

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

HEALTH CARE PROPERTY INVESTORS INC

CIK: **765880** | IRS No.: **330091377** | State of Incorpor.: **MD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-08895** | Film No.: **96662817**
SIC: **6798** Real estate investment trusts

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LOS ANGELES CA 90024

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10990 WILSHIRE BLVD STE
1200
LOS ANGELES CA 90024
3104731990

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

FORM 10-Q

(MARK ONE)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the quarterly period ended September 30, 1996.

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the transition period from to

Commission file number 1-8895

HEALTH CARE PROPERTY INVESTORS, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation of organization)

33-0091377
(I.R.S. Employer
Identification No.)

10990 Wilshire Boulevard, Suite 1200
Los Angeles, California 90024
(Address of principal executive offices)

(310) 473-1990
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

As of November 12, 1996 there were 28,677,534 shares of \$1.00 par value common stock outstanding.

HEALTH CARE PROPERTY INVESTORS, INC.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

Consolidated Balance Sheets
September 30, 1996 and December 31, 1995

Consolidated Statements of Income
Nine Months and Three Months Ended September 30, 1996 and 1995

Consolidated Statements of Cash Flows
Nine Months Ended September 30, 1996 and 1995

Notes to Consolidated Condensed Financial Statements

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

PART II. OTHER INFORMATION

Signatures

HEALTH CARE PROPERTY INVESTORS, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollar amounts in thousands)

<TABLE>
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	September 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
ASSETS		
Real Estate Properties		
Buildings and Improvements	\$ 674,050	\$ 581,152
Accumulated Depreciation	(142,165)	(121,983)
	-----	-----
	531,885	459,169
Construction in Progress	11,624	7,508
Land	68,065	61,317
	-----	-----
	611,574	527,994
Investments in and Advances to Partnerships	6,573	9,248
Loans Receivable	115,110	120,959
Other Assets	8,370	7,630

Cash and Cash Equivalents	17,209	2,000
	-----	-----
TOTAL ASSETS	\$ 758,836	\$ 667,831
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Bank Notes Payable	\$ ---	\$ 31,700
Senior Notes Due 1998 - 2015	153,995	153,994
Senior Notes Due 2006	113,433	---
Convertible Subordinated Notes Due 2000	100,000	100,000
Mortgage Notes Payable	12,379	13,390
Accounts Payable, Accrued Liabilities and Deferred Income	23,080	10,568
Minority Interests in Partnerships	17,877	18,719
Stockholders' Equity:		
Common Stock	28,666	28,574
Additional Paid-In Capital	355,452	353,166
Cumulative Net Income	364,549	319,329
Cumulative Dividends	(410,595)	(361,609)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	338,072	339,460
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 758,836	\$ 667,831
	=====	=====

</TABLE>

See accompanying Notes to Consolidated Condensed Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

HEALTH CARE PROPERTY INVESTORS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Amounts in thousands, except per share amounts)

<TABLE>
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
<S> REVENUE	<C>	<C>		
Base Rental Income	\$ 21,130	\$ 17,028	\$ 62,021	\$ 50,854
Additional Rental and Interest Income	4,839	4,356	15,389	14,059
Interest and Other Income	3,908	4,890	11,996	13,259
Facility Operating Revenues	---	---	---	741
	-----	-----	-----	-----
	29,877	26,274	89,406	78,913
	-----	-----	-----	-----
EXPENSE				
Interest Expense	6,736	4,643	19,638	14,117
Depreciation/Non Cash Charges	5,863	4,822	16,825	14,201
Other Expenses	1,612	1,279	5,150	4,326

Facility Operating Expenses	---	---	---	720
	-----	-----	-----	-----
	14,211	10,744	41,613	33,364
	-----	-----	-----	-----
INCOME FROM OPERATIONS	15,666	15,530	47,793	45,549
Minority Interests	(638)	(886)	(2,573)	(2,833)
Gain on Sale of Real Estate Properties	---	---	---	23,550
	-----	-----	-----	-----
NET INCOME	\$ 15,028	\$ 14,644	\$ 45,220	\$ 66,266
	=====	=====	=====	=====
NET INCOME PER SHARE	\$ 0.52	\$ 0.51	\$ 1.58	\$ 2.34
	=====	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING	28,667	28,544	28,644	28,279
	=====	=====	=====	=====

</TABLE>

See accompanying Notes to Consolidated Condensed Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

HEALTH CARE PROPERTY INVESTORS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in thousands)

<TABLE>
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	Nine Months Ended September 30,	
	1996	1995
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 45,220	\$ 66,266
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Real Estate Depreciation	15,021	12,328
Non Cash Charges	1,804	1,873
Partnership Adjustments	(672)	(376)
Gain on Sale of Real Estate Properties	---	(23,550)
Changes in:		
Operating Assets	963	(973)
Operating Liabilities	11,953	840
	-----	-----
NET CASH PROVIDED BY OPERATIONS	74,289	56,408
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Real Estate Properties	(103,762)	(38,140)
Proceeds from Sale of Real Estate Properties	---	8,387
Advances Repaid by Partnerships	4,465	----
Other Investments and Loans	7,970	(17,500)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(91,327)	(47,253)

CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in Bank Notes Payable	(31,700)	9,800
Repayment of Senior Notes	---	(75,000)
Proceeds from Issuance of Senior Notes Due 2000-2015	113,329	54,107
Cash Proceeds from Issuing Common Stock	1,304	47,109
Final Payments on Mortgages	---	(637)
Periodic Payments on Mortgages	(1,060)	(844)
Dividends Paid	(48,986)	(44,467)
Other Financing Activities	(640)	(81)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	32,247	(10,013)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,209	(858)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,000	2,928
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 17,209	\$ 2,070
ADDITIONAL CASH FLOW DISCLOSURE		
Mortgages Assumed on Acquired Properties	\$ ---	\$ 5,893

</TABLE>

See accompanying Notes to Consolidated Condensed Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

HEALTH CARE PROPERTY INVESTORS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
September 30, 1996

(Unaudited)

(1) SIGNIFICANT ACCOUNTING POLICIES

The unaudited financial information furnished herein, in the opinion of management, reflects all adjustments that are necessary to state fairly the financial position, the results of operations, and cash flows of Health Care Property Investors, Inc. and its affiliates (the "Company"). The Company presumes that users of the interim financial information herein have read or have access to the audited financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for the preceding fiscal year ended December 31, 1995 and that the adequacy of additional disclosures needed for a fair presentation, except in regard to material contingencies, may be determined in that context. Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the Company's most recent annual report to security holders have been omitted. The interim financial information contained herein is not necessarily representative of a full year's operations for various reasons including acquisitions, changes in rents, interest rates and the timing of debt and equity financings. These same considerations apply to all year-to-year comparisons.

Net Income Per Share

Net income per share is calculated by dividing net income by the weighted average common shares outstanding during the period. There were 28,666,334 shares outstanding as of September 30, 1996.

(2) MAJOR OPERATORS

Listed below are the Company's major operators and the percentage of current revenue from these operators and their subsidiaries.

<TABLE>
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Operators	Revenue	Percentage of Total Revenue
<S>	<C>	<C>
Vencor, Inc. ("Vencor")	\$17,709,000	20%
Beverly Enterprises, Inc. ("Beverly")	7,474,000	8
Horizon/CMS Health Corporation ("Horizon")	7,416,000	8
Emeritus Corporation ("Emeritus")	6,172,000	7
Columbia/HCA Healthcare Corp. ("Columbia")	6,154,000	7
Tenet Healthcare Corporation ("Tenet")	5,996,000	7
HealthSouth Corporation ("HealthSouth")	4,912,000	5

All of the leases with Tenet and Vencor and certain leases with HealthSouth are unconditionally guaranteed by Tenet. Those leases represent 31% of the Company's total revenue for the nine months ended September 30, 1996.

Vencor, Horizon, Beverly, Tenet, Columbia, Emeritus, and HealthSouth are subject to the informational filing requirements of the Securities and Exchange Act of 1934, as amended, and accordingly file periodic financial statements on Form 10-K and Form 10-Q with the Securities and Exchange Commission.

(3) STOCKHOLDERS' EQUITY

The following tabulation is a summary of the activity for the Stockholders' Equity account for the nine months ended September 30, 1996 (amounts in thousands):

<TABLE>
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	Common Stock					
	Number of Shares	Par Value Amount	Paid In Capital	Additional Cumulative Net Income	Cumulative Dividends	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	28,574	\$28,574	\$353,166	\$319,329	\$(361,609)	\$339,460
Issuance of Stock, Net	30	30	1,044			1,074
Exercise of Stock Options	62	62	1,242			1,304
Net Income				45,220		45,220
Dividends Paid					(48,986)	(48,986)
Balance, September 30, 1996	28,666	\$28,666	\$355,452	\$364,549	\$(410,595)	\$338,072

</TABLE>

(4) COMMITMENTS

The Company has outstanding commitments on closed development transactions of approximately \$29,000,000 and on pending development transactions of approximately \$95,000,000. The Company is also committed to acquire approximately \$48,000,000 of existing health care facilities. The Company expects that a significant portion of these commitments will be funded; however, historically, not all transactions on which the Company has had a commitment have closed. Transactions do not close for various reasons including unsatisfied conditions to closing, competitive financing sources,

final negotiation differences, and the operator's inability to obtain required internal or governmental approvals.

(5) SUBSEQUENT EVENTS

On October 17, 1996 the Board of Directors declared a quarterly dividend of \$0.59 per share payable on November 20, 1996, to stockholders of record on the close of business on November 4, 1996.

HEALTH CARE PROPERTY INVESTORS, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company is in the business of acquiring health care facilities that it leases on a long-term basis to health care providers. On a more limited basis, the Company has provided mortgage financing on health care facilities. As of September 30, 1996, the Company's portfolio of properties, including equity investments, consisted of 212 facilities located in 38 states. These facilities are comprised of 136 long-term care facilities, 49 congregate care and assisted living facilities, 12 medical office buildings, six acute care hospitals, six rehabilitation facilities, two physician group practice clinics and one psychiatric care facility. The gross acquisition price of the properties, which includes partnership acquisitions, was approximately \$900,000,000 at September 30, 1996.

As of September 30, 1996, the Company had commitments to purchase and construct health care facilities totaling approximately \$172,000,000 for funding during 1996 and 1997. The Company expects that a significant portion of these commitments will be funded and a portion will not be funded. (See Note (4) to the Consolidated Condensed Financial Statements.)

RESULTS OF OPERATIONS

Net Income for the three and nine months ended September 30, 1996 totaled \$15,028,000 or \$0.52 per share and \$45,220,000 or \$1.58 per share, on revenues of \$29,877,000 and \$89,406,000, respectively. This compares to Net Income of \$14,644,000 or \$0.51 per share and \$66,266,000 or \$2.34 per share on revenues of \$26,274,000 and \$78,913,000 for the corresponding periods in 1995. The Net Income for the nine months ended September 30, 1995 included \$23,550,000 or an \$0.83 per share gain on the sale of properties.

Base Rents for the three and nine months ended September 30, 1996 increased by \$4,102,000 and \$11,167,000 to \$21,130,000 and \$62,021,000, respectively. The majority of the increase in Base Rents was generated by new investments in excess of \$200,000,000 in 1995 and the first nine months of 1996. The increase in earnings was also assisted by higher Additional Rent and Interest Income from the existing portfolio for the three and nine months ended September 30, 1996 of \$483,000 and \$1,330,000 to \$4,839,000 and \$15,389,000, respectively. The increase was offset by a decrease in Interest and Other Income for the three and nine months ended September 30, 1996 of \$982,000 and \$1,263,000, respectively, as a result of the payoff of certain mortgage loans.

Interest Expense for the three and nine months ended September 30, 1996 increased by \$2,093,000 and \$5,521,000, to \$6,736,000 and \$19,638,000,

respectively. The increase in Interest Expense is primarily due to the Company's February 1996 issuance of \$115,000,000 6.5% Senior Notes due 2006, the proceeds of which were invested in new long-term investments. Depreciation/Non Cash Charges increased \$1,041,000 and \$2,624,000 to \$5,863,000 and \$16,825,000, respectively, for the three and nine months ended September 30, 1996. The increase is primarily related to the new investments discussed above.

In 1996, the Company adopted the new definition of Funds From Operations (FFO) prescribed by the National Association of Real Estate Investment Trusts (NAREIT). FFO is now defined as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus real estate depreciation, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles, is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to net income.

The Company believes that FFO is an important supplemental measure of operating performance. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen and fallen with market conditions, presentations of operating results for a real estate investment trust that uses historical cost accounting for depreciation could be uninformative. The term FFO was designed by the real estate investment trust industry to address this problem. FFO, as defined by the Company in accordance with the NAREIT prescription may not be comparable to similarly entitled items reported by other REITs that do not define it in accordance with the NAREIT definition.

Funds From Operations for the three and nine months ended September 30, 1996 and 1995 are as follows:

<TABLE>

<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Net Income	\$ 15,028	\$ 14,644	\$ 45,220	\$ 66,266
Real Estate Depreciation	5,261	4,240	15,021	12,328
Partnership Adjustments	(354)	(107)	(672)	(376)
Gain on Sale of Real Estate Properties	---	---	---	(23,550)
Funds From Operations	\$ 19,935	\$ 18,777	\$ 59,569	\$ 54,668
Increase from Prior Period	6.17%		8.97%	

</TABLE>

FFO for the three and nine months ended September 30, 1996, increased \$1,158,000 and \$4,901,000, respectively, from the comparable periods in the prior year. The increases are attributable to increases in Base Rents and Additional Rent and Interest Income, as offset by increases in Interest Expense and Other Expenses and decreases in Interest Income which are discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed acquisitions through the sale of common stock, the issuance of long-term debt, the assumption of mortgage debt, the use of short-term bank lines and internally generated cash flow. Facilities under construction are generally financed by means of cash on hand or short-term borrowings under the Company's existing bank lines. In the future, the Company may use its Medium-Term Note ("MTN") program to finance a portion of the costs of construction. At the completion of construction and commencement of the lease, short-term borrowings used in the construction phase are generally refinanced with new long-term debt or equity offerings.

On February 15, 1996, the Company issued \$115,000,000 in Unsecured Senior Notes due 2006 bearing a coupon of 6.5%. The majority of the proceeds from this debt issuance was used to retire short-term bank debt and to fund acquisitions made during the first three quarters of 1996. The balance has been invested temporarily in short-term investments pending deployment in long-term asset acquisitions. At September 30, 1996, stockholders' equity in the Company totaled \$338,072,000 and the debt to equity ratio was 1.12 to 1. For the nine months ended September 30, 1996, Funds From Operations covered interest expense 4.0 to 1.

At September 30, 1996, the Company had approximately \$50,975,000 available under its Medium-Term Note Program, registered pursuant to a shelf registration statement, for future issuance of MTNs based on Company needs and then existing market conditions. In September 1995, the Company registered \$200,000,000 of debt and equity securities under a shelf registration statement filed with the Securities and Exchange Commission of which \$85,000,000 in debt or equity securities remains available to be offered by the Company. As of September 30, 1996, the Company had \$100,000,000 available on its revolving line of credit. This line of credit with a group of seven domestic and international banks expires on March 31, 1999. The Company's debt securities have been rated investment grade by debt rating agencies since 1986. Current ratings of the Company's Senior and Convertible Subordinated Notes are as follows:

	Moody's	Standard & Poor's	Duff & Phelps
	-----	-----	-----
Senior Notes	Baa1	BBB+	A-
Convertible			
Subordinated Notes	Baa2	BBB	BBB+

Since inception in May 1985, the Company has recorded approximately \$489,823,000 in cumulative Funds From Operations. Of this amount, a total of \$410,595,000 has been distributed to stockholders as dividends. The balance of \$79,228,000 has been retained, and has been an additional source of capital for the Company.

At September 30, 1996, the Company had approximately \$33,300,000 in irrevocable letters of credit from commercial banks to secure the obligations of many lessees' lease and borrowers' loan obligations. The Company may draw upon the letters of credit if there are any defaults under the leases and/or loans. Amounts available under letters of credit change from time to time and such changes may be material.

The third quarter 1996 dividend of \$0.58 per share or \$16,626,000 in the aggregate was paid on August 20, 1996. Total dividends paid during the three months ended September 30, 1996 as a percentage of Funds From Operations for the corresponding period was 83.4%. The Company declared a fourth quarter dividend of \$0.59 per share or \$16,920,000 in the aggregate, to be paid on November 20, 1996.

The Company and an affiliate of HealthSouth Corporation have signed a memorandum of understanding to exchange the Company's closed Dallas rehabilitation hospital

for the HealthSouth Sunrise Rehabilitation Hospital in Fort Lauderdale, Florida. The Sunrise Rehabilitation Hospital, which is licensed as a 108 bed acute rehabilitation hospital, specializes in programs for burn patients, spinal and hand rehabilitation, and pediatric trauma treatment and functions at a very high percentage of occupancy. The Dallas facility lease was scheduled to expire in June 1999 with annual rent aggregating approximately \$3,100,000. Annual rent on the Florida property will aggregate \$2,250,000 with a fifteen year primary term. The lease obligations will be guaranteed by HealthSouth Corporation. The property exchange, which is subject to the execution of definitive agreements and the satisfaction of various conditions, is expected to be finalized before November 30, 1996. The Company invested approximately \$18,000,000 in the Dallas facility when it was purchased in 1985.

The Company has concluded a significant number of "facility rollover" transactions in 1995 and 1996 on properties that have been under long-term leases and mortgages. "Facility rollover" transactions principally include lease renewals and renegotiations, exchanges, sales of properties, and to a lesser extent, payoffs on mortgage receivables. In 1995, the Company completed 20 facility rollovers including the sale of ten facilities with concurrent "seller financing" for a gain of \$23,550,000. During the nine months ended September 30, 1996, the Company completed or agreed in principle to complete 20 facility rollovers including the sale of its 50 percent interests in nine facilities and the exchange of the Dallas rehabilitation hospital discussed above. The 1995 facility rollovers generated an increase of \$800,000 in Funds From Operations on an annualized basis. The 1996 facility rollovers through September 30, 1996, generated a decrease of \$1,200,000 in Funds From Operations on an annualized basis. Through December 31, 1999, the Company has 70 more facilities which are subject to lease expiration, mortgage maturities and purchase options. The 1998 group includes 14, 10, and five long-term care facilities leased to Vencor, Beverly, and Horizon, respectively. The Company has completed certain facility rollovers earlier than the scheduled lease expirations or mortgage terms and will continue to pursue such opportunities where it is advantageous to do so.

Management believes that the Company's liquidity and sources of capital are adequate to finance its operations as well as its future investments in additional facilities.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits:

EX-27 Financial Data Schedule

10.40 Stock Transfer Agency Agreement between Health Care Property Investors, Inc. and Bank of New York Dated as of July 1, 1996

b) Reports on Form 8-K:

None

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: November 12, 1996

HEALTH CARE PROPERTY INVESTORS, INC.
(REGISTRANT)

/s/ James G. Reynolds

James G. Reynolds
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Devasis Ghose

Devasis Ghose
Senior Vice President-Finance
and Treasurer
(Principal Accounting Officer)

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<CIK> 0000765880

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<MULTIPLIER> 1,000

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THE
BANK OF
NEW
YORK

STOCK TRANSFER AGENCY AGREEMENT

between

Health Care Property Investors, Inc.

and

THE BANK OF NEW YORK

Dated as of July 1, 1996

ACCOUNT NUMBER (S) _____

STOCK TRANSFER AGENCY AGREEMENT

AGREEMENT, made as of July 1, 1996, by and between Health Care Property Investors, Inc., a corporation organized and existing under the laws of the State of Maryland (hereinafter referred to as the "Customer"), and THE BANK OF NEW YORK a New York trust company (hereinafter referred to as the "Bank").

WITNESSETH:

That for and in consideration of the mutual promises hereinafter set forth, the parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS

Whenever used in this Agreement, the following words and phrases shall have the following meanings:

1. "Business Day" shall be deemed to be each day on which the Bank is open for business.

2. "Certificate" shall mean any notice, instruction, or other instrument in writing, authorized or required by this Agreement to be given to the Bank by the Customer which is signed by any Officer, as hereinafter defined, and actually received by the Bank.

3. "Officer" shall be deemed to be the Customer's Chief Executive Officer, President, any Vice President, the Secretary, the Treasurer, the Controller, any Assistant Treasurer, and any Assistant Secretary duly authorized by the Board of Directors of the Customer to execute any Certificate, instruction, notice or other instrument on behalf of the Customer and named in a Certificate, as such Certificate may be amended from time to time.

4. "Shares" shall mean all or any part of each class of the shares of capital stock of the Customer which from time to time are authorized and/or issued by the Customer and identified in a Certificate of the Secretary of the Customer under corporate seal, as such Certificate may be amended from time to time, with respect to which the Bank is to act hereunder.

ARTICLE II
APPOINTMENT OF BANK

1. The Customer hereby constitutes and appoints the Bank as its agent to perform the services described herein and as more particularly described in Schedule I attached hereto (the "Services"), and the Bank hereby accepts appointment as such agent and agrees to perform the Services in accordance with the terms hereinafter set forth.

2. In connection with such appointment, the Customer shall deliver the following documents to the Bank:

(a) A certified copy of the Certificate of Incorporation or other document evidencing the Customer's form of organization (the "Charter") and all amendments thereto;

(b) A certified copy of the By-Laws of the Customer;

(c) A certified copy of a resolution of the Board of Directors of the Customer appointing the Bank to perform the Services and authorizing the execution and delivery of this Agreement;

(d) A Certificate signed by the Secretary of the Customer specifying: the number of authorized Shares, the number of such authorized Shares issued and currently outstanding, and the names and specimen signatures of all persons duly authorized by the Board of Directors of the Customer to execute any Certificate on behalf of the Customer, as such Certificate may be amended from time to time;

(e) A Specimen Share certificate for each class of Shares in the form approved by the Board of Directors of the Customer, together with a Certificate signed by the Secretary of the Customer as to such approval and covenanting to supply a new such Certificate and specimen whenever such form shall change;

(f) An opinion of counsel for the Customer, in a form satisfactory to the Bank, with respect to the validity of the authorized and outstanding Shares, the obtaining of all necessary governmental consents, whether such Shares are fully paid and non-assessable and the status of such Shares under the Securities Act of 1933, as amended, and any other applicable law or regulation (i.e., if subject to registration, that they have been registered and that the Registration Statement has become effective or, if exempt, the specific grounds therefor);

(g) A list of the name, address, social security or taxpayer identification number of each Shareholder, number of Shares owned, certificate numbers, and whether any "stops" have been placed; and

(h) An opinion of counsel for the Customer, in a form satisfactory to the Bank, with respect to the due authorization by the Customer and the validity and effectiveness of the use of facsimile signatures by the Bank in connection with the countersigning and registering of Share certificates of the Customer.

3. The Customer shall furnish the Bank with a sufficient supply of blank Share certificates and from time to time will renew such supply upon request of the Bank. Such blank Share certificates shall be properly signed, by facsimile or otherwise, by Officers of the Customer authorized by law or by the By-Laws to sign Share certificates, and, if required, shall bear the corporate seal or a facsimile thereof.

ARTICLE III
AUTHORIZATION AND ISSUANCE OF SHARES

1. The Customer shall deliver to the Bank the following documents on or before the effective date of any increase, decrease or other change in the total number of Shares authorized to be issued:

(a) A certified copy of the amendment to the Charter giving effect to such increase, decrease or change;

(b) An opinion of counsel for the Customer, in a form satisfactory to the Bank, with respect to the validity of the Shares, the obtaining of all necessary governmental consents, whether such Shares are fully paid and non-assessable and the status of such Shares under the Securities Act of 1933, as amended, and any other applicable federal law or regulations (i.e., if subject to registration, that they have been registered and that the Registration Statement has become effective or, if exempt, the specific grounds therefor); and

(c) In the case of an increase, if the appointment of the Bank was theretofore expressly limited, a certified copy of a resolution of the Board of Directors of the Customer increasing the authority of the Bank.

2. Prior to the issuance of any additional Shares pursuant to stock dividends, stock splits or otherwise, and prior to any reduction in the number of Shares outstanding, the Customer shall deliver the following documents to the Bank:

(a) A certified copy of the resolutions adopted by the Board of Directors and/or the shareholders of the Customer authorizing such issuance of additional Shares of the Customer or such reduction, as the case may be;

(b) A certified copy of the order or consent of each governmental or regulatory authority required by law as a prerequisite to the issuance or reduction of such Shares, as the case may be, and an opinion of counsel for the Customer that no other order or consent is required; and

(c) An opinion of counsel for the Customer, in a form satisfactory to the Bank, with respect to the validity of the Shares, the obtaining of all necessary governmental consents, whether such Shares are fully paid and non-assessable and the status of such Shares under the Securities Act of 1933, as amended, and any other applicable law or regulation (if subject to registration, that they have been registered and that the Registration Statement has become effective, or, if exempt, the specific grounds therefor).

ARTICLE IV
RECAPITALIZATION OR CAPITAL ADJUSTMENT

1. In the case of any negative stock split, recapitalization or other capital adjustment requiring a change in the form of Share certificates, the Bank will issue Share certificates in the new form in exchange for, or upon transfer of, outstanding Share certificates in the old form, upon receiving:

(a) A Certificate authorizing the issuance of Share certificates in the new form;

(b) A certified copy of any amendment to the Charter with respect to the change;

(c) Specimen Share certificates for each class of Shares in the new form approved by the Board of Directors of the Customer, with a Certificate signed by the Secretary of the Customer as to such approval;

(d) A certified copy of the order or consent of each governmental or regulatory authority required by law as a prerequisite to the issuance of the Shares in the new form, and an opinion of counsel for the Customer that the order or consent of no other governmental or regulatory authority is required; and

(e) An opinion of counsel for the Customer, in a form satisfactory to the Bank, with respect to the validity of the Shares in the new form, the obtaining of all necessary governmental consents, whether such Shares are fully paid and non-assessable and the status of such Shares under the Securities Act of 1933, as amended, and any other applicable law or regulation (i.e., if subject to registration, that the Shares have been registered and that the Registration Statement has become effective or, if exempt, the specific grounds therefore).

2. The Customer shall furnish the Bank with a sufficient supply of blank Share certificates in the new form, and from time to time will replenish such supply upon the request of the Bank. Such blank Share certificates shall be properly signed, by facsimile or otherwise, by Officers of the Customer authorized by law or by the By-Laws to sign Share certificates and, if required, shall bear the corporate seal or a facsimile thereof.

ARTICLE V ISSUANCE AND TRANSFER OF SHARES

1. The Bank will issue Share certificates upon receipt of a Certificate from an Officer, but shall not be required to issue Share certificates after it has received from an appropriate federal or state authority written notification that the sale of Shares has been suspended or discontinued, and the Bank shall be entitled to rely upon such written notification. The Bank shall not be responsible for the payment of any original issue or other taxes required to be paid by the Customer in connection with the issuance of any Shares.

2. Shares will be transferred upon presentation to the Bank of Share certificates in form deemed by the Bank properly endorsed for transfer, accompanied by such documents as the Bank deems necessary to evidence the authority of the person making such transfer, and bearing satisfactory evidence of the payment of applicable stock transfer taxes. In the case of small estates where no administration is contemplated, the Bank may, when furnished with an appropriate surety bond, and without further approval of the Customer, transfer Shares registered in the name of the decedents where the current market value of the Shares being transferred does not exceed such amount as may from time to time be prescribed by the various states. The Bank reserves the right to refuse to transfer Shares until it is satisfied that the endorsements on Share certificates are valid and genuine, and for that purpose it may require, unless otherwise instructed by an Officer of the Customer, a guaranty of signature by an "eligible guarantor institution" meeting the requirements of the Bank, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Bank in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended. The Bank also reserves the right to refuse to transfer Shares until it is satisfied that the requested transfer is legally authorized, and it shall incur no liability for the refusal in good faith to make transfers which the Bank, in its judgment, deems improper or unauthorized, or until it is satisfied that there is no basis to any claims adverse to such transfer. The Bank may, in effecting transfers of Shares, rely upon those provisions of the Uniform Act for the Simplification of Fiduciary Security Transfers or the Uniform Commercial Code, as the same may be amended from time to time, applicable to the transfer of securities, and the Customer shall indemnify the Bank for any act done or omitted by it in good faith in reliance upon such laws.

3. All certificates representing Shares that are subject to restrictions on transfer (i.e., securities acquired pursuant to an investment representation, securities held by controlling person, securities subject to stockholders' agreement, etc.), shall be stamped with a legend describing the extent and conditions of the restrictions or referring to the source of such restrictions. The Bank assumes no responsibility with respect to the transfer of restricted securities where counsel for the Customer advises that such transfer may be properly effected.

ARTICLE VI DIVIDENDS AND DISTRIBUTIONS

1. The Customer shall furnish to the Bank a copy of a resolution of its Board of Directors, certified by the Secretary or any Assistant Secretary, either (i) setting forth the date of the declaration of a dividend or distribution, the date of accrual or payment, as the case may be, the record date as of which shareholders entitled to payment, or accrual, as the case may be shall be determined, the amount per Share of such dividend or distribution,

the payment date on which all previously accrued and unpaid dividends are to be paid, and the total amount, if any, payable to the Bank on such payment date, or (ii) authorizing the declaration of dividends and distributions on a periodic basis and authorizing the Bank to rely on a Certificate setting forth the information described in subsection (i) of this paragraph.

2. Prior to the payment date specified in such Certificate or resolution, as the case may be, the Customer shall, in the case of a cash dividend or distribution, pay to the Bank an amount of cash, sufficient for the Bank to make the payment, specified in such Certificate or resolution, to the shareholders of record as of such payment date. The Bank will, upon receipt of any such cash, (i) in the case of shareholders who are participants in a dividend reinvestment and/or cash purchase plan of the Customer, reinvest such cash dividends or distributions in accordance with the terms of such plan, and (ii) in the case of shareholders who are not participants in any such plan, make payment of such cash dividends or distributions to the shareholders of record as of the record date by mailing a check, payable to the registered shareholder, to the address of record or dividend mailing address. The Bank shall not be liable for any improper payment made in accordance with a Certificate or resolution described in the preceding paragraph. If the Bank shall not receive sufficient cash prior to the payment date to make payments of any cash dividend or distribution pursuant to subsections (i) and (ii) above to all shareholders of the Customer as of the record date, the Bank shall, upon notifying the Customer, withhold payment to all shareholders of the Customer as of the record date until sufficient cash is provided to the Bank.

3. It is understood that the Bank shall in no way be responsible for the determination of the rate or form of dividends or distributions due to the shareholders.

4. It is understood that the Bank shall file such appropriate information returns concerning the payment of dividends and distributions with the proper federal, state and local authorities as are required by law to be filed by the Customer but shall in no way be responsible for the collection or withholding of taxes due on such dividends or distributions due to shareholders, except and only to the extent required of it by applicable law.

ARTICLE VII CONCERNING THE CUSTOMER

1. The Customer shall promptly deliver to the Bank written notice of any change in the Officers authorized to sign Share certificates, Certificates, notifications or requests, together with a specimen signature of each new Officer. In the event any Officer who shall have signed manually or

whose facsimile signature shall have been affixed to blank Share certificates shall die, resign or be removed prior to issuance of such Share certificates, the Bank may issue such Share certificates as the Share certificates of the Customer notwithstanding such death, resignation or removal, and the Customer

shall promptly deliver to the Bank such approvals, adoptions or ratifications as may be required by law.

2. Each copy of the Charter of the Customer and copies of all amendments thereto shall be certified by the Secretary of State (or other appropriate official) of the state of incorporation, and if such Charter and/or amendments are required by law also to be filed with a county or other officer or official body, a certificate of such filing shall be filed with a certified copy submitted to the Bank. Each copy of the By-Laws and copies of all amendments thereto, and copies of resolutions of the Board of Directors of the Customer, shall be certified by the Secretary or an Assistant Secretary of the Customer under the corporate seal.

3. Customer hereby represents and warrants:

(a) It is a corporation duly organized and validly existing under the laws of Maryland.

(b) This Agreement has been duly authorized, executed and delivered on its behalf and constitutes the legal, valid and binding obligation of Customer. The execution, delivery and performance of this Agreement by Customer do not and will not violate any applicable law or regulation and do not require the consent of any governmental or other regulatory body except for such consents and approvals as have been obtained and are in full force and effect.

ARTICLE VIII CONCERNING THE BANK

1. The Bank shall not be liable and shall be fully protected in acting upon any oral instruction, writing or document reasonably believed by it to be genuine and to have been given, signed or made by the proper person or persons and shall not be held to have any notice of any change of authority of any person until receipt of written notice thereof from an Officer of the Customer. It shall also be protected in processing Share certificates which it reasonably believes to bear the proper manual or facsimile signatures of the duly authorized Officer or Officers of the Customer and the proper countersignature of the Bank.

2. The Bank may establish such additional procedures, rules and regulations governing the transfer or registration of Share certificates as it may deem advisable and consistent with such rules and regulations generally adopted by bank transfer agents.

3. The Bank may keep such records as it deems advisable but not inconsistent with resolutions adopted by the Board of Directors of the Customer. The Bank may deliver to the Customer from time to time at its discretion, for safekeeping or disposition by the Customer in accordance with law, such records, papers, Share certificates which have been cancelled in transfer or exchange and other documents accumulated in the execution of its duties hereunder as the Bank may deem expedient, other than those which the Bank is itself required to

maintain pursuant to applicable laws and regulations, and the Customer shall assume all responsibility for any failure thereafter to produce any record, paper, cancelled Share certificate or other document so returned, if and when required. The records maintained by the Bank pursuant to this paragraph which have not been previously delivered to the Customer pursuant to the foregoing provisions of this paragraph shall be considered to be the property of the Customer, shall be considered to be the property of the Customer, shall be made available upon request for inspection by the Officers, employees and auditors of the Customer, and shall be delivered to the Customer upon request and in any

event upon the date of termination of this Agreement, as specified in Article IX of this Agreement, in the form and manner kept by the Bank on such date of termination or such earlier date as may be requested by the Customer.

4. The Bank may employ agents or attorneys-in-fact at the expense of the Customer, and shall not be liable for any loss or expense arising out of, or in connection with, the actions or omissions to act of its agents or attorneys-in-fact, so long as the Bank acts in good faith and without negligence or willful misconduct in connection with the selection of such agents or attorneys-in-fact.

5. The Bank shall only be liable for any loss or damage arising out of its own negligence or willful misconduct.

6. The Customer shall indemnify and hold harmless the Bank from and against any and all claims (whether with or without basis in fact or law), costs, demands, expenses and liabilities, including reasonable attorney's fees, which the Bank may sustain or incur or which may be asserted against the Bank except for any liability which the Bank has assumed pursuant to the immediately preceding section. The Bank shall be deemed not to have acted with negligence and not to have engaged in willful misconduct by reason of or as a result of any action taken or omitted to be taken by the Bank without its own negligence or willful misconduct in reliance upon (i) any provision of this Agreement, (ii) any instrument, order or Share certificate reasonably believed by it to be genuine and to be signed, countersigned or executed by any duly authorized Officer of the Customer, (iii) any Certificate or other instructions of an Officer, (iv) any opinion of legal counsel for the Customer or the Bank, or (v) any law, act, regulation or any interpretation of the same even though such law, act, or regulation may thereafter have been altered, changed, amended or repealed. Nothing contained herein shall limit or in any way impair the right of the Bank to indemnification under any other provision of this Agreement.

7. Specifically, but not by way of limitation, the Customer shall indemnify and hold harmless the Bank from and against any and all claims (whether with or without basis in fact or law), costs, demands, expenses and liabilities, including reasonable attorney's fees, of any and every nature which the Bank may sustain or incur or which may be asserted against the Bank in connection with the genuineness of a Share certificate, the Bank's due authorization by the Customer to issue Shares and the form and amount of authorized Shares.

8. At any time the Bank may apply to an Officer of the Customer for written instructions with respect to any matter arising in connection with the Bank's duties and obligations under this Agreement, and the Bank shall not be liable for any action taken or omitted to be taken by the Bank in good faith in accordance with such instructions. Such application by the Bank for instructions from an Officer of the Customer may, at the option of the Bank, set forth in writing any action proposed to be taken or omitted to be taken by the Bank with respect to its duties or obligations under this Agreement and the date on and/or after which such action shall be taken, and the Bank shall not be liable for any action taken or omitted to be taken in accordance with a proposal included in any such application on or after the date specified therein unless, prior to taking or omitting to take any such action, the Bank has received written instructions in response to such application specifying the action to be taken or omitted. The Bank may consult counsel to the Customer or its own counsel, at the expense of the Customer, and shall be fully protected with respect to anything done or omitted by it in good faith in accordance with the advice or opinion of such counsel.

9. When mail is used for delivery of non-negotiable Share certificates, the value of which does not exceed the limits of the Bank's Blanket Bond, the Bank shall send such nonnegotiable Share certificates by first class mail, and such deliveries will be covered while in transit by the Bank's Blanket Bond. Non-negotiable Share certificates, the value of which exceed the limits of the Bank's Blanket Bond, will be sent by insured registered mail. Negotiable Share certificates will be sent by insured registered mail. The Bank shall advise the Customer of any Share certificates returned as undeliverable after being mailed as herein provided for.

10. The Bank may issue new Share certificates in place of Share certificates represented to have been lost, stolen or destroyed upon receiving instructions in writing from an Officer and indemnity satisfactory to the Bank. Such instructions from the Customer shall be in such form as approved by the Board of Directors of the Customer in accordance with applicable law or the By-Laws of the Customer governing such matters. If the Bank receives written notification from the owner of the lost, stolen or destroyed Share certificate within a reasonable time after he has notice of it, the Bank shall promptly notify the Customer and shall act pursuant to written instructions signed by an Officer. If the Customer receives such written notification from the owner of the lost, stolen or destroyed Share certificate within a reasonable time after he has notice of it, the Customer shall promptly notify the Bank and the Bank shall act pursuant to written instructions signed by an Officer. The Bank shall not be liable for any act done or omitted by it pursuant to the written instructions described herein. The Bank may issue new Share certificates in exchange for, and upon surrender of, mutilated Share certificates.

11. The Bank will issue and mail subscription warrants for Shares, Shares representing stock dividends, exchanges or splits, or act as conversion agent upon receiving written instructions from an Officer and such other

documents as the Bank may deem necessary.

12. The Bank will supply shareholder lists to the Customer from time to time upon receiving a request therefor from an Officer of the Customer.

13. In case of any requests or demands for the inspection of the shareholder records of the Customer, the Bank will notify the Customer and endeavor to secure instructions from an Officer as to such inspection. The Bank reserves the right, however, to exhibit the shareholder record to any person whenever it is advised by its counsel that there is a reasonable likelihood that the Bank will be held liable for the failure to exhibit the shareholder records to such person.

14. At the request of an Officer, the Bank will address and mail such appropriate notices to shareholders as the Customer may direct.

15. Notwithstanding any provisions of this Agreement to the contrary, the Bank shall be under no duty or obligation to inquire into, and shall not be liable for:

(a) The legality of the issue, sale or transfer of any Shares, the sufficiency of the amount to be received in connection therewith, or the authority of the Customer to request such issuance, sale or transfer;

(b) The legality of the purchase of any Shares, the sufficiency of the amount to be paid in connection therewith, or the authority of the Customer to request such purchase;

(c) The legality of the declaration of any dividend by the Customer, or the legality of the issue of any Shares in payment of any stock dividend; or

(d) The legality of any recapitalization or readjustment of the Shares.

16. The Bank shall be entitled to receive and the Customer hereby agrees to pay to the Bank for its performance hereunder (i) out-of-pocket expenses (including legal expenses and attorney's fees) incurred in connection with this Agreement and its performance hereunder, and (ii) the compensation for services as set forth in Schedule I.

17. The Bank shall not be responsible for any money, whether or not represented by any check, draft or other instrument for the payment of money, received by it on behalf of the Customer, until the Bank actually receives and collects such funds.

18. The Bank shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement, and no covenant or obligation shall be implied against the Bank in connection with this Agreement.

ARTICLE IX
TERMINATION

Either of the parties hereto may terminate this Agreement by giving to the other party a notice in writing specifying the date of such termination, which shall be not less than 60 days after the date of receipt of such notice. In the event such notice is given by the Customer, it shall be accompanied by a copy of a resolution of the Board of Directors of the Customer, certified by the Secretary, electing to terminate this Agreement and designating a successor transfer agent or transfer agents. In the event such notice is given by the Bank, the Customer shall, on or before the termination date, deliver to the Bank a copy of a resolution of its Board of Directors certified by the Secretary designating a successor transfer agent or transfer agents. In the absence of such designation by the Customer, the Bank may designate a successor transfer agent. If the Customer fails to designate a successor Transfer agent and if the Bank is unable to find a successor transfer agent, the Customer shall, upon the date specified in the notice of termination of this Agreement and delivery of the records maintained hereunder, be deemed to be its own transfer agent and the Bank shall thereafter be relieved of all duties and responsibilities hereunder. Upon termination hereof, the Customer shall pay to the Bank such compensation as may be due to the Bank for any disbursements and expenses made or incurred by the Bank and payable or reimbursable hereunder. Further, upon termination hereof, the Bank shall fully cooperate with the Customer and the successor transfer agent to effect a smooth transition of the Services to the new agent and the Bank shall provide to the Customer and/or new agent any documents and records reasonably requested by either.

ARTICLE X
MISCELLANEOUS

1. The indemnities contained herein shall be continuing obligations of the Customer, its successors and assigns, notwithstanding the termination of this Agreement.
2. Any notice or other instrument in writing, authorized or required by this Agreement to be given to the Customer shall be sufficiently given if addressed to the Customer and mailed or delivered to it at 10990 Wilshire Blvd. - Suite 1200, Los Angeles, CA 90024, or at such other place as the Customer may from time to time designate in writing.
3. Any notice or other instrument in writing, authorized or required by this Agreement to be given to the Bank shall be sufficiently given if addressed to the Bank and mailed or delivered to it at its office at 101 Barclay Street (22W), New York, New York 10286 or at such other place as the Bank may from time to time designate in writing.
4. This Agreement may not be amended or modified in any manner except by a written agreement duly authorized and executed by both parties. Any duly authorized Officer may amend any Certificate naming Officers authorized to

execute and deliver Certificates, instructions, notices or other instruments, and the Secretary or any Assistant Secretary may amend any Certificate listing the shares of capital stock of the Customer for which the Bank performs Services hereunder.

5. This Agreement shall extend to and shall be binding upon the parties hereto and their respective successors and assigns; provided, however, that this Agreement shall not be assignable by either party without the prior written consent of the other party, and provided, further, that any reorganization, merger, consolidation, or sale of assets, by the Bank shall not be deemed to constitute an assignment of this Agreement.

6. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

7. This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original; but such counterparts, together, shall constitute only one instrument.

8. The provisions of this Agreement are intended to benefit only the Bank and the Customer, and no rights shall be granted to any other person by virtue of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective corporate officers, thereunto duly authorized and their respective corporate seals to be hereunto affixed, as of the day and year first above written.

Attest: HEALTH CARE PROPERTY INVESTORS, INC.

/s/ Romy Erickson

By: /s/ James G. Reynolds

Name: James G. Reynolds

Title: Executive Vice President

Attest: THE BANK OF NEW YORK

/s/ Frank Lado

By: /s/ Kevin M. Brennan

Name: Kevin M. Brennan

Title: Vice President

Stock Transfer Proposal
for
Health Care Property
Investors, Inc.

Merrill Bullis
Assistant Vice President
Worldwide Securities Processing Services
(212) 635-7134

TABLE OF CONTENTS

- I. Executive Summary

- II. The Bank of New York

- III. The Bank of New York - Stock Transfer Services

- IV. How to Convert Your Stock Transfer Relationship
 - a. Implementation Timeline
 - b. Key Contacts

V. Fee Proposal

REVISED STOCK TRANSFER FEE PROPOSAL

FOR

HEALTH CARE PROPERTY INVESTORS, INC.

Transfer Agent Services

June 19, 1996

ACCOUNT MAINTENANCE FUNCTIONS

For Each Active Account Maintained (Per Annum).....\$3.00
For Each Inactive Account Maintained (Per Annum).....\$1.60

(Inactive accounts are automatically coded as "closed" after thirteen months if they meet the purge criteria. There is no charge for closed accounts).

For servicing shareholder accounts maintained on the data base, to include:

- Opening new accounts
- Posting debits and credits
- Maintaining certificate history
- Placing and releasing stop transfer notations
- Consolidating duplicate accounts
- Coding accounts requiring special handling (e.g., "bad

address", "do not mail", VIP, etc.)

___ Processing address changes

___ Maintaining dividend and/or seasonal addresses

___ Responding to shareholder correspondence

___ Providing general 800 phone number for shareholder inquiries

___ Obtaining and posting Taxpayer Identification Number
certifications

___ Maintaining inactive accounts for the purpose of research and
tax reporting

___ Purging closed accounts that meet selective criteria (e.g.,
no outstanding checks, no stops maintained against
certificates, etc.)

___ Establishing and maintaining non-shareholder mail lists

CERTIFICATE ISSUANCE FUNCTIONS

For each Certificate Issued.....\$1.35

For Each DWAC Transaction.....\$10.00

For Each Rush Issuance (24 Hour Delivery) Transaction....\$10.00

For transferring stock certificates, to include:

___ Qualifying under rules of the NYSE and AMEX to act in dual
capacity of transfer agent and registrar

___ Maintaining mail and window facilities for the receipt of
transfer requests

___ Maintaining and securing unissued certificate inventory and
supporting documents

___ Examining issuance or transfer requests to ensure that proper
authority is being exercised

___ Verifying that original issuances are properly authorized and
have necessary regulatory approval

___ Verifying that no stop orders are held against the surrendered
certificates

___ Issuing and registering new certificates

___ Recording cancelled and issued certificates by registration,
certificate number and shares

___ Canceling surrendered certificates and storing for two years

___ Delivering completed transfers

___ Processing restricted and legal transfers

___ Issuing shares upon exercise of stock options

___ Replacing lost, destroyed or stolen certificates

___ Replacing lost, destroyed or stolen certificates

___ Furnishing daily transfer journals

DIVIDEND DISBURSEMENT FUNCTIONS

For Each Check Issued.....\$0.35
For Each ACH Transmission.....\$0.15

These services include:

- Preparing and mailing checks
- Reconciling checks
- Preparing payment register in list or microfiche form
- Withholding and filing taxes for non-resident aliens and others
- Filing federal tax information returns
- Mailing required statements (Form 1099) to registered holders
- Maintaining stop files and issuing replacement checks
- Maintaining payment orders and addresses
- Maintaining records to support escheat filings

DIVIDEND REINVESTMENT/ESPP (Non-Qualified) FUNCTIONS

Annual Administration Fee.....Included
For Each Dividend Reinvested (Per Account).....\$1.25
For Each Optional Cash Investment
(Per Account), if applicable.....\$3.00
For Each Full or Partial Liquidation (Per Account).....\$5.00
For Each Withdrawal of Shares (Per Occurrence).....\$5.00
For Each Deposit of Shares (Per Occurrence).....\$7.00
For Each Book-to-Book Transfer (Per Occurrence).....\$7.00
(Some of the above fees may be borne by the Shareholder.)

These services include:

- Opening and maintaining participant accounts

- Processing dividends for reinvestment and optional cash payments
- Preparing participant statements of account, after each transaction, showing activity for current period
- Processing liquidations and terminations according to plan specifications
- Issuing certificates to participants upon request for withdrawal
- Receiving certificates from participants for deposit into the plan
- Processing requests from participants for Book-to-Book transfers
- Processing external tapes to update participant accounts and

- make purchase
- ___ Providing periodic investment reports to Company
- ___ Preparing Form 1099B to report sale proceeds

ESCHEATMENT FUNCTIONS

For Due Diligence Mailing (Per Account).....	\$0.50
For Each Abandoned Property Report	
Filed Directly (Per State).....	\$75.00
For Each Abandoned Property Report Provided to	
The Company (Per State).....	\$50.00
For Each Shareholder Account Reported.....	\$1.50

Escheatment functions include the following:

- ___ Preparing preliminary report of abandoned property
- ___ Performing "due diligence" mailing to holders with abandoned property
- ___ Clearing property for holders responding to the mailing
- ___ Preparing final report and remitting abandoned property to each State

EXPENSES AND OTHER CHARGES

Out-of-Pocket Expenses

The cost of stationery and supplies, such as transfer sheets, dividend checks, etc., together with any disbursement for telephone, postage, mail insurance premiums, travel for annual meeting, link-up charges for ADP, tape charges from DTC, etc. are billed in addition to the above fees.

Conversion

There is usually no charge for converting the company's files to The Bank of New York's system with the exception of outstanding check history from the current agent's file. A review of the current files and formats will be made to determine if any situation exists which will require extraordinary effort to complete the conversion. Any charge will be discussed with the company prior to work commencing.

Interest

Interest of one and one-half percent (1.5%) per month will be charged on all invoices unpaid for more than 30 days.

Audit Confirmations

A charge of \$50.00 per request will be made for responding to requests for audit confirmations.

Legal Expenses

Certain legal expenses may be incurred in resolving matters not anticipated in the normal course of business. This may result in a separate charge to cover our expenses in resolving such matters.

Other Services

Fees for any services not specified above, such as storing cancelled certificates after the initial two year period, stock splits, exchanges, tenders, solicitation mailing and coding of dividend reinvestment and ACH accounts, etc., will be based on an appraisal of the work to be performed or on The Bank of New York's standard fees at the time of the request.

Minimum Fee

The Bank of New York's minimum charge is \$10,000 per year and will be billed at a rate of \$833.33 per month starting with our appointment date. If at the end of each year (12 months from appointment date) the total fees are less than the minimum, the difference will be billed to your account.

Termination

If The Bank of New York's appointment as stock transfer agent is terminated at any time, except in accordance with the provisions of the Agreement, a termination fee of ten percent (10%) of the previous twelve (12) months' fees, subject to a minimum of \$1,000 will be charged plus associated expenses for lists, tapes, etc. These charges are made to compensate for the additional time and expense involved in re-routing certificates and correspondence sent to us and for other related administrative and clerical duties.

STOCK TRANSFER SERVICES LIST OF KEY IMPLEMENTATION CONTACTS

Mr. William Skinner
Vice President
Stock Transfer Product Manager
(212) 815-2128

Mr. Samuel P. Gentile
Vice President
Stock Transfer Administration/Investor Relations
(212) 815-3629

Mr. Pat Falciglia
Vice President
Stock Transfer Administration
(212) 815-5825

Mr. William Kemple
Senior Vice President
Stock Transfer Operations
(212) 815-5353

Mr. Ramon Rosado
Vice President
Stock Transfer Operations
(212) 815-2131

Mr. Mario Passudetti
Vice President
Stock Transfer Operations
(212) 815-6432

Ms. Merrill Bullis
Assistant Vice President
Domestic Marketing Officer
(212) 635-7134

Estimated
Transfer Agent Expenses
For
Health Care Property Investors, Inc.

Activity	Number Per Year	Unit Cost	Total Cost
Form 1099 Mailing:			
Form Cost	1986	\$0.025	\$49.65
Postage (1st Class)	1986	\$0.25	\$496.50

Note: 1099s can be mailed as a combo with last

dividend check saving postage.

Quarterly Dividend: (Assumed 1886 checks mailed, 100 dividends reinvested)

Cost of checks	7544	\$0.025	\$188.60
Cost of envelopes	7544	\$0.02	\$150.00
Postage (1st Class)	7544	\$0.25	\$1,886.00

Annual Meeting Material Mailing:

Envelopes	1986	\$0.08	\$158.88
Postage (1st Class)	1986	\$0.898	\$1,783.43
Proxy Cards	1986	\$0.03	\$59.58
Proxy Return Envelopes	1986	\$0.02	\$39.72

Inspector of Election: (excluding travel expense)	1	\$600	\$600.00
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Miscellaneous Stationery for Correspondence			\$600.00
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Postage for Daily Correspondence			\$850.00
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Telephone, Insurance, Messenger and Express Mail			\$850.00
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Sub-Total Postage			\$5,015.93
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Sub-Total Non-Postage			\$2,697.31
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Total Estimated Annual Expenses			\$7,713.24
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