reflect economic conditions. Demand is also influenced by government regulations, such as environmental or consumption policies. In addition to general economic activity and demand, prices for crude oil are affected by political events, labor activity, developments in production technology such as fracking and, in particular, direct government intervention (such as embargos) or supply disruptions in major oil producing regions of the world. Such events tend to affect oil prices worldwide, regardless of the location of the event. Supply for crude oil may increase or decrease depending on many factors. These include production decisions by the Organization of the Petroleum Exporting Countries (OPEC) and other crude oil producers. In the event of sudden disruptions in the supplies of oil, such as those caused by war, natural events, accidents or acts of terrorism, prices of oil futures contracts could become extremely volatile and unpredictable. Also, sudden and dramatic changes in the futures market may occur, for example, upon a cessation of hostilities that may exist in countries producing oil, the introduction of new or previously withheld supplies into the market or the introduction of substitute products or commodities. The price of crude oil futures has experienced very severe price fluctuations over the recent past and there can be no assurance that this extreme price volatility will not continue in the future.

Investments Linked To Commodities Are Subject To Sharp Fluctuations In Commodity Prices

Investments linked to the prices of commodities are subject to sharp fluctuations in the prices of commodities and related contracts over short periods of time for a variety of factors, including: changes in supply and demand relationships; weather; climatic events; the occurrence of natural disasters; wars; political and civil upheavals; acts of terrorism; trade, fiscal, monetary, and exchange control programs; domestic and foreign political and economic events and policies; disease; pestilence; technological developments; changes in interest rates; and trading activities in commodities and related contracts. These factors may affect the settlement price of the Underlier and the value of your notes in varying and potentially inconsistent ways. As a result of these or other factors, the level of the Underlier may be, and has recently been, volatile. See “The Underlier” below.

Single Commodity Prices Tend To Be More Volatile Than, And May Not Correlate With, The Prices Of Commodities Generally

The Cash Settlement Amount, if any, is linked exclusively to a single-commodity index composed entirely of crude oil futures contracts and not to a diverse basket of commodities or a broad-based commodity index. The price of crude oil futures contracts may not correlate to, and may diverge significantly from, the prices of commodities generally. Because the notes are linked to a single-commodity index, they carry greater risk and may be more volatile than a security linked to the prices of multiple commodities or a broad-based commodity index. The Underlier may be highly volatile, and we can give you no assurance that the volatility will lessen.

Higher Future Prices Of The Underlier Commodity Relative To Its Current Prices May Adversely Affect The Value Of The Underlier And The Value Of The Notes

The S&P GSCI™–ER, on which the Underlier is based, is composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for delivery of the underlying physical commodity. As the futures contracts that compose the Underlier approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in September may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as “rolling.” If the market for these contracts is (putting aside other considerations) in “backwardation,” where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a “roll yield.” However, crude oil and certain other commodities included in the S&P GSCITM–ER have historically traded in “contango” markets. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. The presence of contango and absence of backwardation in the crude oil markets generally results in negative “roll yields,” which would adversely affect the value of the Underlier, and, accordingly, the value of the notes.

An Investment Linked To Commodity Futures Contracts Is Not Equivalent To An Investment Linked To The Spot Prices Of Physical Commodities

The Underlier has returns based on the change in price of futures contracts included in such Underlier, not the change in the spot price of the actual physical commodity to which such futures contracts relate. The price of a futures contract reflects the expected value of the commodity upon delivery in the future, whereas the price of a physical commodity reflects the value of such commodity upon immediate delivery, which is referred to as the spot price. Several factors can result in differences between the price of a commodity futures contract and the spot price of a commodity, including the cost of storing such commodity for the length of the futures contract, interest costs related to financing the purchase of such commodity and expectations of supply and demand for such commodity. While the changes in the price of a futures contract are usually correlated with the changes in the spot price, such correlation is not exact. In some cases, the performance of a commodity futures contract can deviate significantly from the spot price performance of the related underlying commodity, especially over longer periods of time.

Accordingly, investments linked to the return of commodities futures contracts may underperform similar investments that reflect the spot price return on physical commodities.

The Return on Your Notes Will Be Based on an Underlier That Reflects Excess Return or Price Return, Not Total Return

The return on your notes is based on the performance of the S&P GSCI® Crude Oil Index-Excess Return. As discussed below, the S&P GSCI® Crude Oil Index-Excess Return reflects the returns that are potentially available through an unleveraged investment in the Underlier Contract. It is not, however, linked to a "total return" index or strategy, which, in addition to reflecting those returns, would also reflect interest that could be earned on funds committed to the trading of the Underlier Contract. The Underlier and, therefore, the return on your notes will not include such a total return feature or interest component.

Legal And Regulatory Changes Could Adversely Affect The Return On And Value Of The Notes

Futures contracts and options on futures contracts, including those related to crude oil, are subject to extensive statutes, regulations, and margin requirements. The Commodity Futures Trading Commission, commonly referred to as the "CFTC," and the exchanges on which such futures contracts trade, are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily limits and the suspension of trading. Furthermore, certain exchanges have regulations that limit the amount of fluctuations in futures contract prices that may occur during a single five-minute trading period. These limits could adversely affect the market prices of relevant futures and options contracts and forward contracts. The regulation of commodity transactions in the U.S. is subject to ongoing modification by government and judicial action. In addition, various non-U.S. governments have expressed concern regarding the disruptive effects of speculative trading in the commodity markets and the need to regulate the derivative markets in general. The effect on the value of the notes of any future regulatory change is impossible to predict, but could be substantial and adverse to the interests of holders of the notes

For example, the Dodd-Frank Act, which was enacted on July 21, 2010, requires the CFTC to establish limits on the amount of positions that may be held by any person in certain commodity futures contracts and swaps, futures and options that are economically equivalent to such contracts. While the effects of these or other regulatory developments are difficult to predict, when adopted, such rules may have the effect of making the markets for commodities, commodity futures contracts, options on futures contracts and other related derivatives more volatile and over time potentially less liquid. Such restrictions may force market participants, including us and our affiliates, or such market participants may decide, to sell their positions in such futures contracts and other instruments subject to the limits. If this broad market selling were to occur, it would likely lead to declines, possibly significant declines, in commodity prices, in the price of such commodity futures contracts or instruments and potentially, the value of the notes.

Suspensions Or Disruptions Of Market Trading In Commodity And Related Futures Markets Could Adversely Affect The Price Of The Notes

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. In addition, U.S. futures exchanges and some foreign exchanges have regulations that limit the amount of fluctuation in futures contract prices which may occur during a single business day. These limits are generally referred to as "daily price fluctuation limits" and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a "limit price." Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. These circumstances could adversely affect the value of the Underlier, and, therefore, the value of the notes.

The Underlier May In The Future Include Contracts That Are Not Traded On Regulated Futures Exchanges

The Underlier was originally based solely on futures contracts traded on regulated futures exchanges (referred to in the United States as "designated contract markets"). At present, the Underlier continues to be composed exclusively of regulated futures contracts. However, the Underlier may in the future include over-the-counter contracts (such as swaps and forward contracts) traded on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the same provisions of, and the protections afforded by, the Commodity Exchange Act of 1936, as amended, or other applicable statutes and related regulations, that govern trading on regulated futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities and the inclusion of such contracts in the indices may be subject to certain risks not presented by most exchange-traded futures contracts, including risks related to the liquidity and price histories of the relevant contracts. The termination or replacement of any designated contract may have an adverse impact on the value of the Underlier.

The Stated Maturity Date Of The Notes Is A Pricing Term And Will Be Determined By Us On The Trade Date

We will not fix the Stated Maturity Date until the Trade Date, and so you will not know the exact term or the Determination Date of the notes at the time that you make your investment decision. The term could be as short as approximately 1 year and 1 month, and as long as approximately 1 year and 3 months. You should be willing to hold your notes for up to approximately 1 year and 3 months, and the Stated Maturity Date selected by us could have an impact on the value of the notes. For example, if the Underlier appreciates, a note with a shorter term will result in a higher annualized return based on that appreciation than a note with a longer term. In addition, the Underlier may be lower on the actual Determination Date and the Cash Settlement Amount may be lower than if the Determination Date and Stated Maturity Date had been set differently in the two-month range.

If You Purchase Your Notes At A Premium To The Face Amount, The Return On Your Investment Will Be Lower Than The Return On Notes Purchased At The Face Amount, And The Impact Of Certain Key Terms Of The Notes Will Be Negatively Affected

The Cash Settlement Amount will not be adjusted based on the issue price you pay for the notes. If you purchase notes at a price that differs from the Face Amount of notes, then the return on your investment in such notes held to the Stated Maturity Date will differ from, and may be substantially less than, the return on notes purchased at the Face Amount. If you purchase your notes at a premium to the Face Amount and hold them to the Stated Maturity Date, the return on your investment in the notes will be lower than it would have been had you purchased the notes at the Face Amount or at a discount to the Face Amount. In addition, the impact of the Threshold Level and the Maximum Settlement Amount on the return on your investment will depend upon the price you pay for your notes relative to the Face Amount. For example, if you purchase your notes at a premium to the Face Amount, the Threshold Level will not offer the same measure of protection to your investment as would have been the case for notes purchased at the Face Amount or at a discount to the Face Amount. Additionally, the Cash Settlement Amount will be limited to the Maximum Settlement Amount, which would represent a lower percentage return relative to your initial investment than it would have been had you purchased the notes at the Face Amount.

The Market Price Will Be Influenced By Many Unpredictable Factors

Several factors, many of which are beyond our control, will influence the value of the notes in the secondary market and the price at which MS & Co. may be willing to purchase or sell the notes in the secondary market, including: the level of the Underlier at any time, the volatility (frequency and magnitude of changes in value) of the Underlier, the market prices of the futures contracts underlying the Underlier, and the volatility of such prices, trends of supply and demand for the futures contracts underlying the Underlier at any time, interest and yield rates in the market, time remaining to maturity, geopolitical conditions and economic, financial, political and regulatory or judicial events that affect the futures contracts underlying the Underlier or commodities generally and which may affect the Final Underlier Level of the Underlier and any actual or anticipated changes in our credit ratings or credit spreads. The level of the Underlier may be, and has been, volatile, and we can give you no assurance that the volatility will lessen. See “The Underlier” below. You may receive less, and possibly significantly less, than the Face Amount per note if you try to sell your notes prior to maturity.

The Notes Are Subject To Our Credit Risk, And Any Actual Or Anticipated Changes To Our Credit Ratings Or Credit Spreads May Adversely Affect The Market Value Of The Notes

You are dependent on our ability to pay all amounts due on the notes at maturity, and therefore you are subject to our credit risk. If we default on our obligations under the notes, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the notes prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the notes.

As A Finance Subsidiary, MSFL Has No Independent Operations And Will Have No Independent Assets

As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of the notes if they make claims in respect of such notes in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of the notes should accordingly assume that in any such proceedings they could not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

Investing In The Notes Is Not Equivalent To Investing In The Underlier

Investing in the notes is not equivalent to investing in the Underlier or the futures contracts that underlie the Underlier. By purchasing the notes, you do not purchase any entitlement to crude oil or futures contracts or forward contracts on the Underlier or on crude oil. Further, by purchasing the notes, you are taking our credit risk and not are not taking credit risk with respect to any counterparty to futures contracts or forward contracts on the Underlier or crude oil.

Adjustments To The Underlier Could Adversely Affect The Value Of The Notes

The publisher of the Underlier may add, delete or substitute the commodity contracts constituting the Underlier or make other methodological changes that could change the level of the Underlier. The publisher of the Underlier may discontinue or suspend calculation or publication of the Underlier at any time. Any of these actions could adversely affect the value of the notes. Where the Underlier is discontinued, the Calculation Agent will have the sole discretion to substitute a successor underlier that is comparable to the Underlier and will be permitted to consider indices that are calculated and published by the Calculation Agent or any of its affiliates.

250,448

120,884

Costs and expenses:

Interest

79,590

32,054

Depreciation and amortization

64,033

27,392

Operating

42,401

17,445

General and administrative

20,593

8,490

206,617

85,381

Operating income

43,831

35,503

Equity income from unconsolidated joint ventures

1,214

3,822

Minority interests share of earnings

(5,235

)

(3,777

)

Income from continuing operations

39,810

35,548

Discontinued operations:

Operating income

1,433

13,749

Gain on sales of real estate, net

104,045

8,591

105,478

22,340

Net income

145,288

57,888

Preferred stock dividends

(5,283

)

(5,283

)

Net income applicable to common shares

$

140,005

$

52,605

Basic earnings per common share:

Continuing operations

$

0.17

$

0.22

Discontinued operations

0.52

0.17

Net income applicable to common shares

$

0.69

$

0.39

Diluted earnings per common share:

Continuing operations

$

0.17

$

0.22

Discontinued operations

0.51

0.16

Net income applicable to common shares

$

0.68

$

0.38

Weighted average shares used to calculate earnings per common share:

Basic

204,000

136,040

Diluted

205,909

136,856

Dividends declared per common share

$

0.445

$

0.425

See accompanying Notes to Condensed Consolidated Financial Statements.

4

HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(In thousands except per share data)
(Unaudited)

	Three Months Ended March 31, 2007
Preferred Stock, $1.00 Par Value:	
Shares, beginning and ending	11,820
Amounts, beginning and ending	$ 285,173
Common Stock, Shares	
Shares at beginning of period	198,599
Issuance of common stock, net	7,354
Exercise of stock options	34
Shares at end of period	205,987
Common Stock, $1.00 Par Value	
Balance at beginning of period	$ 198,599
Issuance of common stock, net	7,354
Exercise of stock options	34
Balance at end of period	$ 205,987
Additional Paid-In Capital	
Balance at beginning of period	$ 3,108,908
Issuance of common stock, net	266,892
Exercise of stock options	580
Amortization of deferred compensation	2,478
Balance at end of period	$ 3,378,858
Cumulative Net Income	
Balance at beginning of period	$ 1,938,693
Net income	145,288
Balance at end of period	$ 2,083,981
Cumulative Dividends	
Balance at beginning of period	$ (2,255,062)
Common dividend ($0.445 per share)	(91,778)
Preferred dividends	(5,283)
Balance at end of period	$ (2,352,123)
Accumulated Other Comprehensive Income	
Balance at beginning of period	$ 17,725
Net unrealized gains on securities:	
Unrealized gains	1,279
Less reclassification adjustment for gains recognized in net income	(412)
Unrealized losses on cash flow hedges	(105)
Changes in Supplemental Executive Retirement Plan (SERP) obligation	25
Balance at end of period	$ 18,512
Total Comprehensive Income	
Net income	$ 145,288
Other comprehensive income	787
Total comprehensive income	$ 146,075

See accompanying Notes to Condensed Consolidated Financial Statements.

5

HEALTH CARE PROPERTY INVESTORS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2007	2006
Cash flows from operating activities:		
Net income	$ 145,288	$ 57,888
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of real estate, in-place lease and other intangibles:		
Continuing operations	64,033	27,392
Discontinued operations	340	3,464
Amortization of above and below market lease intangibles, net	(274)	(359)
Stock-based compensation	2,478	1,843
Debt issuance costs amortization	3,654	896
Recovery of loan losses	(125)	
Interest accretion on direct financing leases and straight-line rents	(9,781)	(2,398)
Equity income from unconsolidated joint ventures	(1,214)	(3,822)
Distributions of earnings from unconsolidated joint ventures	1,011	3,822
Minority interests share of earnings	5,235	3,777
Gain on sales of equity securities, net	(1,012)	
Gain on sales of real estate, net	(104,045)	(8,591)
Changes in:		
Accounts receivable	(2,934)	(383)
Other assets	(7,625)	1,657
Accounts payable, accrued liabilities and deferred revenue	(8,347)	7,025
Net cash provided by operating activities	86,682	92,211
Cash flows from investing activities:		
Acquisition and development of real estate	(222,006)	(190,126)
Lease commissions and tenant and capital improvements	(8,080)	(3,898)
Net proceeds from sales of real estate	170,102	21,395
Distributions from unconsolidated joint ventures, net	276,209	427
Purchase of equity securities		(12,895)
Proceeds from the sale of equity securities	4,454	
Principal repayments on loans receivable	3,832	35,757
Investment in loans receivable and debt securities	(4,843)	(1,570)
Decrease (increase) in restricted cash	7,837	(424)
Net cash provided by (used in) investing activities	227,505	(151,334)
Cash flows from financing activities:		
Net borrowings (repayments) under bank lines of credit	(434,500)	116,400
Repayments of term loan	(504,593)	
Repayments of mortgage debt	(5,295)	(1,470)
Issuance of mortgage debt, net of issuance costs	18,069	22,100
Repayments of senior unsecured notes	(10,000)	(135,000)
Issuance of senior unsecured notes, net of issuance costs	493,365	148,606
Net proceeds from the issuance of common stock and exercise of options	271,460	9,564
Dividends paid on common and preferred stock	(97,061)	(63,761)
Distributions to minority interests	(3,396)	(2,701)
Net cash provided by (used in) financing activities	(271,951)	93,738
Net increase in cash and cash equivalents	42,236	34,615
Cash and cash equivalents, beginning of period	60,687	21,342

Cash and cash equivalents, end of period	$	102,923	$	55,957

See accompanying Notes to Condensed Consolidated Financial Statements.

6

HEALTH CARE PROPERTY INVESTORS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Business

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

(2) Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

Principles of Consolidation

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

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

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

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

Revenue Recognition

Rental income from tenants is recognized in accordance with GAAP, including SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104). For leases with minimum scheduled rent increases, the Company recognizes income on a straight-line basis over the lease term when collectibility is reasonably assured. Recognizing rental income on a straight-line basis for leases results in recognized revenue exceeding amounts contractually due from tenants. Such cumulative excess amounts are included in other assets and were $39.8 million and $35.6 million, net of allowances, at March 31, 2007 and December 31, 2006, respectively. In the event the Company determines that collectibility of straight-line rents is not reasonably assured, the Company limits future recognition to amounts contractually owed, and, where appropriate, the Company establishes an allowance for estimated losses. Certain leases provide for additional rents based upon a percentage of the facility s revenue in excess of specified base amounts or other thresholds. Such revenue is recognized when the related thresholds are achieved.

The Company monitors the liquidity and creditworthiness of its tenants and borrowers on an ongoing basis. The evaluation considers industry and economic conditions, property performance, security deposits and guarantees, and other matters. The Company establishes provisions and maintains an allowance for estimated losses resulting from the possible inability of its tenants and borrowers to make payments sufficient to recover recognized assets. For straight-line rent amounts, the Company s assessment is based on income recoverable over the term of the lease. At March 31, 2007 and December 31, 2006, respectively, the Company had an allowance of $36.6 million and $29.7 million, included in other assets, as a result of the Company s determination that collectibility is not reasonably assured for certain straight-line rent amounts.

Loans Receivable

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

Real Estate

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

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

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

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

The Company computes depreciation on properties using the straight-line method over the assets estimated useful lives. Depreciation is discontinued when a property is identified as held for sale. Building and improvements are depreciated over useful lives ranging up to 45 years. Above and below market rent intangibles are amortized primarily to revenue over the remaining noncancellable lease terms and bargain renewal periods. Other in-place lease intangibles are amortized to expense over the remaining lease term and bargain renewal periods. At March 31, 2007 and December 31, 2006, lease intangible assets were $430.0 million and $479.6 million, respectively. At March 31, 2007 and December 31, 2006, lease intangible liabilities were $162.2 million and $151.3 million, respectively.

Impairment of Long-Lived Assets and Goodwill

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

Net Investment in Direct Financing Leases

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

Assets Held for Sale and Discontinued Operations

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

The Company periodically sells assets or contributes assets into joint ventures based on market conditions and the exercise of purchase options by tenants. The operating results of properties meeting the criteria established in SFAS No. 144 are reported as discontinued operations in the Company s consolidated statements of income. Discontinued operations for the three months ended March 31, 2007 include 35 properties with revenues of $4.4 million. The Company had 111 properties classified as discontinued operations for the three months ended March 31, 2006, with revenues of $17.3 million. During the three months ended March 31, 2007 and 2006, 27 and six properties were sold, respectively, with net gains on real estate dispositions of $104.0 million and $8.6 million, respectively. At March 31, 2007 and December 31, 2006, the number of assets held for sale was nine and 36 with carrying amounts of $4.8 million and $102.4 million, respectively.

Assets Held for Contribution

Properties classified as held for contribution to joint ventures, in which the Company maintains an ownership interest, qualify as held for sale under SFAS No. 144, but are not included in discontinued operations due to the Company s continuing interest in the ventures. At December 31, 2006, the Company classified as held for contribution 25 senior housing assets with an aggregate carrying value of $1.1 billion. There were no assets held for contribution as of March 31, 2007.

Stock-Based Compensation

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

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash primarily consists of amounts held by mortgage lenders to provide for future real estate tax expenditures and tenant improvements, tenant capital improvement reserves and security deposits. At March 31, 2007 and December 31, 2006, restricted cash amounts were $30.5 million and $38.5 million, respectively, and are included in other assets.

Derivatives

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

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

Income Taxes

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

Certain activities the Company undertakes must be conducted by entities which elect to be treated as taxable REIT subsidiaries (TRSs). TRSs are subject to both federal and state income taxes. For the three months ended March 31, 2007 and 2006, income taxes related to the Company s TRSs were $0.5 million, and zero, respectively.

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

The Company, its partnerships and its taxable REIT subsidiaries file U.S. federal income tax returns and state income and franchise tax returns in over 40 state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by taxing authorities for years prior to 2003. The Company s policy is to recognize interest relating to unrecognized tax benefits in interest expense and related penalties as additional tax expense. The Company has no unrecognized tax benefits, and there is no associated interest or penalty accrual at March 31, 2007.

Marketable Securities

The Company classifies its existing marketable equity and debt securities as available-for-sale in accordance with the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Investment*, (SFAS No. 115). These securities are carried at fair market value, with unrealized gains and losses reported in stockholders equity as a component of accumulated other comprehensive income. Gains or losses on securities sold are based on the specific identification method. During the three months ended March 31, 2007, the Company realized gains totaling $1.0 million related to the sale of various equity securities. There were no sales of securities for the three months ended March 31, 2006. At March 31, 2007, the carrying value of debt securities was $324.7 million, which includes $24.7 million in unrealized gains and is included in other assets. At December 31, 2006, the carrying value of debt securities was $322.5 million, which includes $22.5 million in unrealized gains and is included in other assets.

Capital Raising Issuance Costs

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

11

Segment Reporting

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

Life Care Bonds Payable

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

New Accounting Pronouncements

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

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

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

Reclassifications

Certain reclassifications have been made for comparative financial statement presentation.

(3) Acquisitions and Dispositions

A summary of acquisitions for the three months ended March 31, 2007, is as follows (in thousands):

	Consideration			Assets Acquired	
Acquisitions (1)	Cash Paid	Real Estate	DownREIT Units (2)	Real Estate	Net Intangibles
Medical office buildings	$ 124,811	$	$ 93,887	$ 209,048	$ 9,650
Hospitals	81,224	35,205	84,719	191,935	9,213
Other healthcare facilities	1,815		2,092	3,907	
	$ 207,850	$ 35,205	$ 180,698	$ 404,890	$ 18,863

A summary of acquisitions during 2006, excluding the CRP and CRC acquisitions (Note 4) and consolidation of HCP Medical Office Portfolio, LLC (HCP MOP) (Note 6), is as follows (in thousands):

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

(1) Includes transaction costs, if any.

(2) Non-managing member LLC units.

During the three months ended March 31, 2007, the Company acquired properties aggregating $424 million, including the following significant acquisitions:

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

On February 9, 2007, the Company acquired a medical campus that includes two hospital towers, six medical office buildings, and three parking garages for approximately $350 million, including non-managing member LLC units (DownREIT units) valued at $179 million. The initial yield on this campus is 7.2%. As of March 31, 2007, the purchase price allocation is preliminary and is pending the receipt of information necessary to complete the valuation of certain intangibles.

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

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

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

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

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

Under the merger agreement with CRP, each share of CRP common stock was exchanged for $11.1293 in cash and 0.0865 of a share of HCP s common stock, equivalent to approximately $2.9 billion in cash, and 22.8 million shares. Fractional shares were paid in cash. The Company financed the cash consideration paid to CRP stockholders and the expenses related to the transaction through a $1 billon offering of senior unsecured notes and a draw down under new term and bridge loan facilities and a new three-year revolving credit facility. Simultaneous with the closing of the merger with CRP, HCP also merged with CNL Retirement Corp. (CRC) for aggregate consideration of approximately $120 million, which included the issuance of 4.4 million shares of HCP common stock.

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

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

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

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

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

The following unaudited pro forma consolidated results of operations assume that the acquisitions of CRP and CRC were completed as of January 1 for the three months ended March 31, 2006 (in thousands, except per share amounts):

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

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

(5) Net Investment in Direct Financing Leases

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

Minimum lease payments receivable	$ 1,499,363
Estimated residual values	515,470
Less unearned income	(1,334,877)
Net investment in direct financing leases	$ 679,956
Properties subject to direct financing leases	32

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

(6) Investments in and Advances to Unconsolidated Joint Ventures

The Company owns interests in the following entities which are accounted for under the equity method at March 31, 2007 (dollars in thousands):

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

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(1) These joint ventures are not consolidated since the Company does not control, through voting rights or other means, the joint ventures.

(2) Represents the carrying value of the Company s investment in the unconsolidated joint venture. See Note 2 regarding the Company s policy for accounting for joint venture interests.

(3) Negative investment amounts are included in accounts payable and accrued liabilities.

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

15

On January 5, 2007, the Company formed a senior housing joint venture (HCP Ventures II) with an institutional capital partner. The joint venture includes 25 properties valued at $1.1 billion and encumbered by a $686 million secured debt facility. Upon formation, the Company received approximately $280 million in proceeds, including a one-time acquisition fee of $5.4 million. The acquisition fee of $5.4 million is included in investment management fee income for the three months ended March 31, 2007. The Company retained a 35% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

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

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

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

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

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

HCP Medical Office Portfolio, LLC

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

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

(7) Loans Receivable

Loans receivable consist of the following (in thousands):

	March 31, 2007 Real Estate Secured	Other	Total	December 31, 2006 Real Estate Secured	Other	Total
Joint venture partners	$	$ 7,055	$ 7,055	$	$ 7,054	$ 7,054
Others	121,009	72,794	193,803	121,482	69,624	191,106
Loan loss allowance		(1,555)	(1,555)		(1,680)	(1,680)
	$ 121,009	$ 78,294	$ 199,303	$ 121,482	$ 74,998	$ 196,480

Through the Company s merger with CRP, it assumed an agreement to provide an affiliate of the Cirrus Group, LLC with an interest only, five-year, senior secured term loan under which up to $85.0 million may be borrowed to finance the acquisition, development, syndication and operation of new and existing surgical partnerships. Certain of these surgical partnerships are tenants in the MOBs CRP acquired from Cirrus. During the first 48 months of the term, which began in August 2005, interest will accrue at a rate of 14.0%, of which 9.5% will be payable monthly and the balance of 4.5% will be deferred; thereafter, interest at the greater of 14.0% or LIBOR plus 9.0% will be payable monthly. The loan is subject to equity contribution requirements and borrower financial covenants that will dictate the draw down availability. The loan is collateralized by all of the assets of the borrower (comprised primarily of interest in partnerships operating surgical facilities in premises leased from a Cirrus affiliate or the Company) and is guaranteed up to $50.0 million through a combination of (i) a personal guarantee of up to $13.0 million by a principal of Cirrus and (ii) a guarantee of the balance by other principals of Cirrus under arrangements for recourse limited only to their interests in certain entities owning real estate. At March 31, 2007, the carrying value of this loan is $71.1 million, including accrued interest of $3.2 million.

(8) Other Assets

The Company s other assets consisted of the following:

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

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

(9) Debt

Bank line of credit and term loan.

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

The revolving credit agreement contains certain financial restrictions and other customary requirements. Among other things, these covenants, using terms defined in the agreement, initially limit (i) Consolidated Total Indebtedness to Consolidated Total Asset Value to 70%, (ii) Secured Debt to Consolidated Total Asset Value to 30%, and (iii) beginning January 1, 2007, Unsecured Debt to Consolidated Unencumbered Asset Value to 100%. The agreement also requires that the Company maintains (i) a Fixed Charge Coverage ratio, as defined, of 1.50 times and (ii) a formula-determined Minimum Tangible Net Worth. These financial covenants become more restrictive over a period of approximately two years and ultimately (i) limit Consolidated Total Indebtedness to Consolidated Total Asset Value to 60%, (ii) limit Unsecured Debt to Consolidated Unencumbered Asset Value to 65%, and (iii) require a Fixed Charge Coverage ratio, as defined, of 1.75 times. As of March 31, 2007, the Company was in compliance with each of the restrictions and requirements.

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

Senior unsecured notes. At March 31, 2007, the Company had $3.2 billion in aggregate principal of senior unsecured notes outstanding. Interest rates on the notes ranged from 4.8% to 7.62% with a weighted average effective rate of 6.10% at March 31, 2007. Discounts and premiums are amortized to interest expense over the term of the related debt.

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

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

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

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

Other debt. At March 31, 2007, the Company had $108.3 million of non-interest bearing Life Care Bonds at its two CCRCs and non-interest bearing occupancy fee deposits at another of its senior housing facilities, all of which were payable to certain residents of the facilities (collectively Life Care Bonds). At March 31, 2007, $36.2 million of the Life Care Bonds were refundable to the residents upon the resident moving out or to a resident s estate upon the resident s death, and $72.1 million of the Life Care Bonds were refundable after the unit has been successfully remarketed to a new resident.

(10) Stockholders Equity

Common Stock

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

During the three months ended March 31, 2007 and 2006, the Company issued 102,000 and 61,000 shares of restricted stock, respectively, under the Company s 2000 Stock Incentive Plan (the Incentive Plan). The Company also issued 111,000 and 117,000 shares upon the vesting of performance restricted stock units during the three months ended March 31, 2007 and 2006, respectively.

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

On January 29, 2007, the Company announced that its Board declared a quarterly cash dividend of $0.445 per share. The common stock cash dividend was paid on February 21, 2007 to stockholders of record as of the close of business on February 5, 2007.

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

Preferred Stock

On January 29, 2007, the Company announced that its Board of Directors declared a quarterly cash dividend of $0.45313 per share on its Series E cumulative redeemable preferred stock and $0.44375 per share on its Series F cumulative redeemable preferred stock. These dividends were paid on March 31, 2007 to stockholders of record as of the close of business on March 15, 2007.

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

Accumulated Other Comprehensive Income (AOCI)

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

19

(11) **Operator Concentration**

Sunrise Senior Living (NYSE:SRZ) (Sunrise) accounted for 14.0% of the Company s revenue for the three months ended March 31, 2007. The carrying amount of the Company s real estate assets and direct financing leases operated by Sunrise was $2.2 billion at March 31, 2007. Prior to the Company s merger with CRP on October 5, 2006, Sunrise was not an operator of any of the Company s properties.

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

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

(12) Segment Disclosures

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

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

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

For the three months ended March 31, 2007:

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

20

For the three months ended March 31, 2006:

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

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

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

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

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

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

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

21

(13) Supplemental Cash Flow

Supplemental Cash Flow Information

	Three Months Ended March 31 2007 (in thousands)	2006
Interest paid, net of capitalized interest and other	$ 81,005	$ 28,718
Taxes paid		
Non-cash transactions:		
Capitalized interest	95	178
Mortgages assumed with real estate acquisitions		11,928
Real estate exchanged in real estate acquisitions	35,205	
Non-managing member units issued in connection with acquisitions	180,698	5,523
Restricted stock issued	102	61
Performance restricted stock units vesting	111	117
Restricted stock cancellations	(23)	(3)
Unrealized gains on available for sale securities and derivatives designated as cash flow hedges	1,279	2,180
Conversion of non-managing member units into common stock	3,315	

(14) Earnings Per Share of Common Stock

The Company computes earnings per share in accordance with SFAS No. 128, *Earnings Per Share*. Basic earnings per common share is computed by dividing net income applicable to common shares by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is calculated including the effect of dilutive securities. Approximately 0.6 million and 2.2 million options to purchase shares of common stock during the three months ended March 31, 2007 and 2006, respectively, were not included because they are not dilutive. Additionally, 10.1 million shares issuable upon conversion of 7.6 million non-managing member units during the three months ended March 31, 2007, and 6.2 million shares issuable upon conversion of 3.6 million non-managing member units during the three months ended March 31, 2006, were not included because they are not dilutive.

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

(15) Derivative Financial Instruments

In July 2005, the Company entered into three interest-rate swap contracts that are designated as hedging the variability in expected cash flows for variable rate debt assumed in connection with the acquisition of a portfolio of real estate assets in July 2005. The cash flow hedges have a notional amount of $45.6 million and expire in July 2020. The fair value of these contracts at March 31, 2007, was $0.4 million and is included in other liabilities. For the three months ended March 31, 2007, the Company recognized increased interest expense of $28,000 attributable to the contracts. The Company determined that these swap agreements were highly effective in offsetting future variable-interest cash flows related to the assumed mortgages. The effective portion of gains and losses on these contracts is recognized in accumulated other comprehensive income (loss) whereas the ineffective portion is recognized in earnings. During the three months ended March 31, 2007 and 2006, there was no ineffective portion related to these hedges.

(16) Commitments and Contingencies

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

State of California Senate Bill 1953. One of the Company s properties located in Tarzana, California is affected by State of California Senate Bill 1953 (SB 1953), which requires certain seismic safety building standards for acute care hospital facilities. This hospital is operated by Tenet under a lease expiring in February 2009. The Company is currently reviewing the SB 1953 compliance of this hospital, multiple plans of action to cause such compliance, the estimated time for completing the same, and the cost of performing necessary retrofitting of the property. HCP cannot currently estimate the retrofitting costs that will need to be incurred prior to 2013 in order to make the facility SB 1953-compliant through 2030, and the final allocation of any retrofitting costs between the Company and Tenet. Rent on the hospital for the three months ended March 31, 2007 was $2.1 million and for the year ended December 31, 2006, was $10.8 million. The carrying amount was $73.4 million at March 31, 2007.

Master Trust Liabilities. Certain residents of two of the Company s senior housing facilities have entered into a master trust agreement with the operator of the facilities whereby amounts paid upfront by such residents were deposited into a trust account. These funds were then made available to the senior housing operator in the form of a non-interest bearing loan to provide permanent financing for the related communities. The operator of the senior housing facility is the borrower under these arrangements; however, two of the Company s properties are collateral under the master trust agreements. As of March 31, 2007, the remaining obligation under the master trust agreements for these two properties is $10 million. The Company s property is released as collateral as the master trust liabilities are extinguished.

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

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

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

(17) Subsequent Events

On April 27, 2007, in anticipation of the Company s joint venture that closed on April 30, 2007, $122 million of 10-year term mortgage notes were placed with an interest rate of 5.53%. The proceeds from the placement of these notes were used to repay reduce borrowings under the Company s credit facility and for other general corporate purposes.

On April 30, 2007, the Company formed a medical office building joint venture with an institutional capital partner. The joint venture includes 55 properties valued at approximately $585 million and encumbered by $344 million of secured debt. Upon formation, the Company received approximately $196 million in proceeds, which included a one-time acquisition fee of $3 million. Including the $122 million of recently placed secured debt discussed above, the Company received $318 million in total proceeds. The Company retained a 20% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

24

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

Cautionary Language Regarding Forward-looking Statements

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

a) Legislative, regulatory, or other changes in the healthcare industry at the local, state or federal level which increase the costs of, or otherwise affect the operations of, our tenants and borrowers;

b) Changes in the reimbursement available to our tenants and borrowers by governmental or private payors, including changes in Medicare and Medicaid payment levels and the availability and cost of third party insurance coverage;

c) Competition for tenants and borrowers, including with respect to new leases and mortgages and the renewal or rollover of existing leases;

d) Availability of suitable healthcare facilities to acquire at favorable prices and the competition for such acquisition and financing of healthcare facilities;

e) The ability of our tenants and borrowers to operate our properties in a manner sufficient to maintain or increase revenues and to generate sufficient income to make rent and loan payments;

f) The financial weakness of some operators, including potential bankruptcies, which results in uncertainties regarding our ability to continue to realize the full benefit of such operators leases;

g) Changes in national or regional economic conditions, including changes in interest rates and the availability and cost of capital;

h) The risk that we will not be able to sell or lease facilities that are currently vacant;

i) The potential costs of SB 1953 compliance with respect to our hospital in Tarzana, California;

j) The financial, legal and regulatory difficulties of significant operators of our properties, including Sunrise; and

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

Executive Summary

We are a real estate investment trust (REIT) that invests in healthcare-related properties primarily located throughout the United States. We develop, acquire, and manage healthcare real estate and provide mortgage financing to healthcare providers. We invest directly, often structuring sale-leaseback transactions, and through joint ventures. At March 31, 2007, our real estate portfolio, excluding assets held for sale but including assets held through joint ventures and mortgage loans, consisted of interests in 730 facilities.

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

Our strategy contemplates acquiring and developing properties on favorable terms. We attempt to structure transactions that are tax-advantaged and mitigate risks in our underwriting process. Generally, we prefer larger, more complex private transactions that leverage our management team s experience and our infrastructure. During the three months ended March 31, 2007, we made gross investments of $449 million. These investments had an average first year yield on cost of 8.2%.

We follow a disciplined approach to enhancing the value of our existing portfolio, including the ongoing evaluation of properties that no longer fit our strategy for potential disposition. We sold 27 properties during the three months ended March 31, 2007, for $170 million and had nine properties with a carrying amount of $4.8 million classified as held for sale at March 31, 2007.

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

Access to external capital on favorable terms is critical to the success of our strategy. We attempt to match the long-term duration of our leases with long-term fixed rate financing. At March 31, 2007, 15% of our consolidated debt is at variable interest rates. We intend to maintain an investment grade rating on our fixed income securities and manage various capital ratios and amounts within appropriate parameters. As of April 30, 2007, our senior debt is rated BBB by Standard & Poor s Ratings Group, BBB by Fitch Ratings and Baa3 by Moody s Investors Service.

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

2007 Overview

Investment Transactions

During the three months ended March 31, 2007, we acquired interests in properties aggregating $449 million with an average yield of 8.2%. Our 2007 investments were made in the following healthcare sectors: (i) 54% medical office buildings (MOBs), (ii) 45% hospitals, and (iii) 1% other healthcare facilities, including the following:

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

- On February 9, 2007, we acquired the Medical City Dallas campus, which includes two hospital towers, six medical office buildings, and three parking garages, for approximately $350 million, including non-managing member LLC units (DownREIT units) valued at $179 million. The initial yield on this campus is approximately 7.2%.

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

26

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

Joint Venture Transactions

On January 5, 2007, we formed a senior housing joint venture with an institutional capital partner. The joint venture includes 25 properties valued at $1.1 billion and encumbered by a $686 million secured debt facility. Upon formation, we received approximately $280 million in proceeds, including a one-time acquisition fee of $5.4 million. We retained a 35% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

On April 30, 2007, we formed a medical office building joint venture with an institutional capital partner. The joint venture includes 55 properties valued at approximately $585 million and encumbered by $344 million of secured debt. Upon formation, we received approximately $196 million in proceeds, which included a one-time acquisition fee of $3 million. Including the $122 million of recently placed secured debt discussed below, we received $318 million in total proceeds. We retained a 20% interest in the venture, will act as the managing member, and will receive ongoing asset management fees.

Capital Market Transactions

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

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

On April 27, 2007, in anticipation of our joint venture that closed on April 30, 2007, $122 million of 10-year term mortgage notes were placed with an interest rate of 5.53%. The proceeds from the placement of these notes were used to repay borrowings under our revolving credit facility and for other general corporate purposes.

Other Events

On April 25, 2007, our Board of Directors declared a quarterly common stock cash dividend of $0.445 per share. The common stock dividend will be paid on May 18, 2007, to stockholders of record as of the close of business on May 7, 2007.

Critical Accounting Policies

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

Results of Operations

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

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

Rental and other revenue. MOB rental revenue increased 135% or $51.3 million to $89.4 million for the three months ended March 31, 2007. Approximately $27.1 million of the increase relates to MOBs acquired in the CRP merger and $19.3 million relates to the consolidation of HCP MOP. The remaining increase in MOB rental income primarily relates to the additive effect or our MOB acquisitions in 2007 and 2006.

Triple-net leased rental revenues increased 81% or $55.5 million to $123.6 million for the three months ended March 31, 2007. Approximately $41.0 million of the increase relates to properties acquired in the CRP merger. The remaining increase in triple-net lease rental revenue of $14.5 million primarily relates to rent escalations and resets, and the additive effect of our other acquisitions in 2007 and 2006, as detailed below:

Property Type	**Triple-net lease rental revenue resulting from acquisitions for the three months ended March 31, 2007 (in thousands)**	**2006**	**Change**
Senior housing facilities	$ 6,147	$ 186	$ 5,961
Hospitals	4,540		4,540
Other healthcare facilities	899	355	544
Total	$ 11,586	$ 541	$ 11,045

Additionally, included in triple-net lease rental revenues are facility-level operating revenues for five senior housing properties that were previously leased on a triple-net basis. Periodically tenants default on their leases, which cause us to take temporary possession of the operations of the facility. We contract with third-party managers to manage these properties until a replacement tenant can be identified or the property can be sold. The operating revenues and expenses for these properties are included in triple-net lease rental revenues and operating expenses, respectively. The increase in reported revenues for these facilities of $0.5 million to $2.8 million for the quarter ended March 31, 2007, was primarily due to an increase in overall occupancy of such properties.

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

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

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

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

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

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

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

Depreciation and amortization. Depreciation and amortization expense increased 134% or $36.6 million to $64.0 million for the three months ended March 31, 2007. Approximately $27.8 million of the increase relates to properties acquired in the CRP merger and $4.9 million relates to the consolidation of HCP MOP. The remaining increase in depreciation and amortization primarily relates to the additive effect of our other acquisitions in 2007 and 2006.

Operating expenses. Operating costs increased 143% or $25.0 million to $42.4 million for the three months ended March 31, 2007. Approximately $10.6 million of the increase relates to properties acquired in the CRP merger and $9.5 million relates to the consolidation of HCP MOP. Operating costs are predominantly related to MOB properties that are leased under gross or modified gross lease agreements where we share certain costs with tenants. Accordingly, the number of properties in our MOB portfolio directly impacts operating costs. Additionally, we contract with third-party property managers for most of our MOB properties. The remaining increase in operating expenses of $4.9 million primarily relates to the effect of our other property acquisitions in 2007 and 2006, as detailed below:

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

Additionally, included in operating expenses are facility-level operating expenses for five senior housing properties that were previously leased on a triple-net basis. Periodically tenants default on their leases, which cause us to take temporary possession of the operations of the facility. We contract with third-party managers to manage these properties until a replacement tenant can be identified or the property can be sold. The operating revenues and expenses for these properties are included in triple-net lease rental revenues and operating expenses, respectively. The increase in reported operating expenses for these facilities of $0.4 million to $3.1 million for the three months ended March 31, 2007, was primarily due to an increase in the overall occupancy of such properties.

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

29

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

Equity income. For the three months ended March 31, 2007, equity income decreased by $2.6 million to $1.2 million primarily due to our consolidation of HCP MOP. Equity income from HCP MOP for the three months ended March 31, 2006 was $3.7 million.

On October 27, 2006, we formed HCP Ventures III, LLC (HCP Ventures III), a MOB joint venture with an institutional capital partner, with 13 of our previously 85% owned properties. Beginning on October 27, 2006, HCP Ventures III, in which we retained an effective 26% interest, has been accounted for as an equity method investment. In addition, on January 5, 2007, we formed HCP Ventures II, LLC (HCP Ventures II) a senior housing joint venture with an institutional capital partner. The joint venture includes 25 properties and we retained a 35% interest in the venture. Beginning on January 5, 2007, HCP Ventures II has been accounted for as an equity method investment. The combined equity income from HCP Ventures II and HCP Ventures III was $1.4 million for the three months ended March 31, 2007.

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

Liquidity and Capital Resources

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

We anticipate making future investments dependent on the availability of cost-effective sources of capital. We intend to use our revolving credit facility, and the public debt and equity markets as our principal sources of financing. As of April 30, 2007, our senior debt is rated BBB by Standard & Poor s Ratings Group, BBB by Fitch Ratings and Baa3 by Moody s Investors Service.

Net cash provided by operating activities was $87 million and $92 million for the three months ended March 31, 2007 and 2006, respectively. Cash flow from operations reflects revenues partially offset by higher costs and expenses, and changes in receivables, payables, accruals, and deferred revenue. Our cash flows from operations are dependent upon the occupancy level of multi-tenant buildings, rental rates on leases, our tenants performance on their lease obligations, the level of operating expenses, and other factors.

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

Net cash used in financing activities was $272 million for the three months ended March 31, 2007, and includes cash used for net repayments of our bank line of credit of $435 million, the repayment of our term loan of $505 million, repayment of $10 million of senior notes, and payment of common and preferred dividends aggregating $97 million. These cash uses were partially offset by proceeds from $493 million from senior note issuances, $271 million from common stock issuances, and $18 million from mortgage debt issuances. In order to qualify as a REIT for federal income tax purposes, we must distribute at least 90% of our taxable income to our shareholders. Accordingly, we intend to continue to make regular quarterly distributions to holders of our common and preferred stock.

At March 31, 2007, we held approximately $29.8 million in deposits and $31.2 million in irrevocable letters of credit from commercial banks securing tenants lease obligations and borrowers loan obligations. We may draw upon the letters of credit or depository accounts if there are defaults under the related leases or loans. Amounts available under letters of credit could change based upon facility operating conditions and other factors, and such changes may be material.

Debt

Bank line of credit and term loan.

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

The revolving credit agreement contains certain financial restrictions and other customary requirements. Among other things, these covenants, using terms defined in the agreement, initially limit (i) Consolidated Total Indebtedness to Consolidated Total Asset Value to 70%, (ii) Secured Debt to Consolidated Total Asset Value to 30%, and (iii) beginning January 1, 2007, Unsecured Debt to Consolidated Unencumbered Asset Value to 100%. The agreement also requires that we maintain (i) a Fixed Charge Coverage ratio, as defined, of 1.50 times and (ii) a formula-determined Minimum Tangible Net Worth. These financial covenants become more restrictive over a period of approximately two years and ultimately (i) limit Consolidated Total Indebtedness to Consolidated Total Asset Value to 60%, (ii) limit Unsecured Debt to Consolidated Unencumbered Asset Value to 65%, and (iii) require a Fixed Charge Coverage ratio, as defined, of 1.75 times. As of March 31, 2007, we were in compliance with each of the restrictions and requirements.

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

Senior unsecured notes. At March 31, 2007, we had $3.2 billion in aggregate principal of senior unsecured notes outstanding. Interest rates on the notes ranged from 4.8% to 7.62% with a weighted average effective rate of 6.10% at March 31, 2007. Discounts and premiums are amortized to interest expense over the term of the related debt.

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

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

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

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

Other debt. At March 31, 2007, we had $108.3 million of non-interest bearing Life Care Bonds at our two CCRCs and non-interest bearing occupancy fee deposits at another of our senior housing facilities, all of which were payable to certain residents of the facilities (collectively Life Care Bonds). At March 31, 2007, $36.2 million of the Life Care Bonds were refundable to the residents upon the resident moving out or to a resident s estate upon the resident s death, and $72.1 million of the Life Care Bonds were refundable after the unit has been successfully remarketed to a new resident.

31

Debt Maturities

The following table summarizes our stated debt maturities and scheduled principal repayments at March 31, 2007 (in thousands):

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

Equity

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

At March 31, 2007, we had 4.0 million shares of 7.25% Series E cumulative redeemable preferred stock, 7.8 million shares of 7.10% Series F cumulative redeemable preferred stock, and 206.0 million shares of common stock outstanding.

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

As of March 31, 2007, there were a total of 7.6 million DownREIT units outstanding in seven limited liability companies in which we are the managing member: (i) HCPI/Tennessee, LLC; (ii) HCPI/Utah, LLC; (iii) HCPI/Utah II, LLC; (iv) HCPI/Indiana, LLC; (v) HCP DR California, LLC; (vi) HCP DR Alabama, LLC and (vii) HCP DR MDC, LLC. The DownREIT units are redeemable for an amount of cash approximating the then-current market value of shares of our common stock or, at our option, shares of our common stock (subject to certain adjustments, such as stock splits and reclassifications).

Off-Balance Sheet Arrangements

We own interests in certain unconsolidated joint ventures, including HCP Ventures II and HCP Ventures III, as described under Note 6 to the Consolidated Financial Statements. Except in limited circumstances, our risk of loss is limited to our investment carrying amount and any outstanding loans receivable. We have no other material off-balance sheet arrangements that we expect to materially affect our liquidity and capital resources except those described under Contractual Obligations.

Contractual Obligations

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

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

Inflation

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

New Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

At March 31, 2007, we are exposed to market risks related to fluctuations in interest rates on $257 million of variable rate mortgage notes payable, $190 million of variable rate line of credit, and $325 million of variable rate senior unsecured notes. Of the $257 million of variable rate mortgage notes payable outstanding, $45.6 million has been hedged through interest rate swap contracts. We do not have, and do not plan to enter into, derivative financial instruments for trading or speculative purposes. Of our consolidated debt of $5.1 billion at March 31, 2007, excluding the $45.6 million of variable rate debt where the rates have been hedged to a fixed rate, approximately 15% is at variable interest rates.

Fluctuation in the interest rates will not affect our future earnings and cash flows on our fixed rate debt until that debt must be replaced or refinanced. However, interest rate changes will affect the fair value of our fixed rate instruments and our hedge contracts. Conversely, changes in interest rates on variable rate debt would change our future earnings and cash flows, but not affect the fair value of those instruments. Assuming a one percentage point increase in the interest rate related to the variable-rate debt and related swap contracts, and assuming no change in the outstanding balance as of March 31, 2007, interest expense for 2007 would increase by approximately $7.7 million, or $0.4 per common share on a diluted basis.

Item 4. Controls and Procedures

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

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

As required by Rule 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2007. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

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

PART II. OTHER INFORMATION

Item 1A. Risk Factors

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

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

(a)

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

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

Each non-managing member unit of HCP DR MCD, LLC is exchangeable for an amount of cash approximating the then-current market value of one share of our common stock or, at our option, one share of our common stock (subject to certain adjustments, such as stock splits and reclassifications). HCP DR MCD, LLC relied on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, in connection with the issuance and sale of the non-managing member units. As of March 31, 2007, we have not registered any shares of our common stock for issuance in exchange for non-managing member units of HCP DR MCD, LLC.

(b)

None.

(c)

The table below sets forth the information with respect to purchases of our common stock made by us or on our behalf during the quarter ended March 31, 2007.

Period Covered	Total Number Of Shares Purchased(1)	Average Price Paid Per Share	Total Number Of Shares (Or Units) Purchased As Part Of Publicly Announced Plans Or Programs	Maximum Number (Or Approximate Dollar Value) Of Shares (Or Units) That May Yet Be Purchased Under The Plans Or Programs
January 1-31, 2007	15,940	39.41		
February 1-28, 2007	8,944	41.10		
March 1-31, 2007	29,284	36.75		
Total	54,168	38.25		

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

Item 6. Exhibits

2.1	Agreement and Plan of Merger, dated May 1, 2006, by and among HCP, CNL Retirement Properties, Inc. and Ocean Acquisition 1, Inc. (incorporated by reference to exhibit 2.1 to HCP s current report on Form 8-K, dated May 1, 2006).
3.1	Articles of Restatement of HCP (incorporated by reference to exhibit 3.1 to HCP s quarterly report on Form 10-Q for the period ended June 30, 2004).
3.2	Fourth Amended and Restated Bylaws of HCP (incorporated by reference to exhibit 3.1 to HCP s current report on Form 8-K dated September 25, 2006).
4.1	Indenture, dated as of September 1, 1993, between HCP and The Bank of New York, as Trustee (incorporated by reference to exhibit 4.1 to HCP s registration statement on Form S-3 dated September 9, 1993).
4.2	Form of Fixed Rate Note (incorporated by reference to exhibit 4.2 to HCP s registration statement on Form S-3 dated March 20, 1989).
4.3	Form of Floating Rate Note (incorporated by reference to exhibit 4.3 to HCP s registration statement on Form S-3 dated March 20, 1989).
4.4	Registration Rights Agreement dated November 20, 1998 between HCP and James D. Bremner (incorporated by reference to exhibit 4.8 to HCP s annual report on Form 10-K for the year ended December 31, 1999). This exhibit is identical in all material respects to two other documents except the parties thereto. The parties to these other documents, other than HCP, were James P. Revel and Michael F. Wiley.
4.5	Registration Rights Agreement dated January 20, 1999 between HCP and Boyer Castle Dale Medical Clinic, L.L.C. (incorporated by reference to exhibit 4.9 to HCP s annual report on Form 10-K for the year ended December 31, 1999). This exhibit is identical in all material respects to 13 other documents except the parties thereto. The parties to these other documents, other than HCP, were Boyer Centerville Clinic Company, L.C., Boyer Elko, L.C., Boyer Desert Springs, L.C., Boyer Grantsville Medical, L.C., Boyer-Ogden Medical Associates, LTD., Boyer Ogden Medical Associates No. 2, LTD., Boyer Salt Lake Industrial Clinic Associates, LTD., Boyer-St. Mark s Medical Associates, LTD., Boyer McKay-Dee Associates, LTD., Boyer St. Mark s Medical Associates #2, LTD., Boyer Iomega, L.C., Boyer Springville, L.C., and Boyer Primary Care Clinic Associates, LTD. #2.
4.6	Indenture, dated as of January 15, 1997, between American Health Properties, Inc. and The Bank of New York, as trustee (incorporated by reference to exhibit 4.1 to American Health Properties, Inc. s current report on Form 8-K, dated January 21, 1997).
4.7	First Supplemental Indenture, dated as of November 4, 1999, between HCP and The Bank of New York, as trustee (incorporated by reference to HCP s quarterly report on Form 10-Q for the period ended September 30, 1999).
4.8	Registration Rights Agreement dated August 17, 2001 between HCP, Boyer Old Mill II, L.C., Boyer-Research Park Associates, LTD., Boyer Research Park Associates VII, L.C., Chimney Ridge, L.C., Boyer-Foothill Associates, LTD., Boyer Research Park Associates VI, L.C., Boyer Stansbury II, L.C., Boyer Rancho Vistoso, L.C., Boyer-Alta View Associates, LTD., Boyer Kaysville Associates, L.C., Boyer Tatum Highlands Dental Clinic, L.C., Amarillo Bell Associates, Boyer Evanston, L.C., Boyer Denver Medical, L.C., Boyer Northwest Medical Center Two, L.C., and Boyer Caldwell Medical, L.C. (incorporated by reference to exhibit 4.12 to HCP s annual report on Form 10-K for the year ended December 31, 2001).
4.9	Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, Gardner Property Holdings, L.C., HCPI/Utah, LLC, the unit holders of HCPI/Utah, LLC and HCP (incorporated by reference to exhibit 4.12 to HCP s annual report on Form 10-K for the year ended December 31, 2005).*
4.10	Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, The Boyer Company, L.C., HCPI/Utah, LLC, the unit holders of HCPI/Utah, LLC and HCP (incorporated by reference to exhibit 4.13 to HCP s annual report on Form 10-K for the year ended December 31, 2005).*

36

4.11	Officers Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 6.5% Senior Notes due February 15, 2006 (incorporated by reference to exhibit 4.1 to HCP s current report on Form 8-K, dated February 21, 1996).
4.12	Officers Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 67⁄8% Mandatory Par Put Remarketed Securities due June 8, 2015 (incorporated by reference to exhibit 4.1 to HCP s current report on Form 8-K, dated June 3, 1998).
4.13	Officers Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 6.45% Senior Notes due June 25, 2012 (incorporated by reference to exhibit 4.1 to HCP s current report on Form 8-K, dated June 19, 2002).
4.14	Officers Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between HCP and the Bank of New York, as Trustee, establishing a series of securities entitled 6.00% Senior Notes due March 1, 2015 (incorporated by reference to exhibit 3.1 to HCP s current report on Form 8-K (file no. 001-08895), dated February 25, 2003).
4.15	Officers Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 55⁄8% Senior Notes due May 1, 2017 (incorporated by reference to exhibit 4.2 to HCP s current report on Form 8-K, dated April 22, 2005).
4.16	Registration Rights Agreement dated October 1, 2003 between HCP, Charles Crews, Charles A. Elcan, Thomas W. Hulme, Thomas M. Klaritch, R. Wayne Price, Glenn T. Preston, Janet Reynolds, Angela M. Playle, James A. Croy, John Klaritch as Trustee of the 2002 Trust F/B/O Erica Ann Klaritch, John Klaritch as Trustee of the 2002 Trust F/B/O Adam Joseph Klaritch, John Klaritch as Trustee of the 2002 Trust F/B/O Thomas Michael Klaritch, Jr. and John Klaritch as Trustee of the 2002 Trust F/B/O Nicholas James Klaritch (incorporated by reference to exhibit 4.16 to HCP s quarterly report on Form 10-Q for the period ended September 30, 2003).
4.17	Amended and Restated Dividend Reinvestment and Stock Purchase Plan, dated October 23, 2003 (incorporated by reference to HCP s registration statement on Form S-3 dated December 5, 2003, registration number 333-110939).
4.18	Specimen of Stock Certificate representing the Series E Cumulative Redeemable Preferred Stock, par value $1.00 per share (incorporated herein by reference to exhibit 4.1 of HCP s 8-A12B filed on September 12, 2003).
4.19	Specimen of Stock Certificate representing the Series F Cumulative Redeemable Preferred Stock, par value $1.00 per share (incorporated herein by reference to exhibit 4.1 of HCP s 8-A12B filed on December 2, 2003).
4.20	Form of Floating Rate Note (incorporated by reference to exhibit 4.3 to HCP s current report on Form 8-K, dated November 19, 2003).
4.21	Form of Fixed Rate Note (incorporated by reference to exhibit 4.4 to HCP s current report on Form 8-K, dated November 19, 2003).
4.22	Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, Gardner Property Holdings, L.C., HCPI/Utah II, LLC, the unit holders of HCPI/Utah II, LLC and HCP (incorporated by reference to exhibit 4.21 to HCP s annual report on Form 10-K for the year ended December 31, 2005).*
4.23	Acknowledgment and Consent dated as of March 1, 2005 by and among Merrill Lynch Bank USA, The Boyer Company, L.C., HCPI/Utah II, LLC, the unit holders of HCPI/Utah II, LLC and HCP (incorporated by reference to exhibit 4.22 to HCP s annual report on Form 10-K for the year ended December 31, 2005).*

4.24	Registration Rights Agreement dated July 22, 2005 between HCP, William P. Gallaher, Trustee for the William P. & Cynthia J. Gallaher Trust, Dwayne J. Clark, Patrick R. Gallaher, Trustee for the Patrick R. & Cynthia M. Gallaher Trust, Jeffrey D. Civian, Trustee for the Jeffrey D. Civian Trust dated August 8, 1986, Jeffrey Meyer, Steven L. Gallaher, Richard Coombs, Larry L. Wasem, Joseph H. Ward, Jr., Trustee for the Joseph H. Ward, Jr. and Pamela K. Ward Trust, Borue H. O Brien, William R. Mabry, Charles N. Elsbree, Trustee for the Charles N. Elsbree Jr. Living Trust dated February 14, 2002, Gary A. Robinson, Thomas H. Persons, Trustee for the Persons Family Revocable Trust under trust dated February 15, 2005, Glen Hammel, Marilyn E. Montero, Joseph G. Lin, Trustee for the Lin Revocable Living Trust, Ned B. Stein, John Gladstein, Trustee for the John & Andrea Gladstein Family Trust dated February 11, 2003, John Gladstein, Trustee for the John & Andrea Gladstein Family Trust dated February 11, 2003, Francis Connelly, Trustee for the The Francis J & Shannon A Connelly Trust, Al Coppin, Trustee for the Al Coppin Trust, Stephen B. McCullagh, Trustee for the Stephen B. & Pamela McCullagh Trust dated October 22, 2001, and Larry L. Wasem SEP IRA (incorporated by reference to exhibit 4.24 to HCP s quarterly report on Form 10-Q for the period ended June 30, 2005).
4.25	Officers Certificate pursuant to Section 301 of the Indenture dated as of September 1, 1993 between HCP and The Bank of New York, as trustee, setting forth the terms of HCP s Fixed Rate Medium-Term Notes and Floating Rate Medium-Term Notes (incorporated by reference to exhibit 4.2 to HCP s current report on Form 8-K, dated February 17, 2006).
4.26	Form of Fixed Rate Medium-Term Note (incorporated by reference to exhibit 4.3 to HCP s current report on Form 8-K, dated February 17, 2006).
4.27	Form of Floating Rate Medium-Term Note (incorporated by reference to exhibit 4.4 to HCP s current report on Form 8-K, dated February 17, 2006).
4.28	Form of Floating Rate Notes Due 2008 (incorporated by reference to exhibit 4.1 to HCP s current report on Form 8-K, dated September 12, 2006).
4.29	Form of 5.95% Notes Due 2011 (incorporated by reference to exhibit 4.2 to HCP s current report on Form 8-K, dated September 12, 2006).
4.30	Form of 6.30% Notes Due 2016 (incorporated by reference to exhibit 4.3 to HCP s current report on Form 8-K, dated September 12, 2006).
4.31	Form of Senior Notes Due 2013 (incorporated by reference to exhibit 4.1 to HCP s current report on Form 8-K, dated November 29, 2006).
4.32	Form of 6.00% Senior Notes Due 2017 (incorporated by reference to exhibit 4.1 to HCP s current report on Form 8-K, dated January 17, 2007).
10.1	Amendment No. 1, dated as of May 30, 1985, to Partnership Agreement of Health Care Property Partners, a California general partnership, the general partners of which consist of HCP and certain affiliates of Tenet (incorporated by reference to exhibit 10.1 to HCP s annual report on Form 10-K for the year ended December 31, 1985).
10.2	HCP Second Amended and Restated Directors Stock Incentive Plan (incorporated by reference to exhibit 10.43 to HCP s quarterly report on Form 10-Q for the period ended March 31, 1997).*
10.2.1	First Amendment to Second Amended and Restated Directors Stock Incentive Plan, effective as of November 3, 1999 (incorporated by reference to exhibit 10.1 to HCP s quarterly report on Form 10-Q for the period ended September 30, 1999).*
10.2.2	Second Amendment to Second Amended and Restated Directors Stock Incentive Plan, effective as of January 4, 2000 (incorporated by reference to exhibit 10.15 to HCP s annual report on Form 10-K for the year ended December 31, 1999).*
10.3	HCP Second Amended and Restated Stock Incentive Plan (incorporated by reference to exhibit 10.44 to HCP s quarterly report on Form 10-Q for the period ended March 31, 1997).*
10.3.1	First Amendment to Second Amended and Restated Stock Incentive Plan effective as of November 3, 1999 (incorporated by reference to exhibit 10.3 to HCP s quarterly report on Form 10-Q for the period ended September 30, 1999).*

10.4	HCP 2000 Stock Incentive Plan, effective as of May 7, 2003 (incorporated by reference to HCP s Proxy Statement regarding HCP s annual meeting of shareholders held May 7, 2003).*
10.4.1	Amendment to the Company s Amended and Restated 2000 Stock Incentive Plan (effective as of May 7, 2003) (incorporated herein by reference to exhibit 10.1 to HCP s current report on Form 8-K, dated January 28, 2005).*
10.5	HCP Second Amended and Restated Directors Deferred Compensation Plan (incorporated by reference to exhibit 10.45 to HCP s quarterly report on Form 10-Q for the period ended September 30, 1997).*
10.5.1	First Amendment to Second Amended and Restated Directors Deferred Compensation Plan, effective as of April 11, 1997 (incorporated by reference to exhibit 10.5.1 to HCP s quarterly report on Form 10-Q for the period ended March 31, 2005).*
10.5.2	Second Amendment to Second Amended and Restated Directors Deferred Compensation Plan, effective as of July 17, 1997 (incorporated by reference to exhibit 10.5.2 to HCP s quarterly report on Form 10-Q for the period ended March 31, 2005).*
10.5.3	Third Amendment to Second Amended and Restated Directors Deferred Compensation Plan, effective as of November 3, 1999 (incorporated by reference to exhibit 10.2 to HCP s quarterly report on Form 10-Q for the period ended September 30, 1999).*
10.5.4	Fourth Amendment to Second Amended and Restated Director Deferred Compensation Plan, effective as of January 4, 2000 (incorporated by reference to exhibit 10.19 to HCP s annual report on Form 10-K for the year ended December 31, 1999).*
10.6	Various letter agreements, each dated as of October 16, 2000, among HCP and certain key employees of the Company (incorporated by reference to exhibit 10.12 to HCP s annual report on Form 10-K for the year ended December 31, 2000).*
10.7	HCP Amended and Restated Executive Retirement Plan (incorporated by reference to exhibit 10.13 to HCP s annual report on Form 10-K for the year ended December 31, 2001).*
10.8	Amended and Restated Limited Liability Company Agreement dated November 20, 1998 of HCPI/Indiana, LLC (incorporated by reference to exhibit 10.15 to HCP s annual report on Form 10-K for the year ended December 31, 1998).
10.9	Amended and Restated Limited Liability Company Agreement dated January 20, 1999 of HCPI/Utah, LLC (incorporated by reference to exhibit 10.16 to HCP s annual report on Form 10-K for the year ended December 31, 1998).
10.10	Cross-Collateralization, Cross-Contribution and Cross-Default Agreement, dated as of July 20, 2000, by HCP Medical Office Buildings II, LLC, and Texas HCP Medical Office Buildings, L.P., for the benefit of First Union National Bank (incorporated by reference to exhibit 10.20 to HCP s annual report on Form 10-K for the year ended December 31, 2000).
10.11	Cross-Collateralization, Cross-Contribution and Cross-Default Agreement, dated as of August 31, 2000, by HCP Medical Office Buildings I, LLC, and Meadowdome, LLC, for the benefit of First Union National Bank (incorporated by reference to exhibit 10.21 to HCP s annual report on Form 10-K for the year ended December 31, 2000).
10.12	Amended and Restated Limited Liability Company Agreement dated August 17, 2001 of HCPI/Utah II, LLC (incorporated by reference to exhibit 10.21 to HCP s annual report on Form 10-K for the year ended December 31, 2001).
10.12.1	First Amendment to Amended and Restated Limited Liability Company Agreement dated October 30, 2001 of HCPI/Utah II, LLC (incorporated by reference to exhibit 10.22 to HCP s annual report on Form 10-K for the year ended December 31, 2001).
10.13	Employment Agreement dated October 26, 2005 between HCP and James F. Flaherty III (incorporated by reference to exhibit 10.13 to HCP s quarterly report on Form 10-Q for the period ended September 30, 2005).*

10.14	Amended and Restated Limited Liability Company Agreement dated as of October 2, 2003 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.28 to HCP s quarterly report on Form 10-Q for the period ended September 30, 2003).
10.14.1	Amendment No.1 to Amended and Restated Limited Liability Company Agreement dated September 29, 2004 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.37 to HCP s quarterly report on Form 10-Q for the period ended September 30, 2004).
10.14.2	Amendment No.2 to Amended and Restated Limited Liability Company Agreement dated October 29, 2004 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.43 to HCP s annual report on Form 10-K for the year ended December 31, 2005).
10.14.3	Amendment No.3 to Amended and Restated Limited Liability Company Agreement and New Member Joinder Agreement dated October 19, 2005 of HCPI/Tennessee, LLC (incorporated by reference to exhibit 10.14.3 to HCP s quarterly report on Form 10-Q for the period ended September 30, 2005).
10.15	Employment Agreement dated October 1, 2003 between HCP and Charles A. Elcan (incorporated by reference to exhibit 10.29 to HCP s quarterly report on Form 10-Q for the period ended September 30, 2003).*
10.15.1	Amendment No.1 to the Employment Agreement dated October 1, 2003 between HCP and Charles A. Elcan (incorporated herein by reference to exhibit 10.5 to HCP s current report on Form 8-K, dated January 28, 2005).*
10.16	Form of Restricted Stock Agreement for employees and consultants effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.30 to HCP s annual report on Form 10-K for the year ended December 31, 2003).*
10.17	Form of Restricted Stock Agreement for directors effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.31 to HCP s annual report on Form 10-K for the year ended December 31, 2003).*
10.18	Form of Performance Award Letter for employees effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.32 to HCP s annual report on Form 10-K for the year ended December 31, 2003).*
10.19	Form of Stock Option Agreement for eligible participants effective as of May 7, 2003, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s Amended and Restated 2000 Stock Incentive Plan (incorporated by reference to exhibit 10.33 to HCP s annual report on Form 10-K for the year ended December 31, 2003).*
10.20	Amended and Restated Executive Retirement Plan effective as of May 7, 2003 (incorporated by reference to exhibit 10.34 to HCP s annual report on Form 10-K for the year ended December 31, 2003).*
10.21	Revolving Credit Agreement, dated as of October 26, 2004, among HCP, each of the banks identified on the signature pages hereof, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank, as syndicating agent, Barclays Bank PLC, Wachovia Bank, National Association, and Wells Fargo Bank, N.A., as documentation agents, with Calyon New York Branch, Citicorp, USA, and Key National Association as managing agents, and Banc of America Securities LLC and J.P. Morgan Securities, Inc., as joint lead arrangers and joint book managers (incorporated herein by reference to exhibit 10.1 to HCP s current report on Form 8-K, dated November 1, 2004).
10.22	Form of CEO Performance Restricted Stock Unit Agreement with five year installment vesting effective as of March 15, 2004, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s Amended and Restated 2000 Stock Incentive Plan (incorporated herein by reference to exhibit 10.34 to HCP s annual report on Form 10-K, dated March 15, 2005).*

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

10.36	Form of employee Nonqualified Stock Option Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s 2006 Performance Incentive Plan (incorporated by reference to exhibit 10.37 to HCP s quarterly report on Form 10-Q for the period ended June 30, 2006).*
10.37	Form of director Restricted Stock Award Agreement with five year installment vesting, as approved by the Board of Directors of the Company, relating to the Company s 2006 Performance Incentive Plan (incorporated by reference to exhibit 10.38 to HCP s quarterly report on Form 10-Q for the period ended June 30, 2006).*
10.38	Form of Non-Employee Directors Stock-For-Fees Program, as approved by the Board of Directors of the Company, relating to the Company s 2006 Performance Incentive Plan. (incorporated by reference to exhibit 10.1 to HCP s current report on Form 8-K, dated July 27, 2006).*
10.39	Stock Unit Award Agreement, dated August 14, 2006, by and between the Company and James F. Flaherty III (incorporated by reference to exhibit 10.1 to HCP s current report on Form 8-K, dated August 14, 2006).*
10.40	Credit Agreement dated as of October 5, 2006 among Health Care Property Investors, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC, as Joint Lead Arranger and Joint Bookrunner, UBS Securities LLC, as Joint Lead Arranger, Joint Bookrunner and Syndication Agent, J.P. Morgan Securities Inc., as Joint Bookrunner, Barclays Capital, as Joint Bookrunner, JPMorgan Chase Bank, N.A., as Co-Documentation Agent, Barclays Bank PLC, as Co-Documentation Agent, Wachovia Bank, National Association, as Co-Documentation Agent, Goldman Sachs Credit Partners L.P., as Co-Documentation Agent, Merrill Lynch Bank USA, as Co-Documentation Agent, Wells Fargo Bank, N.A., as Senior Managing Agent, Citicorp North America, Inc., as Senior Managing Agent, Credit Suisse, Cayman Islands Branch, as Senior Managing Agent, Key Bank National Association, as Senior Managing Agent, SunTrust Bank, as Senior Managing Agent, The Bank of Nova Scotia, as Senior Managing Agent, The Royal Bank of Scotland PLC, as Senior Managing Agent, and the lenders party thereto (incorporated by reference to exhibit 10.2 to HCP s current report on Form 8-K, dated October 5, 2006).
10.41	Form of employee Performance Restricted Stock Unit Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s 2006 Performance Incentive Plan (incorporated herein by reference to exhibit 10.41 to HCP s annual report on Form 10-K, dated February 13, 2007).*
10.42	Form of CEO Performance Restricted Stock Unit Agreement with five year installment vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s 2006 Performance Incentive Plan (incorporated herein by reference to exhibit 10.42 to HCP s annual report on Form 10-K, dated February 13, 2007).*
10.43	Form of CEO Performance Restricted Stock Unit Agreement with three year cliff vesting, as approved by the Compensation Committee of the Board of Directors of the Company, relating to the Company s 2006 Performance Incentive Plan (incorporated herein by reference to exhibit 10.43 to HCP s annual report on Form 10-K, dated February 13, 2007).*
10.44	HCP 2006 Performance Incentive Plan, effective as of March 31, 2006 (incorporated by reference to HCP s Proxy Statement regarding HCP s annual meeting of shareholders held May 11, 2006).
31.1	Certification by James F. Flaherty III, the Company s Principal Executive Officer, Pursuant to Securities Exchange Act Rule 13a-14(a).
31.2	Certification by Mark A. Wallace, the Company s Principal Financial Officer, Pursuant to Securities Exchange Act Rule 13a-14(a).
32.1	Certification by James F. Flaherty III, the Company s Principal Executive Officer, Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.
32.2	Certification by Mark A. Wallace, the Company s Principal Financial Officer, Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.

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* Management Contract or Compensatory Plan or Arrangement.

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

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

SIGNATURES

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

Date: April 30, 2007

HEALTH CARE PROPERTY INVESTORS, INC.

(Registrant)

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

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

44