

HCP, INC.  
 Form 424B5  
 August 05, 2014

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Filed Pursuant to Rule 424(b)(5)  
 Registration No. 333-182824

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be registered<sup>(1)</sup></b>	<b>Proposed Maximum Offering Price Per Security<sup>(2)</sup></b>	<b>Proposed Maximum Aggregate Offering Price<sup>(2)</sup></b>	<b>Amount of Registration Fee<sup>(3)</sup></b>
Common Stock, par value \$1.00 per share	119,687	\$41.60	\$4,978,980	\$641.30

- (1) Pursuant to Rule 416 under the Securities Act of 1933, as amended, or the Securities Act, this Registration Statement shall include any additional shares that may become issuable as a result of any stock split, stock dividend, recapitalization or other similar transaction effected without the receipt of consideration that results in an increase in the number of HCP, Inc.'s outstanding shares of common stock.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 of the Securities Act, based upon the average of the high and low prices of the shares of the common stock reported on the New York Stock Exchange on August 4, 2014, pursuant to Rule 457(c) of the Securities Act.
- (3) Calculated in accordance with Rule 457(r) under the Securities Act. The "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in the registrant's Registration Statement on Form S-3ASR (File No. 333-182824) in accordance with Rules 456(b) and 457(r) under the Securities Act.

**PROSPECTUS SUPPLEMENT**  
**To prospectus dated July 24, 2012**

**119,687 Shares**

**HCP, Inc.**

## Common Stock

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This prospectus supplement is a supplement to the accompanying prospectus dated July 24, 2012 and relates to the possible issuance of up to 119,687 shares of our common stock, from time to time, to the holders of units representing non-managing membership interests in HCP DR California II, LLC, upon tender of those units in exchange for shares of our common stock that we may issue in connection with a redemption of the tendered units.

Registration of the issuance of shares of our common stock as provided in this prospectus supplement does not necessarily mean that any of the holders of units representing non-managing membership interests in HCP DR California II, LLC will exercise their redemption rights with respect to the units or that we will elect, in our sole discretion, to issue shares of our common stock to satisfy our redemption obligation instead of cash.

We will not receive any cash proceeds from the issuance of the shares of our common stock to the holders of units tendered for redemption, but we will acquire units representing non-managing membership interests in HCP DR California II, LLC in exchange for shares of our common stock issued to a holder of units upon redemption of its units.

Our common stock is traded on the New York Stock Exchange under the symbol "HCP." On August 4, 2014, the last reported sales price for our common stock on the New York Stock Exchange was \$41.73 per share.

**Investing in our common stock involves risks. See "Risk Factors" on page S-5 of this prospectus supplement and page 2 of the accompanying prospectus, and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013, as well as the risk factors relating to our business contained in documents we file with the Securities and Exchange Commission which are incorporated by reference in this prospectus supplement or the accompanying prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

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The date of this prospectus supplement is August 5, 2014

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You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with information that is different. We are not making an offer to sell these securities in any jurisdiction where the offer or sale of these securities is not permitted. This document may only be used where it is legal to sell these securities. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of its respective date and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. This prospectus supplement also adds to, updates and changes information contained in the accompanying prospectus. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. The accompanying prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration statement. Under the shelf registration process, we may offer and sell debt securities, warrants or other rights, stock purchase contracts, units, common stock, preferred stock or depository shares, or any combination thereof, in one or more offerings.

It is important that you read and consider all of the information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in "Incorporation by Reference" on page S-4 of this prospectus supplement and "Where You Can Find More Information" on page ii of the accompanying prospectus.

In this prospectus supplement, unless otherwise indicated herein or the context indicates, the terms "HCP," "we," "us," "our" and the "Company" mean HCP, Inc., together with its consolidated subsidiaries; the term "units" refers to units representing non-managing membership interests in HCP DR California II, LLC; and the term "common stock" refers to shares of HCP, Inc. common stock. Unless otherwise stated, currency amounts in this prospectus supplement are stated in United States, or U.S., dollars.

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**CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS**

Statements in this prospectus supplement and the information incorporated by reference in this prospectus supplement and the accompanying prospectus that are not historical factual statements are "forward-looking statements." We intend to have our forward-looking statements covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with those provisions. Forward-looking statements include, among other things, statements regarding our and our officers' intent, belief or expectations as identified by the use of words such as "may," "will," "project," "expect," "believe," "intend," "anticipate," "seek," "forecast," "plan," "estimate," "could," "would," "should" and other comparable and derivative terms or the negatives thereof. In addition, we, through our officers, from time to time, make forward-looking oral and written public statements concerning our expected future operations, strategies, securities offerings, growth and investment opportunities, dispositions, capital structure changes, budgets and other developments. Readers are cautioned that, while forward-looking statements reflect our good faith belief and reasonable assumptions based upon current information, we can give no assurance that our expectations or forecasts will be attained. Therefore, readers should be mindful that forward-looking statements are not guarantees of future performance and that they are subject to known and unknown risks and uncertainties that are difficult to predict. As more fully set forth herein under "Risk Factors" and under "Part I, Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K, factors that may cause our actual results to differ materially from the expectations contained in the forward-looking statements include:

- (a) Changes in global, national and local economic conditions, including a prolonged period of weak economic growth;
- (b) Volatility or uncertainty in the capital markets, including changes in the availability and cost of capital (impacted by changes in interest rates and the value of our common stock); which may adversely impact our ability to consummate transactions or reduce the earnings from potential transactions;
- (c) Our ability to manage our indebtedness level and changes in the terms of such indebtedness;
- (d) The effect on healthcare providers of recently enacted and pending Congressional legislation addressing entitlement programs and related services, including Medicare and Medicaid, which may result in future reductions in reimbursements;
- (e) The ability of our operators, tenants and borrowers to conduct their respective businesses in a manner sufficient to maintain or increase their revenues and to generate sufficient income to make rent and loan payments to us and our ability to recover investments made, if applicable, in their operations;
- (f) The financial weakness of some operators and tenants, including potential bankruptcies and downturns in their businesses, which results in uncertainties regarding our ability to continue to realize the full benefit of such operators' and/or tenants' leases;
- (g) Changes in federal, state or local laws and regulations, including those affecting the healthcare industry that affect our costs of compliance or increase the costs, or otherwise affect the operations of our operators, tenants and borrowers;
- (h) The potential impact of future litigation matters, including the possibility of larger than expected litigation costs, adverse results and related developments;
- (i) Competition for tenants and borrowers, including with respect to new leases and mortgages and the renewal or rollover of existing leases;

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- (j) Our ability to negotiate the same or better terms with new tenants or operators if existing leases are not renewed or we exercise our right to replace an existing operator or tenant upon default;
- (k) Availability of suitable properties to acquire at favorable prices and the competition for the acquisition and financing of those properties;
- (l) The financial, legal, regulatory and reputational difficulties of significant operators of our properties;
- (m) The risk that we may not be able to achieve the benefits of investments within expected time-frames or at all, or within expected cost projections;
- (n) The ability to obtain financing necessary to consummate acquisitions on favorable terms;
- (o) The risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our joint venture partners' financial condition and continued cooperation;
- (p) Changes in the credit ratings on U.S. government debt securities or default or delay in payment by the U.S. of its obligations.

Except as required by law, we undertake no, and hereby disclaim any, obligation to update any forward-looking statements, whether as a result of new information, changed circumstances or otherwise.

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**INCORPORATION BY REFERENCE**

The SEC allows us to "incorporate by reference" information into this prospectus supplement and the accompanying prospectus. This means that we can disclose important information to you by referring you to the other information we have filed with the SEC. We incorporate by reference into this prospectus supplement the following documents we filed with the SEC pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than any portions of any such documents that are not deemed "filed" under the Exchange Act in accordance with applicable SEC rules promulgated under the Exchange Act):

our Annual Report on Form 10-K for the fiscal year ended December 31, 2013;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014;

portions of our Definitive Proxy Statement on Schedule 14A filed on March 20, 2014 that are incorporated by reference into Part III of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013;

our Current Reports on Form 8-K dated February 12, 2014 (filed on February 14, 2014), February 21, 2014 (filed on February 24, 2014), March 13, 2014 (filed on March 19, 2014), March 31, 2014 (filed on March 31, 2014) (as to items 1.01 and 2.03 only), April 23, 2014 (filed on April 25, 2014), May 1, 2014 (filed on May 6, 2014) and July 31, 2014 (filed on July 31, 2014); and

the description of our common stock contained in our Registration Statement on Form 10 dated May 7, 1985 (File No. 1-08895), including the amendments dated May 20, 1985 and May 23, 1985, and any other amendment or report filed for the purpose of updating such description, including the description of amendments to our charter contained in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2001, June 30, 2004 and September 30, 2007.

We are also incorporating by reference additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement until the date all of the securities offered hereby are sold or the offering is otherwise terminated (other than any portions of any such documents that are not deemed "filed" under the Exchange Act in accordance with applicable SEC rules promulgated under the Exchange Act). These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as Proxy Statements. Any statement contained in a document incorporated or deemed to be incorporated by reference herein will automatically modify and supersede the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference the exhibit in this prospectus supplement or the accompanying prospectus. You may obtain documents incorporated by reference in this prospectus supplement or the accompanying prospectus by requesting them in writing or by telephone from:

Legal Department  
HCP, Inc.  
1920 Main Street, Suite 1200  
Irvine, California 92614  
(949) 407-0700  
legaldept@hcpi.com

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**RISK FACTORS**

*You should carefully consider any specific risks set forth below, the risks set forth on page 2 of the accompanying prospectus and the risks set forth under the caption "Risk Factors" in our most recent Annual Report on Form 10-K, incorporated by reference into this prospectus supplement and the accompanying prospectus, as updated by our subsequent filings under the Exchange Act. You should consider carefully those risk factors together with all of the other information included and incorporated by reference in this prospectus supplement and the accompanying prospectus before you decide to purchase shares of our common stock.*

**Risks Related to the Exchange of Units for Shares of Our Common Stock**

***The exchange of units representing non-managing membership interests in HCP DR California II, LLC for our common stock is a taxable transaction.***

The exchange of units of HCP DR California II, LLC for shares of our common stock (which may occur following the tender of such units for redemption if we elect to satisfy the redemption obligation in shares of our common stock) will be treated for U.S. federal income tax purposes as a sale of the units by the holders of such units. A holder of such units will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the fair market value of the shares of our common stock received in the exchange, plus the amount of the HCP DR California II, LLC liabilities allocable to the units being exchanged, less the holder's adjusted tax basis in the units exchanged. The recognition of any loss is subject to a number of limitations set forth in the Internal Revenue Code of 1986, as amended, referred to herein as the Internal Revenue Code. It is possible that the amount of gain recognized or even the tax liability resulting from the gain could exceed the value of the shares of our common stock received upon the exchange. In addition, the ability of a holder of units to sell a substantial number of shares of our common stock in order to raise cash to pay tax liabilities associated with the exchange of units may be restricted and, as a result of stock price fluctuations, the price the holder receives for the shares of our common stock may not equal the value of the units at the time of the exchange.

***An investment in our common stock is different from an investment in units representing non-managing membership interests in HCP DR California II, LLC.***

If a unitholder exercises its right to redeem its units, the holder may receive cash or, at our election, shares of common stock in exchange for the units. If a unitholder tenders all of its units and receives cash, the holder will no longer have any interest in HCP DR California II, LLC or us, will not benefit from any subsequent increases in the share price of our common stock and will not receive any future distributions from HCP DR California II, LLC or us (unless the holder currently owns or acquires in the future additional shares of our common stock or additional units). If a unitholder receives shares of our common stock in exchange for its units, the holder will become one of our stockholders rather than a non-managing member in HCP DR California II, LLC. Although the nature of an investment in shares of our common stock is substantially equivalent economically to an investment in units representing non-managing membership interests in HCP DR California II, LLC, there are differences between ownership of the units and ownership of our common stock. These differences, some of which may be material to you, include:

form of organization;

management control;

voting and consent rights;

liquidity; and

federal income tax considerations.

These differences are further described under "Comparison of HCP DR California II, LLC and HCP."





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**USE OF PROCEEDS**

We will not receive any cash proceeds from the issuance of shares of common stock offered by this prospectus supplement; however, we will acquire units representing non-managing membership interests in HCP DR California II, LLC in exchange for shares of our common stock issued to a non-managing member upon redemption of its units.

**OPERATING AGREEMENT**

*The following summarizes the material provisions of the operating agreement, as amended to date, of HCP DR California II, LLC. The summary is qualified in its entirety by reference to the operating agreement, as amended to date, of HCP DR California II, LLC, which is being filed as an exhibit to a Current Report on Form 8-K that will be filed on or about the date of this prospectus supplement and incorporated by reference herein.*

**Management**

HCP DR California II, LLC is organized as a Delaware limited liability company under the Delaware Limited Liability Company Act and the terms of its operating agreement, the Amended and Restated Limited Liability Company Agreement of HCP DR California II, LLC, as the same has been amended to date. HCP is the sole managing member of HCP DR California II, LLC. Generally, pursuant to the operating agreement, we have exclusive and complete responsibility and discretion in the management and control of HCP DR California II, LLC, including, subject to the restrictions discussed below, the ability to cause it to enter into major transactions such as acquisitions, dispositions, financings, and refinancings, and to manage and operate its properties. We may not be removed as the managing member of HCP DR California II, LLC, with or without cause, unless we consent to being removed. Non-managing members of HCP DR California II, LLC have no authority to transact business for HCP DR California II, LLC or participate in its management activities, except in limited circumstances described below and as required by any non-waivable provision of applicable law.

As the managing member, we may not take any action in contravention of the operating agreement, including:

taking any action that would make it impossible to carry out the ordinary business of HCP DR California II, LLC, except as otherwise provided in the operating agreement;

possessing or assigning any rights in specific property owned by HCP DR California II, LLC, other than for a HCP DR California II, LLC purpose, except as otherwise provided in the operating agreement;

taking any action that would cause a non-managing member to be subject to liability as a managing member or any other liability, except as provided in the operating agreement or by law;

entering into any agreement that would have the effect of restricting a member of HCP DR California II, LLC from exercising its right to redeem its units as provided in the operating agreement and discussed below under "Redemption Rights," or the effect of restricting HCP DR California II, LLC or us from satisfying our obligations under the operating agreement to effect such redemption, unless such member gives its prior written consent to such action; or

entering into any agreement that would have the effect of restricting HCP DR California II, LLC's ability to make distributions to its members, without the written consent of each member affected by the restriction.

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The consent of the holders of a majority of the outstanding non-managing member units is required before we will be permitted to take the following extraordinary actions involving HCP DR California II, LLC, subject to limited exceptions:

the amendment, modification or termination of the operating agreement other than to reflect the permitted admission, substitution, termination or withdrawal of members or in connection with a permitted dissolution or termination of HCP DR California II, LLC;

approving or acquiescing to the transfer of all or a portion of the membership interest held by us, other than a transfer to HCP DR California II, LLC;

the admission of any additional or substitute members in HCP DR California II, LLC other than as provided in the operating agreement;

making a general assignment for the benefit of HCP DR California II, LLC's creditors, appointing or acquiescing to the appointment of a custodian for any part of the assets of HCP DR California II, LLC or instituting any proceeding for bankruptcy on behalf of HCP DR California II, LLC;

acquiring any real properties, other than the real property located in Chino Hills, or the Chino Hills Property, that is currently owned by HCP DR California II, LLC or any real property acquired by HCP DR California II, LLC in connection with a tax-free disposition of the Chino Hills Property; or

incurring any debt in violation of the operating agreement.

In addition to the above restrictions, we, as the managing member, may not amend the operating agreement or take actions without the consent of any non-managing member who would be adversely affected if such amendments or actions would, among other things:

convert a non-managing member's interest in HCP DR California II, LLC into a managing member interest;

modify the limited liability of a non-managing member;

alter the rights of a member to receive distributions or the allocation of income and loss to a member;

materially alter the right of a member to redeem its non-managing member units or receive certain make whole payments described below; or

alter the restrictions on our ability to withdraw from, or transfer our interests in, HCP DR California II, LLC.

As managing member, we may, however, amend the operating agreement without non-managing member consent:

to reflect the issuance of additional membership interests in exchange for capital contributions of cash or property, or the admission, substitution, termination or withdrawal of members or the redemption or other reduction in the number of units outstanding as permitted by the operating agreement;

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to reflect inconsequential changes that do not adversely affect the non-managing members, cure ambiguities and make other changes not inconsistent with law or the provisions of the operating agreement;

to satisfy any requirements, conditions or guidelines contained in any governmental order or required by law;

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to reflect changes that are reasonably necessary for us, our affiliates or other members to maintain their status as a real estate investment trust, or REIT;

to modify the manner in which capital accounts are computed; or

to add to the obligations of the managing member or to surrender any right or power granted to the managing member for the benefit of the non-managing members.

**Tax Protection Period**

Until the earlier of (a) June 1, 2024 or (b) such time as 80% of the units issued to the initial non-managing members of HCP DR California II, LLC have been disposed of, in taxable transactions (the "Tax Protection Period"), HCP DR California II, LLC will be required to pay to the non-managing members a make-whole payment in an amount equal to the aggregate federal, state and local income taxes incurred by the non-managing member as a result of the event, if we do any of the following, subject to limited exceptions, without the prior consent of the holders of a majority of the non-managing member units held by non-managing members:

cause HCP DR California II, LLC to merge with another entity (other than a subsidiary of HCP DR California II, LLC), sell all or substantially all of its assets (other than to a subsidiary of HCP DR California II, LLC), reclassify its outstanding equity interests, or otherwise dissolve or terminate its existence;

sell HCP DR California II, LLC's real property;

fail to keep in place certain specified loans made by us to HCP DR California II, LLC, which have been guaranteed by the initial non-managing members of HCP DR California II, LLC, unless such debt is replaced or refinanced with replacement indebtedness in accordance with the operating agreement; or

fail to provide the opportunity to each initial non-managing member of HCP DR California II, LLC to guarantee certain specified loans made by us to HCP DR California II, LLC, or if such debt is replaced or refinanced, to guarantee that replacement indebtedness;

In the event that HCP DR California II, LLC fails to pay a required make-whole payment, then we shall make the make-whole payment.

**Transferability of Interests**

The operating agreement provides that a non-managing member may transfer its non-managing member units only after first offering those units to us and otherwise obtaining our consent, except that a non-managing member may, without obtaining our consent, pledge its membership interest as security for the repayment of debt and transfer such membership interest to the lender upon the foreclosure of such debt if such transfer would not otherwise violate the terms of the operating agreement. A non-managing member may also, without our consent, transfer its membership interest in HCP DR California II, LLC to a partner or member in such non-managing member, as a distribution or in liquidation of that partner or member's interest in such non-managing member, to a family member of such non-managing member, a trust all of the beneficiaries of which are such non-managing member and family members of such non-managing member, a corporation, general or limited partnership or limited liability company all of the owners of which are such non-managing member and family members of such non-managing members or to an organization described in Sections 170(b)(1)(A), 170(c)(2) or 501(c)(3) of the Internal Revenue Code, in each case, so long as the transfer would not

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otherwise violate the terms of the operating agreement. The operating agreement further imposes the following restrictions on the transfer of the non-managing member units:

the person to whom any non-managing member units are transferred must assume all of the obligations of the transferor under the operating agreement;

other than in the case of a redemption, we will have the right to receive an opinion of counsel that the proposed transfer may be effected without registration under the Securities Act of 1933, as amended (the "Securities Act"), and will not otherwise violate any federal or state securities laws or regulations;

we may prohibit any transfer otherwise permitted under the operating agreement if such transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any applicable federal or state securities laws or regulations;

no transfer may be made to any person without our consent if such transfer could result in HCP DR California II, LLC being treated as an association taxable as a corporation, adversely affect our ability to maintain our status as a REIT or subject us to additional taxes under Section 857 or 4981 of the Internal Revenue Code;

no transfer may be made if such transfer could be treated as having been effectuated through an "established securities market" or a "secondary market (or substantial equivalent thereof)," within the meaning of Section 7704 of the Internal Revenue Code;

no transfer may be made to a lender of HCP DR California II, LLC or any person related to such a lender whose loan constitutes "nonrecourse liability," within the meaning of the Internal Revenue Code, without our consent as managing member;

transfers, other than a redemption, may be made only as of the first day of a calendar quarter, unless we otherwise consent; and

no transfer may be made (1) to any person or entity who lacks the legal right, power or capacity to own a membership interest; (2) in violation of applicable law; (3) if such transfer would, in the opinion of legal counsel to us or HCP DR California II, LLC, cause an increased tax liability to any other member or assignee as a result of the termination of HCP DR California II, LLC; (4) if such transfer would cause HCP DR California II, LLC to become a reporting company under the Exchange Act; or (5) if such transfer would cause HCP DR California II, LLC to lose certain material tax benefits or become subject to certain regulations not currently applicable to it.

The admission of a transferee of non-managing membership units as a non-managing member of HCP DR California II, LLC is subject to our consent as managing member and the transferee's acceptance of the terms and conditions of HCP DR California II, LLC's operating agreement.

**Capital Contributions**

The operating agreement provides that if HCP DR California II, LLC requires additional funds for its operation, we may fund those investments by making a capital contribution to HCP DR California II, LLC. Non-managing members are not required to make any additional capital contributions.

If we fund a capital contribution, we have the right to receive additional managing member units. In the event we receive additional managing member units in return for additional capital contributions, our membership interest in HCP DR California II, LLC will be increased. Non-managing members of HCP DR California II, LLC do not have the right to make additional capital contributions to HCP DR California

II, LLC unless permitted to do so by us in our discretion. Accordingly, the

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membership interests of non-managing members in HCP DR California II, LLC will be diluted to the extent we receive an additional membership interest.

**Tax Matters**

Pursuant to the operating agreement, we are the tax matters partner of HCP DR California II, LLC. The tax matters partner serves as HCP DR California II, LLC's representative in most tax matters. For example, as the tax matters partner, we have the authority to file tax returns and make elections for HCP DR California II, LLC, conduct audits, file refund claims on behalf of HCP DR California II, LLC and settle adjustments. In addition, as the tax matters partner, we will receive notices and other information from the Internal Revenue Service. The designation of HCP as the tax matters partner of HCP DR California II, LLC is not directly relevant to our tax status as a REIT.

**Operations**

The sole purposes of HCP DR California II, LLC are to acquire, own, manage, operate, repair, renovate, maintain, improve, expand, redevelop, encumber, sell, lease, hold for appreciation or otherwise dispose of the real properties contributed to it, and any other properties acquired by it or subsidiaries of it engaged in the foregoing, and to invest and ultimately distribute funds obtained from owning, operating or disposing of such properties. The operating agreement provides, however, that we, as managing member, may operate HCP DR California II, LLC in a manner that will enable us to satisfy the requirements for being classified as a REIT and avoid any federal income tax liability, among other things. Under the operating agreement, HCP DR California II, LLC assumes and pays when due, or reimburses us for payment of, all costs and expenses that we incur for the benefit of or relating to its operation.

**Distributions**

Holders of non-managing member units are entitled to receive cumulative preferential distributions from the date of issuance of those non-managing member units, payable on a quarterly basis. The right of holders of non-managing member units to receive cumulative preferential distributions means that, unless and until each of those quarterly distributions are paid in full, HCP DR California II, LLC cannot make any distributions to us. These preferred distributions are an amount per unit equal to the amount payable as a dividend with respect to each share of our common stock for the corresponding quarter (subject to adjustment in the event we pay a dividend or distribution on our common stock in shares of our common stock, split or subdivide our common stock or effect a reverse stock split or other combination of our common stock into a smaller number of shares). Following the payment of the preferred distribution to holders of the non-managing member units, HCP DR California II, LLC is required to distribute the remaining cash available for distribution to us until all distributions of cash, including prior distributions, have been made to the members of HCP DR California II, LLC pro rata on the basis of the number of managing member or non-managing member units held by them as compared to the total number of managing member and non-managing member units then outstanding. Thereafter, the remaining cash available for distribution may in the managing member's sole discretion be distributed to the unitholders in proportion to their Sharing Percentages. The "Sharing Percentage" of a holder of non-managing member units is determined by multiplying 1% by a fraction, the numerator of which is the number of non-managing member units then outstanding and the denominator of which is the number of non-managing member units issued to all non-managing members, and multiplying the result by a fraction, the numerator of which is the number of non-managing member units held by such unitholder, and the denominator of which is the total number of non-managing member units then outstanding. Our "Sharing Percentage," as the managing member of HCP DR California II, LLC, is equal to 100% minus the aggregate Sharing Percentage of the holders of all non-managing member units.



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In the event of a taxable disposition of some of HCP DR California II, LLC's real property, we may elect to distribute all or a portion of the net proceeds of the taxable disposition to the unitholders. In this event, we must distribute these proceeds as follows:

first, to the holders of non-managing member units to pay any previously unpaid preferred distribution on the non-managing member units held by them;

second, to us until all distributions of cash, including prior distributions, have been made to the members of HCP DR California II, LLC pro rata on the basis of the number of managing member or non-managing member units held by them as compared to the total number of managing member and non-managing member units then outstanding;

third, to the holders of managing member units and non-managing member units in proportion to the number of managing member units and non-managing member units held by them in redemption of those units, as discussed below, until all non-managing member units have been redeemed; and

finally, the remaining balance to us.

The distribution of the net proceeds from the taxable disposition of real property will constitute a return of capital to the unitholders of HCP DR California II, LLC. As such, we will cause HCP DR California II, LLC to reduce the number of units outstanding at the time of such distributions by causing non-managing member units to be redeemed.

Upon the refinancing of a property or the incurrence of additional debt, the repayment of which is secured by a property owned by HCP DR California II, LLC, we may elect to distribute all or a portion of the refinancing or other debt proceeds to the unitholders. In this event, we must distribute such proceeds:

first, to the holders of non-managing member units to pay any previously unpaid preferred distribution on the non-managing member units held by them;

second, to us until all distributions of cash, including prior distributions, have been made to the members of HCP DR California II, LLC pro rata on the basis of the number of managing member or non-managing member units held by them as compared to the total number of managing member and non-managing member units then outstanding; and

finally, the remaining balance to the unitholders in proportion to their Sharing Percentages.

**Allocation of Income and Loss**

The operating net income and net loss of HCP DR California II, LLC is generally allocated as follows:

operating net loss for any fiscal year is allocated to the unitholders in accordance with their Sharing Percentages; and

operating net income for any fiscal year is allocated as follows:

first, to each unitholder to the extent necessary to offset any operating net loss previously allocated to such unitholder;

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second, to each unitholder in an amount that will cause the current allocation, together with all previous allocations of operating net income and net income resulting from the disposition of real property, to be in proportion to and to the extent of the cumulative distributions received by such unitholder for the current and all prior fiscal years; and

finally, to the unitholders in proportion to their Sharing Percentages.

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In the event HCP DR California II, LLC sells or otherwise disposes of any of its real properties, however, the net income or net loss attributable to such sale or disposition is generally allocated as follows:

net loss attributable to the sale or other disposition of real property is allocated to the holders of units in proportion to their Sharing Percentages; and

net income attributable to the sale or other disposition of real property is allocated as follows:

first, to each unitholder to the extent necessary to offset any net loss previously allocated to such unitholder upon the sale or other disposition of a property;

second, to each unitholder in an amount that will cause the current allocation, together with all previous allocations of operating net income and net income resulting from the disposition of real property, to be in proportion to and to the extent of the cumulative distributions received by such unitholder for the current and all prior fiscal years; and

finally, to the unitholders in proportion to their Sharing Percentages.

In the event HCP DR California II, LLC liquidates or if no units are held by non-managing members, the net income or net loss for that year and any subsequent years is generally allocated as follows:

first, to holders of non-managing member units in such amounts as will cause their capital account per unit to be, to the greatest extent possible, equal to the sum of: (a) the holder's preferred return shortfall per unit (if any), (b) the value of one share of our stock (subject to specified adjustments), and (c) their pro rata share of a 1% (subject to adjustment) sharing amount; and

thereafter, to us.

Each of the allocation provisions described above is subject to special allocations relating to depreciation deductions and to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and related Treasury Regulations.

### **Term**

The operating agreement provides that HCP DR California II, LLC will continue until dissolved by us in accordance with the provisions of the operating agreement or as otherwise provided by law. HCP DR California II, LLC also will dissolve upon:

our withdrawal as the managing member (other than in an event of bankruptcy) unless the non-managing members holding a majority of the non-managing member units then outstanding agree in writing within 90 days to continue the business of HCP DR California II, LLC and to the appointment of a substitute managing member;

our election to dissolve the company in accordance with the provisions of the operating agreement;

the sale of all or substantially all of the assets and properties of the Company;

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a decree of judicial dissolution;

our dissolution, bankruptcy or other incapacity, unless within 90 days the non-managing members holding a majority of the outstanding non-managing member units agree in writing to continue the business of HCP DR California II, LLC and to the appointment of a substitute managing member; or

all of the non-managing member units (other than those held by the managing member) have been redeemed for cash or exchanged for shares of our common stock.

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**Indemnification**

The operating agreement provides that, to the fullest extent permitted by law, HCP DR California II, LLC will indemnify us, the non-managing members and the non-managing members' representative as designated in the operating agreement, our directors, our and HCP DR California II, LLC's officers and employees and those other persons and entities that we may designate, unless:

the act taken by an indemnitee that was material to the matter giving rise to the proceeding was in bad faith or was the result of active and deliberate dishonesty;

an indemnitee received an improper personal benefit; or

in the case of any criminal proceeding, an indemnitee had reasonable cause to believe the act was unlawful.

We are not liable to HCP DR California II, LLC or its unitholders for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment, mistakes of fact or law, or any act or omission if we acted in good faith. See "Comparison of HCP DR California II, LLC and HCP Management Liability and Indemnification."

**Redemption Rights**

Commencing on June 1, 2015, each holder of non-managing member units has the right to cause HCP DR California II, LLC to redeem all or any portion of its units for cash. If a non-managing member makes such an election, in lieu of having HCP DR California II, LLC redeem the tendered units, we may, at our option, elect to redeem such units for cash or exchange them for shares of our common stock.

Upon a redemption, the tendering holder will receive for each non-managing member unit, at our election, either (a) an amount of cash equal to the market value of one share of our common stock (multiplied by an adjustment factor), plus the per unit amount of any shortfall in the preferred distributions, or (b) a number of shares of our common stock equal to such cash amount divided by the market value of one share of our common stock. As of the date of this prospectus supplement, the adjustment factor is 1.0; the adjustment factor may be adjusted from time to time to account for the economic effect of (i) the payment of any dividends or other distributions on our common stock in shares of common stock, any split or subdivision in our outstanding common stock, and any reverse stock split or other combination of our outstanding common stock into a smaller number of shares, (ii) the distribution of rights, options or warrants to all holders of our common stock to subscribe or purchase securities or rights convertible into, exchangeable for or exercisable for our common stock at a price per share less than market value on the record date for such distribution, or (iii) the payment of any dividends or other distributions to all holders of our common stock of evidences of our indebtedness or assets (including securities, but excluding any dividend or distribution referred to in in clause (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by us pursuant to a pro rata distribution by HCP DR California II, LLC. For this purpose, the market value of our shares will be deemed to be the average of the closing price of our common stock for the 20 trading days ending on the second trading day immediately prior to the date (or if not a business day, the business day preceding such date) on which we receive a notice of redemption with respect to the tendered units. Non-managing member units that are acquired by us pursuant to the exercise of a non-managing member's redemption rights will be held by us as non-managing member units, with the same rights and preferences of non-managing member units held by non-managing members of HCP DR California II, LLC.

Our acquisition of non-managing member units, whether they are acquired in exchange for shares of our common stock or cash, will be treated as a sale of the non-managing member units to us for

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U.S. federal income tax purposes. See "Material United States Federal Income Tax Considerations of an Exchange or Redemption of Units."

A tendering holder effecting a redemption of all or a portion of the holder's non-managing member units must deliver to HCP DR California, II, Inc. a notice of redemption as required by the operating agreement. In general, a tendering holder has the right to receive cash or, at our election, shares of our common stock, which are generally payable no later than the twentieth calendar day following our receipt of the notice of redemption (or, if such day is not a business day, the next following business day). All shares of our common stock delivered in exchange for non-managing member units will be duly authorized, validly issued, fully paid and non-assessable shares, free of any pledge, lien, encumbrance or restriction, other than those provided in our charter, our bylaws, the Securities Act and relevant state securities or blue sky laws. Notwithstanding any delay in delivery of shares in exchange for tendered units, the tendering holder shall be deemed the owner of such shares and vested with all rights of a stockholder as of the date on which the exchange occurs, including the right to vote or consent, and the right to receive dividends. Correspondingly, the tendering holder's right to receive distributions with respect to the tendered non-managing member units will cease as of the date on which the exchange occurs.

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**COMPARISON OF HCP DR CALIFORNIA II, LLC AND HCP**

Generally, the nature of an investment in our common stock is similar in several respects to an investment in units representing non-managing membership interests in HCP DR California II, LLC. However, there are also differences between ownership of such units and ownership of our common stock, some of which may be material to investors.

HCP DR California II, LLC and HCP are organized and incorporated in Delaware and Maryland, respectively. Upon the exchange of units representing non-managing membership interests in HCP DR California II, LLC for shares of our common stock, the rights of stockholders of HCP will be governed by the Maryland General Corporation Law and by our charter and bylaws.

The information below highlights the material differences between HCP DR California II, LLC and us, relating to, among other things, form of organization, management control, voting rights, compensation and fees, investor rights, liquidity and federal income tax considerations. These comparisons are intended to assist holders of non-managing member units in understanding the ways in which their investment will be materially changed if they tender their units for redemption and receive shares of our common stock in exchange for such units.

*The following discussion is summary in nature and does not constitute a complete discussion of these matters. The differences between the rights of HCP DR California II, LLC unitholders and HCP stockholders may be determined in full by reference to the Maryland General Corporation Law, the Delaware Limited Liability Company Act, our charter and bylaws, the operating agreement of HCP DR California II, LLC, as amended to date, and the balance of this prospectus supplement, the accompanying prospectus and the registration statement of which the accompanying prospectus is a part.*

**HCP DR California II, LLC / Delaware Law**

**HCP / Maryland Law**

**Form of Organization and Assets Owned**

HCP DR California II, LLC is a Delaware limited liability company. Through a subsidiary partnership, HCP DR California II, LLC owns a 124-unit residential care facility for the elderly known as Oakmont of Chino Hills, located in Chino Hills, California.

We are a Maryland corporation and were organized to qualify as a self-administered real estate investment trust ("REIT") that, together with our unconsolidated joint ventures, invests primarily in real estate serving the healthcare industry in the U.S. We acquire, develop, lease, manage and dispose of healthcare real estate, and provide financing to healthcare providers. At March 31, 2014, our portfolio of investments, including properties in our investment management platform, consisted of interests in 1,154 facilities.

**Purpose**

HCP DR California II, LLC's purpose is to acquire, own, manage, operate, repair, renovate, maintain, improve, expand, redevelop, encumber, sell, lease, hold for appreciation or otherwise dispose of the properties owned by it and any other properties acquired by it or its subsidiaries, and to invest and ultimately distribute the funds obtained from owning, operating or disposing such properties.

Under our charter, we may engage in the ownership of real property and any other lawful act or activity for which corporations may be organized under Maryland law.

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**HCP DR California II, LLC / Delaware Law**

**HCP / Maryland Law**

**Additional Equity**

The operating agreement provides that if HCP DR California II, LLC requires additional funds for its operation, we may fund those investments by making a capital contribution to HCP DR California II, LLC, in which case we may receive additional managing member units. Non-managing members are not required to make any additional capital contributions. See "Operating Agreement Capital Contributions" above.

Our board of directors may, in its discretion, authorize the issuance of additional shares of common stock or preferred stock; provided that the total number of shares issued cannot exceed the authorized number of shares of stock set forth in our charter.

**Borrowing Policies**

The operating agreement provides that HCP DR California II, LLC is permitted to incur or assume debt, including debt to us or our affiliates. HCP DR California II, LLC will be required to pay to the non-managing members a make-whole payment in an amount equal to the aggregate federal, state and local income taxes incurred by the non-managing members if it fails to maintain certain indebtedness during the Tax Protection Period, as described above under "Operating Agreement Tax Protection Period."

We are not restricted under our charter or bylaws from incurring debt.

**Management Control**

All management powers over the business and affairs of HCP DR California II, LLC are vested in us as the managing member. No non-managing member has any right to participate in or exercise control or management power over the business and affairs of HCP DR California II, LLC, except for actions which require the consent of the holders of a majority of the non-managing member units held by non-managing members. See "Operating Agreement Management" above and " Voting Rights" below.

Our board of directors has exclusive control over our business affairs subject only to the applicable provisions of Maryland law and the provisions in our charter and bylaws.

**Duties of Managing Member and Directors**

Under Delaware law, as managing member of HCP DR California II, LLC, we are accountable to HCP DR California II, LLC as a fiduciary and, consequently, are required to exercise good faith and integrity in all of our dealings with respect to HCP DR California II, LLC's affairs.

Under Maryland law, directors must perform their duties in good faith, in a manner that they reasonably believe to be in the best interests of the corporation, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Directors who act in such a manner generally will not be liable by reason of being a director. Under Maryland law, an act of a director is generally presumed to satisfy such standards.

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**HCP DR California II, LLC / Delaware Law**

**Management Liability and Indemnification**

HCP DR California II, LLC has agreed to indemnify us, our directors, our and HCP DR California II, LLC's officers and employees and those other persons and entities that we may designate from and against all claims and expenses, judgments and other amounts incurred in connection with any actions relating to the operation of HCP DR California II, LLC in which these indemnitees are involved, unless:

the act taken by an indemnitee that was material to the matter giving rise to the proceeding was in bad faith or was the result of active and deliberate dishonesty;

an indemnitee received an improper personal benefit; or

in the case of any criminal proceeding, an indemnitee had reasonable cause to believe the act was unlawful.

The operating agreement generally provides that neither we nor any of our directors or officers will be liable to HCP DR California II, LLC or any non-managing member for losses sustained or liabilities incurred as a result of errors in judgment or mistakes of fact or law or of any act or omission if we acted in good faith. In addition, we are not responsible for any misconduct or negligence on the part of our officers, directors or other agents, provided we have appointed such agents in good faith.

We may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors, and any action we take or omit to take in reliance upon their opinion as to matters which we reasonably believe to be within their professional or expert competence will be conclusively presumed to have been done or omitted in good faith and in accordance with their opinion.

**HCP / Maryland Law**

Our charter contains a provision which eliminates the liability of directors and officers to us and our stockholders for money damages to the fullest extent permitted by Maryland law. Neither the provisions of our charter nor Maryland law limit the ability of us or our stockholders to obtain other relief, such as injunction or rescission. Our bylaws provide for indemnification of directors and officers to the fullest extent permitted by Maryland law. See "Certain Provisions of Maryland Law and HCP's Charter and Bylaws" in the accompanying prospectus.

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**HCP DR California II, LLC / Delaware Law**

**Anti-Takeover Provisions**

Except in limited circumstances (see " Voting Rights" below), we have exclusive management power over the business and affairs of HCP DR California II, LLC. Accordingly, we have the ability to determine whether HCP DR California II, LLC engages in a merger transaction or other business combination. We may not be removed as managing member by the non-managing members without our consent.

HCP DR California II, LLC will be required to pay to the non-managing members a make whole payment if we cause HCP DR California II, LLC to merge with another entity (other than a subsidiary of HCP DR California II, LLC), sell all or substantially all of its assets (other than to a subsidiary of HCP DR California II, LLC), reclassify its outstanding equity interests, or otherwise dissolve or terminate its existence (subject to limited exceptions) without the prior consent of the holders of a majority of the non-managing member units held by non-managing members. See "Operating Agreement Tax Protection Period" above. These limitations may have the effect of hindering the ability of HCP DR California II, LLC to enter into business combinations.

A non-managing member generally may not transfer all or any portion of its membership interest in HCP DR California II, LLC without first offering that membership interest to us or otherwise obtaining our consent. Accordingly, we may elect to exercise our right of first refusal to prevent a membership interest from being transferred to a particular third party. Unless we consent to the admission of a transferee of a membership interest as a substitute member of HCP DR California II, LLC, the transferee is not entitled to vote on any matter submitted to the members for their approval. The ability of a unitholder to transfer its membership interest in HCP DR California II, LLC may be further hindered by other factors. See "Operating Agreement Transferability of Interests" above.

**HCP / Maryland Law**

Our charter and bylaws contain a number of provisions that may delay or discourage an unsolicited proposal for the acquisition of our company or the removal of incumbent management. These provisions include:

authorized capital stock that may be issued as preferred stock in the discretion of our board of directors, with voting or other rights superior to the common stock;